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If you have sold or transferred all your shares of **China Household Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



CHINA HOUSEHOLD HOLDINGS LIMITED

中國家居控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 692)

**MAJOR TRANSACTION IN RELATION TO ACQUISITION OF
CHINA AEROSPACE-THEMED TOURISM TOWNSHIP PROJECT
AND
NOTICE OF SPECIAL GENERAL MEETING**

The notice convening the SGM of China Household Holdings Limited (“the Company”) to be held at The Royal Pacific Hotel & Towers, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 16 June 2017 at 10 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you are able to attend the special general meeting of the Company, please complete the accompanying form of proxy 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 and in any event not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting if you so desire.

28 April 2017

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

“Acquisition”	the acquisition of Sale Share as contemplated under the Agreement
“Agreement”	the conditional sale and purchase agreement dated 9 December 2016 entered into between the Company, the Purchaser and the Vendor in relation to the Acquisition (as supplemented by the Supplemental Agreement)
“Board”	the board of Directors
“China Aerospace-Themed Tourism Township Project”	the China (Zhongshan) Shenzhou Aerospace Park located in Shenwan Town, Zhongshan City (中山市神灣鎮之中國(中山)神舟航天樂園) and supporting industries
“Company”	China Household Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange
“Completion”	has the meaning ascribed to it in the section headed “Completion” in this circular
“Conditions Precedent”	the conditions precedent as stated under the paragraph headed “Conditions Precedent” in this circular
“Consideration”	the total consideration in the sum of HK\$1,350,000,000 payable by the Purchaser to the Vendor for the Acquisition as described under the paragraphs headed “Consideration” in this circular
“Consideration for Plot A”	the consideration for Plot A amounting to HK\$50,000,000
“Consideration for Plot B”	the consideration for Plot B amounting to HK\$560,000,000
“Consideration for Plot C”	the consideration for Plot C amounting to HK\$125,000,000
“Consideration for Plot D”	the consideration for Plot D amounting to HK\$615,000,000
“Conversion Price”	the initial conversion price of HK\$0.10 per Conversion Share (subject to adjustments) of the Convertible Bonds

DEFINITIONS

“Conversion Share(s)”	new Share(s) to be allotted and issued to the holder(s) of the Convertible Bonds upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds with a 36 months term and an interest rate of 3% per annum in the principal amount of HK\$150,000,000
“Directors”	the directors of the Company, including the independent non-executive directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of China
“Independent Third Party(ies)”	the third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Land”	the land of Plot A, Plot B, Plot C and Plot D located in Shenxi Village, Shenwan Town, Zhongshan City, Guangdong Province with a total site area of 1,125 Mu (equivalent to approximately 750,000 square meters)
“Latest Practicable Date”	25 April 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mu”	a unit of area commonly used in the PRC (畝), one Mu is equivalent to approximately 666.67 square metres.
“Parties”	the Company, the Purchaser and the Vendor
“Plot A”	the land located in Shenxi Village, Shenwan Town, Zhongshan City, Guangdong Province with a site area of 185 Mu, and its coordinates are East (2465606.115, 499769.505), South (2465322.354, 499708.584), West (2465728.553, 499522.165) and North (2465822.499, 499686.554) respectively

DEFINITIONS

“Plot B”	the land located in Shenxi Village, Shenwan Town, Zhongshan City, Guangdong Province with a site area of 200 Mu, and its coordinates are East (2466036.924, 500021.852), South (2465822.499, 499686.554), West (2465993.274, 499611.962) and North (2466368.216, 500093.747) respectively
“Plot C”	the land located in Shenxi Village, Shenwan Town, Zhongshan City, Guangdong Province with a site area of 465 Mu, and its coordinates are East (2466449.939, 500350.162), South (2466368.216, 500093.747), West (2466493.582, 499635.277) and North (2466875.397, 500226.921) respectively
“Plot D”	the land located in Shenxi Village, Shenwan Town, Zhongshan City, Guangdong Province with a site area of 275 Mu, and its coordinates are East (2466980.330, 500425.098), South (2466875.397, 500226.921), West (2467048.225, 500141.193) and North (2467228.632, 500368.270) respectively
“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, Macau and Taiwan
“Promissory Note”	the promissory note in the principal amount of HK\$1,200,000,000 carries interest at the rate of 3% per annum to be issued by the Company
“Purchaser”	Vanilla Venus Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale Share”	one ordinary share in the share capital of the Target Company, being the entire issued share capital of the Target Company held by the Vendor
“SGM”	a special general meeting of the Company to be convened for the purpose to consider and, if thought fit, approve the Agreement, the Acquisition and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds to the Vendors and the allotment and issue of the Conversion Shares upon the exercise of conversion rights attaching to the Convertible Bonds, and other ancillary matters as may be required under the Listing Rules

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunsea Land”	Sunsea Land (China) Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Target Company
“Sunsea Yacht Club”	Guangdong Sunsea Yacht Club Company Limited* (廣東盛世遊艇會有限公司), a company established in China with limited liability and the entire registered capital of which is to be wholly owned by Sunsea Land upon the completion of the re-organisation
“Supplemental Agreement”	the supplemental agreement to the Agreement dated 7 March 2017 entered into between the Company, Purchaser and the Vendor to amend certain terms of the Agreement
“Target Company”	Shenzhou Aerospace Town Holdings Company Limited* (神州航天城控股有限公司), a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries upon the completion of the reorganisation
“Theme Park”	the China Aerospace-Themed Tourism Township Project to be operated by Sunsea Yacht Club
“Vendor” or “Zhongheng Investment”	Ever Sino Investment Holdings Limited (中恒投資控股有限公司), a company incorporated in the British Virgin Islands with limited liability, beneficially owned by Mr. Li Yim Cheung (李炎章)
“%”	per cent.

Note: RMB has been exchanged at rate approximately RMB1 = HK\$1.12.

LETTER FROM THE BOARD



CHINA HOUSEHOLD HOLDINGS LIMITED
中國家居控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 692)

Executive directors:

Mr. Li Zhixiong
Mr. Fu Zhenjun
Mr. Kuang Yuanwei

Non-executive director:

Mr. Li Dikang

Independent non-executive directors:

Mr. Yu Bingguang
Dr. Loke Yu
Mr. Lin Xuebin

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal

Place of Business:

Suite no 1001B, 10/F.,
Tower 1, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

28 April 2017

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO ACQUISITION OF
CHINA AEROSPACE-THEMED TOURISM TOWNSHIP PROJECT
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 9 December 2016 and 7 March 2017 in relation to the Acquisition and the Supplemental Agreement respectively.

LETTER FROM THE BOARD

The Board is pleased to announce that, on 9 December 2016 and on 7 March 2017, the Company, the Purchaser and the Vendor entered into the Agreement in relation to the acquisition of Shenzhou Aerospace Town Holdings Limited, the “Thirteenth Five” key construction project of Guangdong province, pursuant to which the Vendor will sell and the Purchaser will acquire 100% of the issued share capital of the Target Company at the Consideration of HK\$1,350,000,000.00 and entered into the Supplemental Agreement to amend certain terms of the Agreement respectively. The Board is very convinced that with the favourable opportunity of the state’s vigorous promotion of the tourism and cultural industry, the Company will further expand its business scope by this acquisition to enhance the returns for the Shareholders.

The purposes of this circular are to provide you with, among other things, (i) further details of the Acquisition and the transactions contemplated thereunder; (ii) other information as required to be disclosed under the Listing Rules; and (iii) a notice of the SGM.

THE AGREEMENT

Date: 9 December 2016 (as supplemented by the Supplemental Agreement)

Parties: (1) Company
(2) Purchaser
(3) Vendor

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Vendor and their beneficial owner are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Share for a total consideration of HK\$1,350,000,000. Upon Completion, the Target Company will become a subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

Consideration

The total consideration of purchase and sale of Sale Share shall be HK\$1,350,000,000.

The total consideration comprises of the Consideration for Plot A, Consideration for Plot B, Consideration for Plot C and Consideration for Plot D which are HK\$50,000,000, HK\$560,000,000, HK\$125,000,000 and HK\$615,000,000 respectively.

LETTER FROM THE BOARD

The consideration shall be paid to the Vendor in the following manners:

- (a) Consideration shall be paid by way of issuing the Convertible Bonds or Promissory Notes to the Vendor in accordance with (b) below by stages within 5 business days after (i) 1/4 of all the land relating to China Aerospace-Themed Tourism Township Project (calculated on valuation) is injected into the Target Group and Purchaser is reasonably satisfied that the Target Group has legally owned the land, (ii) each time after the Purchaser is reasonably satisfied that the land relating to China Aerospace-Themed Tourism Township Project is legally owned by the Target Group, and (iii) the Vendor has not breached any terms of the Agreement. The principal amount of the relevant Convertible Bonds or Promissory Notes shall be calculated based on the following formula:

$$A = 1,350,000,000 \times B/C$$

where A represents the principal amount of the Convertible Bonds or Promissory Notes, B represents the valuation of the land relating to China Aerospace-Themed Tourism Township Project which is injected into the Target Group at that time (and land which had been injected previously without issuing relevant Convertible Bonds or Promissory Notes, if applicable), C represents the total valuation of Plot A, Plot B, Plot C and Plot D;

- (b) The first HK\$150,000,000 of the Consideration will be paid by way of issuing Convertible Bonds, while the remaining HK\$1,200,000,000 will be paid by way of issuing Promissory Notes.

The Consideration for the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, the prospect as elaborated in the section headed "REASON FOR AND BENEFIT OF THE ACQUISITION" and the aggregate preliminary appraised value of the Land to be held by the Target Group of not less than HK\$1,350,000,000 performed by an independent valuer using the market approach.

Conditions precedent

The Purchaser shall, and shall procure its agents, forthwith upon the signing of the Agreement, to conduct such review regarding the assets, liabilities, operation and affairs of the Target Group as it may reasonably consider appropriate, and the Vendor shall provide and procure the Target Group and its agents to provide such assistance as the Purchaser or its agents may reasonably require in connection with such review.

LETTER FROM THE BOARD

Completion is conditional upon the followings:

- (a) the Purchaser is reasonably satisfied with the results of the due diligence conducted pursuant to the Agreement, including but not limited to the completion of reorganisation, and the business operation of the Target Group has obtained all relevant permits, licences and approvals;
- (b) the Vendor, the Target Company and Purchaser have obtained all necessary consents and approvals required to be obtained for the Agreement and the transactions contemplated thereunder;
- (c) all necessary waivers, consents, approvals, licences, authorizations, permits, orders and exemptions (if necessary) required to be obtained for the Agreement and the transactions contemplated thereunder have been obtained from the related government or regulatory authorities or other independent third parties;
- (d) the shareholders of the Company have passed an ordinary resolution at the general meeting of the Company to approve the Agreement and the transactions contemplated thereunder (including but not limited to the issuance of Convertible Bonds and Conversion Shares to the Vendor);
- (e) the PRC legal opinions (in the form and content reasonably satisfied to the Purchaser) relating to the transactions contemplated under the Agreement have been obtained;
- (f) a valuation report (in the form and content reasonably satisfied to the Purchaser) on the Plot A, Plot B, Plot C and Plot D issued by an independent valuer with the valuation of not less than HK\$1,350,000,000 has been obtained;
- (g) the warranties remaining true and accurate in all respects; and
- (h) the approval for the listing of, and permission to deal in, the Conversion Shares have been granted by the Listing Committee of the Stock Exchange.

The Vendor shall, on a best effort basis, assist the Purchaser in conducting the due diligence. The Vendor and the Purchaser shall each procure all information and documents disclosed under the requirements of the Listing Rules and other applicable rules, codes and regulations related to the preparation of all circulars, reports, documents, independent opinions or other documents to be timely issued to each other, the Stock Exchange, the Securities and Futures Commission and other relevant regulatory authorities.

LETTER FROM THE BOARD

Should the conditions set out above are not satisfied (or as the case may be, only (a), (e), (f) and (g) are waived by the Purchaser) by 5:00 p.m. on 30 April 2017 or such later date as may be agreed by the Vendor and the Purchaser, the Agreement shall cease and terminate (except certain terms pursuant to the Agreement shall continue to be in full force), and thereafter the parties will have no obligations and liabilities to each other in connection with the Agreement (save for any antecedent breach of the terms of the Agreement).

Conditions Precedent Status

As the Company is still carrying out the due diligence procedure, as at the Latest Practicable Date, all Parties do not intend to waive any Conditions Precedent. The status of fulfillment of the Conditions Precedent is as follow:

Detail	Status
(a) the Purchaser is reasonably satisfied with the results of the due diligence conducted pursuant to the Agreement, including but not limited to the completion of reorganisation, and the business operation of the Target Group has obtained all relevant permits, licences and approvals	On-going
(b) the Vendor, the Target Company and Purchaser have obtained all necessary consents and approvals required to be obtained for the Agreement and the transactions contemplated thereunder	On-going
(c) all necessary waivers, consents, approvals, licences, authorizations, permits, orders and exemptions (if necessary) required to be obtained for the Agreement and the transactions contemplated thereunder have been obtained from the related government or regulatory authorities or other independent third parties	On-going
(d) the shareholders of the Company have passed an ordinary resolution at the general meeting of the Company to approve the Agreement and the transactions contemplated thereunder (including but not limited to the issuance of Convertible Bonds and Conversion Shares to the Vendor)	On-going
(e) the PRC legal opinions (in the form and content reasonably satisfied to the Purchaser) relating to the transactions contemplated under the Agreement have been obtained	On-going

LETTER FROM THE BOARD

Detail	Status
(f) a valuation report (in the form and content reasonably satisfied to the Purchaser) on the Plot A, Plot B, Plot C and Plot D issued by an independent valuer with the valuation of not less than HK\$1,350,000,000 has been obtained	On-going
(g) the warranties remaining true and accurate in all respects	On-going
(h) the approval for the listing of, and permission to deal in, the Conversion Shares have been granted by the Listing Committee of the Stock Exchange	On-going

Completion

Subject to the fulfillment or satisfaction of all the conditions set out above (or only (a), (e), (f) and (g) are waived by the Purchaser), Completion shall take place at 4:00 p.m. on Completion Date or such later date as may be agreed by the Vendor and the Purchaser in writing, at the office of the Purchaser or such other place as may be agreed by the Vendor and Purchaser, which is then subject to all the actions and requirements as set out in the Agreement.

THE SUPPLEMENTAL AGREEMENT

On 7 March 2017 (after trading hours), the Company, the Purchaser and the Vendor (the “Parties”) entered into the supplemental agreement (“Supplemental Agreement”).

Notwithstanding any provision to the contrary in the Agreement, amongst others, the Parties further agreed that:

1. The Vendor agreed to issue a letter of undertaking to undertake that the plot ratios of the parcels of land (Plot A, Plot B, Plot C and Plot D) to be obtained by the Target Group as stated in the Agreement are equal to or greater than 0.25, 1.5, 0.25 and 1.2, respectively. If the final plot ratios of the auctioned land of the abovementioned parcels of land fall below the abovementioned undertaking, the Purchaser shall be entitled to make a reasonable price adjustment on the payment of consideration to the Vendor. Nevertheless, if the final plot ratios of the auctioned land are higher than the abovementioned undertaking, the Purchaser is not required to pay any further consideration to the Vendor.

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2. Since the Purchaser and the Vendor took into account of the abovementioned requirement on the plot ratios, the Parties agreed to delete the relevant term in the Agreement to the effect that “If 1/4 of all the land relating to China Aerospace-Themed Tourism Township Project (calculated on valuation) is unable to be injected into the Target Group within 18 months and the Purchaser is not reasonably satisfied that the Target Group has legally owned the land, unless both parties have negotiated in full and signed the supplement agreement relating to the extension of contract performance, the Purchaser shall have the rights to cancel the Agreement. Furthermore, if China Aerospace-Themed Tourism Township Project (to the reasonable satisfaction of the Purchaser) fails to proceed according to the budgeted development plan provided to the Purchaser by the Vendor before Completion, the Purchaser has the rights to request the Vendor to make compensation to the reasonable satisfaction of the Purchaser and deduct it from the Convertible Bonds and/or Promissory Notes issued, and the corresponding Convertible Bonds and/or Promissory Notes will be cancelled.”
3. The Purchaser agreed that upon the completion of reorganisation of the Target Group by the Vendor, save for all interests in land and property, other interests (all assets and liabilities) of the Target Group shall belong to the Vendor, including the interest of the “current accounts” with the original shareholder(s) of the Sunsea Yacht Club and the “prepayments” interest of the Sunsea Yacht Club to Zhongshan Shenwan Township Real Estate Investment Company Limited* (中山市神灣鎮房地產投資有限公司).
4. The consideration for equity transfer amount arising from the reorganization of the Sunsea Yacht Club, which is payable by the Target Group to the original shareholder(s) of the Sunsea Yacht Club, shall be borne by the Vendor in full.

Save as disclosed above, all other terms of the Agreement remain unchanged and continue to be in full force and effect.

Pursuant to the Supplemental Agreement, in the event that the final plot ratios of the auctioned land of the abovementioned parcels of land fall below the abovementioned undertaking, it was stated that the Purchaser shall be entitled to make a reasonable price adjustment on the payment of consideration to the Vendor. If that is the case, the adjusted Consideration shall be adjusted downward on a pro rata basis as follow:

$$\text{Adjusted Consideration for Plot A:} \quad \text{Consideration for Plot A} \quad \times \quad \frac{A \text{ (Note 1)}}{0.25}$$

$$\text{Adjusted Consideration for Plot B:} \quad \text{Consideration for Plot B} \quad \times \quad \frac{B \text{ (Note 2)}}{1.5}$$

$$\text{Adjusted Consideration for Plot C:} \quad \text{Consideration for Plot C} \quad \times \quad \frac{C \text{ (Note 3)}}{0.25}$$

LETTER FROM THE BOARD

$$\text{Adjusted Consideration for Plot D:} \quad \text{Consideration for Plot D} \quad \times \quad \frac{\text{D (Note 4)}}{1.2}$$

Note:

1. A being the final plot ratio of the auctioned land of Plot A.
2. A being the final plot ratio of the auctioned land of Plot B.
3. A being the final plot ratio of the auctioned land of Plot C.
4. A being the final plot ratio of the auctioned land of Plot D.

Having considered that (i) by entering the letter of undertaking between the Parties can safeguard the interest of the Company with the price adjust mechanism on the payment of the Consideration in the event that the plot ratios of the Land fall below the abovementioned undertaking; and (ii) the plot ratio of the respective plot of Land is the primary factor affecting the value of the Land; the Board is of the view that the pricing adjustment mechanism is fair and reasonable.

The Directors consider that the entering of the Supplemental Agreement is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

CONVERTIBLE BONDS

The Convertible Bonds

The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer	:	The Company
Principal amount	:	HK\$150,000,000
Maturity date	:	The end of 36th months of the date of issue of the Convertible Bonds
Interest rate	:	3% per annum payable at Maturity Date
Conversion Price	:	HK\$0.10 per Conversion Share subject to adjustments for adjustment provisions summarized below.

LETTER FROM THE BOARD

- Conversion Shares : A total of 1,500,000,000 new Shares subject to adjustment provisions, of a par value of HK\$0.001 each to be issued upon conversion of the Convertible Bonds.
- Conversion Period : The period commencing on the date of issue of the Convertible Bonds and expiring on the Maturity Date.
- Conversion rights : Bondholder will have the right to convert the Convertible Bonds in whole or in part (in an integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds on any business day during the Conversion Period.

Conversion right of the Convertible Bonds shall not be exercised by the Bondholder if:

- (i) the Bondholder and parties acting in concert with it will directly or indirectly control or be interested in such percentage of voting rights of the Company which the Bondholder would be obliged to make a general offer under the Takeovers Code;
- (ii) the Company will be unable to meet the public float requirements under the Listing Rules; or
- (iii) the Bondholder or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, the Takeovers Code or applicable laws or regulations.

- Redemption : Unless previously converted, the Convertible Bonds will be redeemed by the Company on the Maturity Date at its principal amount outstanding. The Company shall have the right to redeem the whole or any part(s) of the principal amount of the Convertible Bonds at any time on any business day prior to the Maturity Date.

- Adjustment provisions : The Conversion Price shall from time to time be adjusted upon the occurrence of certain events in relation to the Company including but not limited to the following:

- (i) consolidation or sub-division;

LETTER FROM THE BOARD

- (ii) capitalization of profits or reserves;
- (iii) capital distributions;
- (iv) rights issue of Shares or options over Shares etc;
- (v) rights issue of other securities of the Company;
and
- (vi) issues at less than prevailing market prices.

Transferability : The Convertible Bonds or any part(s) thereof may be assigned or transferred to any third party during the period commencing from the date of such issue and until the Maturity Date (as defined above), subject to the conditions, approvals, requirements and any other provisions of or under (i) the Stock Exchange or their rules and regulations; (ii) the approval for listing in respect of the Conversion Shares; and (iii) all applicable laws and regulations, or any others as disclosed in the instrument.

The Convertible Bonds shall not be transferred to a connected person (as defined in the Listing Rules) of the Company without the prior written consent from the Company and prior approval of the Stock Exchange (if necessary) and full compliance with the Listing Rules.

Voting : Bondholder will not be entitled to attend or vote at any Shareholders' meetings of the Company by reason only of its being a Bondholder.

Listing : No application will be made by the Company for the listing or permission to deal in the Convertible Bonds on the Stock Exchange. An application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

Ranking of the
Conversion Shares : Shares issued upon conversion will rank *pari passu* in all respects among themselves and with other existing Shares outstanding at the date of issue of the Conversion Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of their issue.

LETTER FROM THE BOARD

Conversion Price

HK\$0.10 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds.

The Conversion Price of HK\$0.10 per Conversion Share represents:

- (i) a discount of approximately 54.5% to the closing price of HK\$0.22 per Share as quoted on the Stock Exchange on the date of signing of the Agreement;
- (ii) a discount of approximately 57.1% to the average closing price of HK\$0.233 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the Agreement; and
- (iii) a discount of approximately 70.59% to the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Conversion Price was determined after arm's length negotiations between the Company and the Purchaser, with reference to the recent performance of the Shares, the Group's existing financial position and current market conditions.

The Conversion Shares

Upon full conversion of the Convertible Bonds in the aggregate principal amount of HK\$0.10 by the holder(s) of the Convertible Bonds at the Conversion Price, a maximum of 1,500,000,000 Conversion Shares will be issued. The Conversion Shares will represent: (i) approximately 25.7% of the issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 20.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares assuming the conversion rights attaching to the Convertible Bonds are exercised in full. The Conversion Price is determined between the Company, Purchaser and the Vendor after arm's length negotiations with reference to the prevailing market price of the Shares.

The Directors are of the view that the terms of the Convertible Bonds are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Specific Mandate

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM. The Company will make an application to the Stock Exchange for the listing of and permission to deal in the Conversion Shares. The Conversion Shares, when issued and fully paid, will rank *pari passu* in all respects with each other and with other Shares then in issue at the time of issue of the Conversion Shares.

LETTER FROM THE BOARD

Changes of Shareholding

As at the Latest Practicable Date, the Company has 5,829,090,120 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately upon Completion, assuming there would not be any allotment and issue of new Shares or Share repurchase by the Company and after exercising in full of the conversion rights attaching to the Convertible Bonds based on the best knowledge, information and belief of the Directors:

Shareholders	As at the Latest Practicable Date		Upon full conversion of the Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Li Zhixiong (Note 1)	215,711,666	3.08	215,711,666	2.54
Vendor	–	–	1,500,000,000	17.66
Public Shareholders				
Other public Shareholders	<u>6,778,378,454</u>	<u>96.92</u>	<u>6,778,378,454</u>	<u>79.80</u>
	<u><u>6,994,090,120</u></u>	<u><u>100.00</u></u>	<u><u>8,494,090,120</u></u>	<u><u>100.00</u></u>

Note(s):

- Mr. Li Zhixiong holds 172,681,666 shares (approximately 2.47% shareholding of the Company) and his spouse holds 43,030,000 shares (approximately 0.62% shareholding of the Company) as at the Latest Practicable Date.

PROMISSORY NOTES

The Company will issue the Promissory Note to the Vendor (or his nominee) in the total principal amount of HK\$1,200,000,000 which carries an interest at the rate of 3% per annum by stages within 5 business days each time after the Purchaser is reasonably satisfied that the land relating to China Aerospace-Themed Tourism Township Project is legally owned by the Group. The principal amount and all interest accrued thereon shall become payable by the Company to holder of the Promissory Note at its maturity date, being the third anniversary of the issue date of the Promissory Note. At maturity of the Promissory Note, the Company will fund the repayment of the principal amount and all interest accrued thereon by the Group's internal resources.

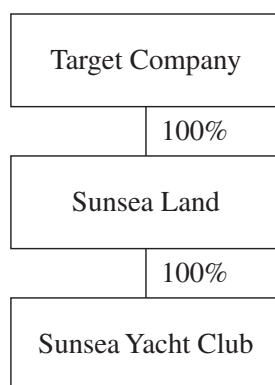
LETTER FROM THE BOARD

INFORMATION ABOUT THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability. Sunsea Land is a company incorporated in Hong Kong with limited liability and wholly owned by the Target Company.

The Target Group is in the process of reorganisation and is expected to be comprised of the Target Company, Sunsea Land and Sunsea Yacht Club. As at the Latest Practicable Date, the Target Company, Sunsea Land and Sunsea Yacht Club have been duly incorporated.

Upon reorganisation, the shareholding structure of the Target Group is as follow:



As at the Latest Practicable Date, the Target Company and Sunsea Land were incorporated on 20 April 2016 and 21 April 2009 respectively. The Target Company and Sunsea Land have no major assets and liabilities. As at the Latest Practicable Date, the Target Company and Sunsea Land have not conducted any businesses yet and have not generated any revenue and profit since their incorporation.

The audited consolidated net assets of Sunsea Yacht Club as at 31 December 2016 is approximately RMB114,469,679 (equivalent to approximately HK\$128,206,040).

As at the Latest Practicable Date, Sunsea Yacht Club was established on 22 May 2013. Sunsea Yacht Club has a registered capital of RMB150,000,000. As at the Latest Practicable Date, save as the research and development costs incurred, Sunsea Yacht Club has not conducted any businesses yet and has not generated any revenue and profit since its incorporation.

Upon the completion of the reorganisation, the registered capital of Sunsea Yacht Club will be indirectly and wholly owned by the Target Company. The Target Group will principally engage in the operation of the China Aerospace-Themed Tourism Township Project through Sunsea Yacht Club.

LETTER FROM THE BOARD

The China Aerospace-Themed Tourism Township Project is the first interactive, intelligent and whole-region aerospace-themed tourism town in China, which was strategically planned and jointly developed by Guangdong Sunsea Yacht Club Company Limited and China Academy of Space Technology (Space Fifth Institute (航天五院)). Located in Shenwan Town, Zhongshan City, Guangdong province with a total site area of 750,000 square meters, the project is a key development project by the governments of Guangdong province and Zhongshan City. As at the Latest Practicable Date, the Target Group does not possess the titles of the Land. The project feasibility study and the respective detail design solution plan of the China Aerospace-Themed Tourism Township Project will be issued by professional and expert parties upon the injection of each Land into the Target Group. Based on the management of the Sunsea Yacht Club, it is expected that Plot A, Plot B, Plot C and Plot D will be injected into the Target Group on or before December 2017, December 2017, December 2018 and December 2018 respectively.

The China Aerospace-Themed Tourism Township Project comprises three major phases of development. The first phase of development consists of three key projects including Shenzhou Aerospace Park* (神舟航天樂園), Outlet Town* (奧特拉斯小鎮) and Space Agricultural Park* (太空農業園) which the first phase is expected to be completed in 2023. In regarding Shenzhou Aero Space Park, Outlet Town, Space Agricultural Park, they are expected to be completed in December 2022, December 2021 and December 2021 respectively while the overall detail construction costs, which shall be finance by the Target Group by way of including but not limited to bank borrowing, project construction financing, financing from other financing institution and individual investors, are yet to be estimated at this stage as the China Aerospace-Themed Tourism Township Project's overall design solution plan and project feasibility study are still yet to be completed until the Land has been injected into the Target Group. As at the Latest Practicable Date, the Company has no intention to finance the construction costs by fund raisings (equity or debt) of the Company.

The second phase of development consists of Construction Space Experience Tour* (建設太空體驗之旅) and Wentian Kepu Base* (問天科普基地) while the third phase of development consists of Construction Sunsea Flying Club* (建設盛世飛行會) and Dimension Camp* (維度大本營). The second phase and third phase of development is subject to the completion of the first phase while the overall construction cost estimation and detail plan including but not limited to the design solution plan and project feasibility shall be conducted in the later stage upon the completion of the first phase.

Mr. Wong Hung Chiu (黃鴻照) (“**Mr. Wong**”) is the current Chairman of Sunsea Yacht Club and is responsible for managing the entire China Aerospace-Themed Tourism Township Project. Mr. Wong graduated from South China Normal University in 1985. He was elected as a deputy mayor of Sanxiang Town, Zhongshan City People's Government in 1986 and as a deputy party secretary of Sanxiang Town, Zhongshan City in 1990. He successfully led Sunsea Yacht Club to enter into the China Aerospace-Themed Park Cooperation Agreement (《中國航天主題樂園合作協議》) with the Beijing Space Science and Technology Information Institute (北京空間科技信息研究所) in Beijing Diaoyutai State Guesthouse on 5 March 2012. He launched the preliminary work of the project and pressed ahead the site selection, planning and design of the

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aerospace-themed park, being the first of its kind in the PRC and the only one in Guangdong. On 28 March 2015, he cordially invited the China Academy of Space Technology and the Government of Zhongshan City, Guangdong province (the “**Zhongshan City Government**”) to enter into the China (Zhongshan) Aerospace Town Cooperation Framework Agreement (《中國(中山)航天城合作框架協議》) which marked the project to be officially positioned in Zhongshan Shenwan and to be included in the “Thirteenth Five” key construction projects of Guangdong province in 2016. The Board intends to invite Mr. Wong to join the management of the Company to manage and be responsible for the implementation and development of the China Aerospace-Themed Tourism Township Project upon completion of the Acquisition. As at the Latest Practicable Date, the Company has no intention to appoint Mr. Wong Hung Chiu as a director of the Company.

On 1 November 2016, under the witness of Wang Yong, a state councillor and Zhu Xiaodan, the Governor of Guangdong province, a cooperation framework agreement (the “**Cooperation Agreement**”) in relation to the China (Zhongshan) Shenzhou Aerospace Park* located in Shenwan Town, Zhongshan City was entered into between the China Academy of Space Technology (the “**Space Fifth Institute**”), the Zhongshan City Government and Sunsea Yacht Club at the China (Zhuhai) International Aviation & Aerospace Exhibition held in Zhuhai (the “**Airshow China**”) in respect of joint establishment of a worldclass national 5A tourist park with aerospace technology in China as the theme, by virtue of aerospace cultural creation and aerospace science popularisation experience, as well as planning and development of various segments, including China (zhongshan) Shenzhou Aerospace Park*, Outlets Town* and Space Agricultural Park* with an investment amount up to RMB12,000,000,000. The project implementation work in relation to the Cooperation Agreement will be jointly organised and conducted by the three parties thereto. In the course of conducting relevant formalities and project implementation, the Zhongshan City Government will fully cooperate with the Space Fifth Institute and Sunsea Yacht Club. Meanwhile, it will also offer the highest quality services within the shortest time, thereby facilitating the smooth and effective operation and progress of the project of the Space Fifth Institute and Sunsea Yacht Club in Zhongshan City.

The entering into the Cooperation Agreement represents the support and cooperation to be received by the Group, as the leader of the China Aerospace-themed Tourism Project, from the Zhongshan City Government, the Space Fifth Institute and Sunsea Yacht Club upon the implementation and completion of the Acquisition, in the course of developing the first aerospace cultural-themed flagship park in the PRC encompassing diversified business models. Leveraging on the capital raised from its listing platform, the Company will achieve leapfrog development for the China (Zhongshan) Shenzhou Aerospace Park and fully accelerate the development of the cultural tourism and modern service industry of Zhongshan City, as well as the education on aerospace and aviation science in the PRC. Under the leadership of the Company and capitalising on the PRC’s achievements in aerospace technology and the Space Fifth Institute’s product research and development and cultural edges, the China Aerospace-themed Tourism Project will be developed into an aerospace cultural-themed base. It will adopt aerospace entertainment as its theme and form a business model by organically integrating the inherent business strengths of Shenwan Town and become a multifunctional complex encompassing technology, arts, education and entertainment.

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Established in 1996, the Airshow China is an international and professional aviation and aerospace exhibition in the PRC approved by the State Council, which integrates commercial, professional and academic exchanges as well as aerobatic display. There were 11 sessions of events successfully held in the past two decades as of now. Under the background of the national strategy “One Belt, One Road” and the in-depth integration of military and civilian development, the Airshow China focuses on enhancing internationalisation, professionalisation, marketisation and brandisation. It aims at building a platform for exchange, co-operation and business negotiation among players in the international aerospace, aviation and defense industry to propel the development of international arms trade.

REASONS FOR BENEFITS OF THE ACQUISITION

The Group is principally engaged in the sales of household furniture, iron and titanium exploration, development and mining in the PRC and the information and technologies services during the year.

The state has been vigorously promoting the tourism and cultural industries, as evident in the “Outline of the Thirteenth Five-Year Plan” where direct references to the term “tourism” were made on at least 15 occasions, and the development of new business models, namely agricultural tourism, agricultural experience, creative agriculture, tourism real estate and cultural real estate, were emphasised. The outline also emphasises expediting the development of modern cultural industry, promoting the innovation of cultural industry and co-developing the cultural, technology and tourism sectors. Furthermore, it aims at optimising the urban and industrial planning along the Yangtze River, devising a roadmap for offering high-end eco-experience, expanding the environmentally friendly and pleasant eco-space, developing towns with unique charms that offer professional services for tourism and science education.

According to the statistics from the China National Tourism Administration, the number of passengers for inbound and outbound travel totalled 4.12 billion in 2015, representing nearly 3 times the traveller population of the PRC. The tourism industry of the PRC accounted for 10.1% of the GDP of the PRC, outperforming the education, banking and automobile sectors. In other words, tourism has become the new growth driver of the Chinese economy under the new norm.

The China Aerospace-Themed Tourism Township Project will be developed into a town of tourism, culture and commercial properties located in Shenwan Town, Zhongshan City that integrated various themes, for example, theme tourism plaza, leisure and resort complex and car camping site. It will also become an aerospace-themed park, which is the first of its kind in the PRC and the only one in Guangdong, a national 5A tourist spot and a whole-region aerospace intelligent tourism town. The China Aerospace-Themed Tourism Township Project is one of the national key development projects. In the course of planning of the project, a number of central enterprises and large state-owned enterprises have been actively negotiating and have expressed that they intend to participate in the China Aerospace-Themed Tourism Township Project by various means. The Board considers that if the project will be successfully linked up with the

LETTER FROM THE BOARD

Company, it can attract more low-cost capital through the online platform of the Company to invest in the development and construction of the project and in turn support and complement the overall transformation and upgrading of the Company, shape high-end goodwill and create better returns for the Shareholders.

In order to more effectively manage the business risks of the Company and to diversify its business, the Board aims to acquire access to the China Aerospace-Themed Tourism Township Project through the Acquisition, which it believes will allow the Company to leverage the national policy to tap into the cultural tourism industry in the PRC, thereby further fulfills the needs of business development. The Board is also committed to developing the first whole-region aerospace-themed tourism town in the country in a bid to enhance the returns for the Shareholders and lead the Group to a new era.

Having considered that (i) the Acquisition can broaden its source of income and expand the business operations and it is beneficial for the Group to diversify its business into the tourism industry in the PRC; (ii) the Acquisition will allow the Group to enter growing tourism industry in the PRC with the support of the local government under the favourable national policy; (iii) the operating company of the Target Group has an experienced management team which has extensive and relevant experience in aerospace cultural-themed park and tourism industry despite the fact that the Target Company was newly established and has not yet conducted any business; (iv) no consideration will be payable to the Vendor if Plot A, Plot B, Plot C and Plot D have yet to be injected into the Target Group; (v) the conversion price of HK\$0.10 represent a significant discount to the Company was due to the recent highly volatile trading price fluctuation which the stock price surged during the period from mid October 2016 to December 2016 prior the entering of the Agreement; (vi) the Consideration will only be issued to the Vendor subject to title of the Land has been obtained by the Target Group pursuant to the Agreement (as supplemented by the Supplemental Agreement) in order to safeguard and protect shareholder's interest the Board is of the view that the Acquisition represent an attractive business opportunities to diversify risk and broaden the sources of income of the Group so as to effectively realize the Company's strategic expansion and capital appreciation and to create new sustainable business growth and profitability for the Shareholders, and is in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company under the Listing Rules. The Acquisition is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

FINANCIAL IMPACT OF THE PROPOSED ACQUISITION TO THE GROUP

Upon Completion, the Target will become an indirect 100% wholly-owned subsidiary of the Company and the consolidated financial results of the Target will be consolidated into the Group's financial statements. The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to this circular is prepared as if the Acquisition had taken place at 31 December 2016 to illustrate the effect of the Acquisition.

Assets and liabilities

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to this circular (assuming that the Acquisition had been completed on 31 December 2016), the total assets of the Group would have increased from approximately HK\$1,651,923,000 to approximately HK\$2,708,423,000 on a pro forma basis, the total liabilities of the Group would have increased from approximately HK\$946,196,000 to approximately HK\$1,967,895,000 on a pro forma basis, and the net assets of the Group would have increased from approximately HK\$705,727,000 to approximately HK\$740,528,000 on a pro forma basis.

Earnings

Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company and its results of operations will be consolidated into the Enlarged Group using the principles of merger accounting as set out in Appendix IV to this circular. As the Land is still under progress injecting into the Target Group and will not commence its operation till the Land has been injected into the Target Group, the Enlarged Group is not expected to recognise any earnings from the Target Group until then. Based on the audited financial information of the Target Group and Sunsea Yacht Club, the Target Group and Sunsea Yacht Club, incurred a net loss of HK\$4,214,271 and a net loss of RMB20,596,220 (equivalent to approximately HK\$23,067,766) for the period from 20 April 2016 to 31 December 2016 and for the year ended 31 December 2016 respectively. While there will not be any immediate material impact on earnings of the Group, the Directors believe that the Acquisition would enhance the Group's income stream upon the commencement of the Theme Park's operations.

SPECIAL GENERAL MEETING

At the SGM, resolution will be proposed to the Shareholders in respect of the ordinary business of the Company to be considered and, if thought fit, approve the Agreement and the Acquisition contemplated thereunder. The notice of SGM is set out on pages SGM-1 to SGM-2 of this circular expected to be dispatched to the Shareholders together with this circular.

LETTER FROM THE BOARD

ACTION TO BE TAKEN

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy and return it 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 and in any event not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting if you so desire.

PROCEDURES FOR VOTING

Pursuant to Rule 13.39 of the Listing Rules, all votes of Shareholders at a general meeting must be taken by poll. The Chairman of the meeting will therefore demand a poll for every resolution put to the vote of the SGM pursuant to clause 70 of the Bye-Laws.

RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company 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.

RECOMMENDATION

The Directors consider that the Acquisition are in the best interests of the Company as well as its Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders of the Company should vote in favour of the resolutions to be proposed at the SGM to give effect to them.

GENERAL

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM.

FURTHER INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

By order of the Board
China Household Holdings Limited
Mr. Fu Zhenjun
Executive Director

I. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the year ended 2014, 2015 and 2016 are disclosed in the following documents which have been published on the website of the Stock Exchange at on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chh.hk/html/ir_report.php:

- Annual results announcement of the Company for the year ended 31 December 2016 published on 31 March 2017 (pages 3 to 6);
- Annual report of the Company for the year ended 31 December 2015 published on 29 April 2016 (pages 31 to 37); and
- Annual report of the Company for the year ended 31 December 2014 published on 30 April 2015 (pages 31 to 38).

II. INDEBTEDNESS STATEMENT**Borrowings**

As at the close of business on 28 February 2017, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of the circular, the Enlarged Group had the following borrowings:

	Group <i>HK\$'000</i>	Target Group <i>HK\$'000</i>	Enlarged Group <i>HK\$'000</i>
Bank loans – secured	52,929	–	52,929
Loans from shareholder – unsecured	4,006	–	4,006
Promissory Note	1,666	–	1,666
Strict Bonds– unsecured	513,214	–	513,214
Total Borrowings	571,815	–	571,815

Bank loans of approximately HK\$52,929,000 were secured by the Group's leasehold land and buildings.

Loans from shareholder are unsecured and interest-free. The amount will be waived by the shareholder of the Target Company before the completion of the Acquisition.

On 14 October 2016, the Company renewed extended an unsecured promissory note with principal value of HK\$1,666,000 (the "PN6"). The PN6 bears monthly interest at 4% and fall due on 31 March 2017. As at 28 February 2017, the carrying amount of PN6 was approximately HK\$1,666,000.

Strict Bonds of approximately HK\$513,214,000 with the fixed coupon rate and effective interest rate are ranging from 5% to 10% per annum in which can be early redeemed on demand by the Group.

Save as disclosed in this circular, the Enlarged Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as at 28 February 2017, being the latest practicable date for the Enlarged Group's indebtedness statement. Since 28 February 2017 and up to the Latest Practicable Date, there has not been any material adverse change in the Enlarged Group's indebtedness and contingent liabilities. The Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise.

III. WORKING CAPITAL

The Directors confirm that, after due and careful enquiry and taking into consideration the financial resources available to the Group, including banking facilities and other internal resources, the Group has sufficient working capital for at least the next 12 months commencing from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there was not any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

V. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group principally engages in the sales of household furniture, iron and titanium exploration, development and mining in the PRC and the information and technologies services during the year.

In the past year, the global economic environment is experiencing subdued growth. However, the global recovery is still fragile despite improved prospects, and significant downside risks are expected to remain for a period of time. While challenging times still lay ahead, the Group is undergoing a gradual adjustment on business strategy and believes that it can overcome all challenges and turn unfavorable conditions to our advantages. Nonetheless, the Group will keep abreast of changing market conditions and will adjust its business strategies to come up with opportunities for the mining business. The technologies business remains challenging and there is no clear visibility amid the continuing global economic uncertainties. Overcoming the challenging environment require consistence operational planning and shrewd execution and investment in innovative and enhance product mix that serves the needs of our customers. As disclosed in the annual results announcement of the Company dated 31 March 2017, the Group would strive for a turnaround in the household business and closely study the development of the mining industry. At the same time, the Group would look for proper investments that would diversify the Group's risk and rewards. The Group is closely monitoring the acquisition of Aerospace Themed-Park Project and is confident that the acquisition will turn the Group to a new leaf.

Going forward, the Group will continue to focus on innovative communication and customize service to achieve high reliability and integrity. The management will navigate the Group in overcoming the challenges in the overall operating environment and continue to chart a pragmatic yet aggressive business course while flexibly adjusting its business strategies to capture more future opportunities for the Group to ensure steady development of its business. The Group shall continue to put resources to strengthen its branding and position in the household furnishing business and to explore further quality investment opportunities to enhance shareholders wealth.

The Group will still continue to put resources to strengthen its branding and position in the household furnishing business and to explore further quality investment opportunities to enhance shareholders wealth. Hence, the Company has no intention to scale down or cease its existing business.

In addition, the Company intends to seek for talents with relevant expertise to operate and manage the Target Group which will develop an aerospace cultural-themed flagship park in the PRC.

As at the date of the Latest Practicable Date, there is no further capital requirement of the Target Group and any capital expenditure for the future development of the Land shall be funded by the internal resource of the Target Group, and hence the development of the Theme Park will not bring material impact to the Group's liquidity positions and operating results. Upon completion of the construction of the Theme Park, the Acquisition will diversify the Group's existing businesses, and will generate an additional income stream to the Group. The Board considers that the Acquisition will be beneficial to the Group and the Shareholders in the future.

The unaudited consolidated pro forma financial information of the Group illustrating the financial impact of the Acquisition on the assets and liabilities of the Group is set out in Appendix IV to this circular. The pro forma financial information of the Group has been prepared for illustrative purpose only, based on the judgments and assumptions of the Directors, and, due to its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date of completion of the Acquisition or any future date.

The following is the text of a report received from the reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

A. ACCOUNTANT'S REPORT OF THE TARGET GROUP



開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

10th Floor,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

28 April 2017

The Board of Directors
China Household Holdings Limited
Suites No. 1001B, 10/F., Tower 1,
China Hong Kong City,
33 Canton Road,
Tsim Sha Tsui,
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the “**Financial Information**”) of Shenzhou Aerospace City Holding Limited (the “**Target Company**”) and its subsidiary, Sunsea Land (China) Company Limited (the “**Sunsea Land**”) (hereinafter collectively referred to as the “**Sunsea Group**”) comprising the consolidated statement of financial position at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the statement of cash flows of the for the period from 20 April 2016 (date of incorporation) to 31 December 2016 (the “**Relevant Period**”) together with the explanatory notes thereto (the “**Financial Information**”). This Financial Information has been prepared by the sole director of the Target Company for inclusion in appendix II to the circular issued by China Household Holdings Limited (the “**Company**”) dated 28 April 2017 (the “**Circular**”) in connection with the proposed acquisition of China Aerospace-themed Tourism Township Project (the “**Acquisition**”).

The Target Company was incorporated on 20 April 2016 with limited liability in the British Virgin Islands (the “**BVI**”) and its principal activities were investment holdings. It holds 100% of equity interest of Sunsea Land. Target Company and Sunsea Land have adopted 31 December as their financial year end date. As at the date of this report, no statutory audited financial statements have been prepared by the Target Company since its incorporation.

Sunsea Land was incorporated in Hong Kong on 21 April 2009 with limited liability under the Hong Kong Companies Ordinance, and was dormant during the Relevant Period. The statutory financial statements of Sunsea Land for the years ended 31 December 2014, 2015, 2016 were prepared in accordance with the Small Medium-sized Entity Financial Reporting Standard (“SME-FRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and was audited by Katax C.P.A. Limited.

For the purpose of this report, the sole director of the Target Company has prepared the consolidated financial statements for the Relevant Period in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA (the “**Underlying Financial Statements**”). The Financial Information for the Relevant Period has been prepared based on the Underlying Financial Statements, with no adjustments made thereto, and in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Underlying Financial Statements for the Relevant Period were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

DIRECTORS' RESPONSIBILITIES

The sole director of the Target Company is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provision of the Listing Rules, and for such internal control as the sole director of the Target Company determines is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of Company are responsible for the contents of the circular in which this report is included.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

It is our responsibility to form an independent opinion on the Financial Information for the Relevant Period based on our audit. We conducted audit in accordance with Hong Kong Standards on Auditing and the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

OPINION

In our opinion, for the purpose of this report, the Financial Information give a true and fair view of the state of affairs of Sunsea Group as at 31 December 2016 and of the financial performance and cash flows for the Relevant Period in accordance with HKFRSs.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

		For the period from 20 April 2016 (date of incorporation) to 31 December 2016 HK\$
	Note	
Revenue	4.3	–
Other expenses		(3,985,991)
Administrative expenses		<u>(228,280)</u>
Loss before tax	9	(4,214,271)
Income tax expense	12	<u>–</u>
Loss and total comprehensive expense for the period		<u><u>(4,214,271)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December 2016 HK\$
	<i>Note</i>	
ASSETS AND LIABILITIES		
Current assets		
Other receivable	14	2,234,000
Cash and bank balances		<u>20,000</u>
		<u>2,254,000</u>
Current liabilities		
Accruals		62,240
Amount due to the immediate holding company	15	<u>6,328,031</u>
		<u>6,390,271</u>
Net current liabilities and net liabilities		<u><u>(4,136,271)</u></u>
EQUITY		
Share capital	16	78,000
Accumulated losses		<u>(4,214,271)</u>
Capital deficiency		<u><u>(4,136,271)</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$	Accumulated losses HK\$	Total HK\$
At 20 April 2016 (date of incorporation of the Target Company)	78,000	–	78,000
Loss and total comprehensive expenses for the period	–	(4,214,271)	(4,214,271)
Balance as at 31 December 2016	<u>78,000</u>	<u>(4,214,271)</u>	<u>(4,136,271)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the period from 20 April 2016 (date of incorporation) to 31 December 2016 HK\$
OPERATING ACTIVITIES	
Loss before tax	(4,214,271)
Exchange loss	160,000
Impairment loss on acquisition of a subsidiary	<u>3,985,991</u>
Operating loss before working capital changes	(68,280)
Increase in accruals	<u>48,780</u>
NET CASH USED IN OPERATIONS AND OPERATING ACTIVITIES	<u>(19,500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net cash outflow for acquisition of a subsidiary	<u>(10,000,000)</u>
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(10,000,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Advance from the immediate holding company	9,961,500
Proceeds from issue of shares	<u>78,000</u>
NET CASH FROM FINANCING ACTIVITIES	<u>10,039,500</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND CASH AND EQUIVALENTS AT END OF THE YEAR	<u><u>20,000</u></u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS	
Cash and bank balances as at 31 December 2016	<u><u>20,000</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. General information

The Target Company was incorporated on 20 April 2016 with limited liability in British Virgin Islands. The address of the registered office is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. Its principal activity is investment holding.

In the opinion of the sole director of the Target Company, the immediate and ultimate holding company is Ever Sino Investment Holdings Limited (the "Vendor"), a company incorporated in the BVI with limited liability, beneficially wholly-owned and controlled by Mr. Li Yim Cheung.

The Financial Information for the Relevant Period is prepared solely for the purpose of inclusion of the Financial Information in the Circular.

The Financial Information of the Target Company is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Target Company.

2. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

The Target Company has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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

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

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

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

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

The sole director of Target Company does not anticipate that the application of the above new and amendments to HKFRSs will have a material impact on the Financial Information of the Sunsea Group.

3. Basis of preparation

The Financial Information set out in this report has been prepared in accordance with the applicable HKFRSs, which includes all applicable individual HKFRSs, Hong Kong Accounting Standards and interpretations 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 and the Hong Kong Companies Ordinance.

As at 31 December 2016, the Sunsea Group had net current liabilities and net liabilities of HK\$4,136,271. The Financial Information has been prepared by the sole director of Target Company on a going concern basis as the ultimate shareholder of Sunsea Group has agreed to provide financial support to Sunsea Group to maintain as a going concern and the immediate holding company has agreed not to demand for any repayment of the amounts due to the immediate holding company of HK\$6,328,031 as at 31 December 2016 until after the completion of the Acquisition. In addition, The Company has agreed to provide financial support to the Sunsea Group to maintain as a going concern in the next 12 months after the completion of the Acquisition.

This Financial Information have been prepared under the historical cost basis.

The preparation of the Financial Information has been in conformity with HKFRSs which requires the management of Sunsea Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors believed by the management of the Sunsea Group to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. 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. Judgements made by management of the Sunsea Group in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 5 to the Financial Information.

The significant accounting policies applied in the preparation of this Financial Information are set out below.

The Financial Information incorporate the financial statements of the Target Company and Sunsea Land controlled by the Target Company. 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 Company obtains control over the subsidiary and ceases when the Target Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Company gains control until the date when the Target Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Sunsea Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Sunsea Group are eliminated in full on consolidation.

4. Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the Financial Information are summarised below.

4.1 Financial instruments

Financial assets and financial liabilities are recognised when the a member of the Sunsea Group becomes a party to the contractual provisions of the instruments.

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. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Financial liabilities are recognised in the statement of financial position when a member of the Sunsea Group becomes a party to the contractual provision of the instrument. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Financial liabilities are subsequently 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 period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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

A financial liability is derecognised when, and only when, a member of the Sunsea Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.2 Cash and cash equivalents

Cash and bank balances include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

4.3 Revenue recognition

The Sunsea Group did not generate any revenue during the Relevant Period.

4.4 Taxation

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

The tax currently payable is based on the taxable profit for the Relevant Period. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the Relevant Period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base 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 the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the 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 rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred income taxes are recognised in profit or loss.

4.5 Provisions and contingent liabilities

Provisions are recognised when the Sunsea Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provision are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Sunsea Group is also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.6 Related parties

- (a) A person, or a close member of that person's family, is related to the Target Company if that person:
 - (i) has control or joint control over the Target Company;

- (ii) has significant influence over the Target Company; or
 - (iii) is a member of the key management personnel of Target Company or Target Company's parent.
- (b) An entity is related to the Target Company if any of the following conditions applies:
 - (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4.7 Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is also the functional currency of the Target Company. Each entity in the Sunsea Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to combined statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on the retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

5. Critical accounting judgements

In the application of accounting policies, which are described in note 4, the sole director of the Target Company is required to make judgements, 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 on-going 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.

6. Capital risk management

The Sunsea Group manages its capital to ensure that the Sunsea Group will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance. The capital structure of Sunsea Group consists of an amount due to a shareholder and equity attributable to owner of the Target Company, comprising share capital and accumulated losses.

The sole director of the Target Company reviews the capital structure on a regular basis. As part of this review, the director of the Target Company considers the cost of capital and the risks associated with each class of capital.

7. Financial instruments by category

	2016
	<i>HK\$</i>
<i>Financial assets</i>	
Loans and receivables,	
Other receivable	2,234,000
Cash and bank balance	<u>20,000</u>
	<u><u>2,254,000</u></u>
<i>Financial liabilities</i>	
Financial liabilities at amortised cost	
Amount due to the immediate holding company	<u><u>6,328,031</u></u>

8. Financial risk management objectives and policy

The Sunsea Group is exposed through its operation to the credit risk, liquidity risk and foreign currency risk.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Sunsea Group. It is exposed to credit risk from other receivables and cash and bank balances.

Although the bank deposits are concentrated on certain counterparties, the credit risk is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The credit risk of the Sunsea Group is primarily attributable to other receivable. The Sunsea Group reviews those recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Liquidity risk

The Sunsea Group actively manages operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met.

As disclosed in note 3 to the Financial Information, at 31 December 2016, the Sunsea Group had net liabilities of HK\$4,136,271. the ultimate shareholder of Target Company has agreed to provide financial support to Sunsea Group to maintain us going concern and the immediate holding company has agreed do not demand for any repayment of the amounts due to the immediate holding company of HK\$6,328,031 as at 31 December 2016 until after the completion of the Acquisition.

The following table details its remaining contractual maturity for its financial liabilities. The table has 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.

At 31 December 2016

	Within 1 year or on demand HK\$	1-2 years HK\$	2-3 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
Amount due to the Immediate holding Company	<u>6,238,031</u>	<u>–</u>	<u>–</u>	<u>6,238,031</u>	<u>6,238,031</u>

Foreign currency risk

Foreign currency risk refers to the risk associated with movements in foreign currency rates which will affect the Sunsea Group's financial results and cash flows. The Target Group is exposed to currency risk as the other receivable is denominated in a currency other than the functional currency of the operations which they relate. The currency giving rise to this risk is Renminbi ("RMB").

The sole director of the Sunsea Group does not expect the fluctuation in the exchange rate of RMB to HK\$ to have any material adverse effect on the operation of the Group, accordingly no sensitivity analysis is presented.

9. Loss before tax

	2016
	<i>HK\$</i>
Auditor's remuneration	30,000
Preliminary expenses	19,500
Loss upon the acquisition of Sunsea Land	3,985,991
Director's remuneration (<i>note 10</i>)	–
Exchange loss	160,000

10. Director's Emoluments and Five Highest Paid Individuals**(a) Director's emoluments**

During the Relevant Period, the director of the Target Company did not receive any fee or other emoluments in respect of its services provided to the Sunsea Group. In addition, no emoluments paid or payable by the Sunsea Group were waived and no emoluments were paid by the Sunsea Group to the director as an inducement to join or upon joining the Sunsea Group or as compensation for loss of office during the Relevant Period.

(b) Five highest paid individuals

The Sunsea Group did not employ any staff during the Relevant Period and, accordingly, no emoluments for the five highest paid individuals are disclosed.

11. Segment information

Since the Target Company was engaged in investing holding during the Relevant Period and Sunsea Land was dormant since its acquisition by the Target Company, there is no segment information to be presented.

12. Income Tax Expense

Pursuant to the rules and regulations of the BVI, the Target Company is not subject to any tax in the BVI.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No provisions for Hong Kong Profits Tax have been made in the Financial Information as the Sunsea Group did not generate any profit in Hong Kong during the Relevant Period.

The income tax expense for the Relevant Period can be reconciled to the loss before tax per the statement of profit or loss and other comprehensive income as follows:

	2016 <i>HK\$</i>
Loss before tax	<u>(4,214,271)</u>
Tax at the applicable rate of 16.5%	(695,355)
Tax effect of non-deductible expenses	<u>695,355</u>
Tax expenses at effective tax rate	<u>—</u>

There was no significant unprovided deferred tax liability for the Relevant Period or at the end of the Relevant Period.

13. Earnings per Share

Earnings per share information is not presented as its inclusion, for the purpose of this report, considered not meaningful.

14. Other receivable

The balance represented an amount due from Sunsea Yacht Club, formerly a related company of Sunsea Land as there was common directorship and shareholder. Sunsea Yacht Club became an independent third party subsequent to the Target Company acquired Sunsea Land on 21 April 2016. The balance is unsecured, interest free and repayable on demand.

15. Amount due to the immediate holding company

The amount is unsecured, non-interest-bearing and repayable on demand.

16. Share Capital

On 20 April 2016, the Target Company was incorporated in the BVI with limited liability with an authorised share capital of US\$10,000 divided into 10,000 shares of US\$1 (equivalent to HK\$7.8) each, all of which were issued at par for cash upon incorporation. After that, there was no change in the authorised share capital and the issued share capital.

17. Acquisition of a subsidiary

On 21 April 2016, The Target Company acquired 100% equity interest of Sunsea Land from an independent third party at consideration of HK\$ 10,000,000 by cash.

APPENDIX II**ACCOUNTANT'S REPORT OF THE TARGET
GROUP AND SUNSEA YACHT CLUB**

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

	<i>HK\$</i>
Amount due from a related company	2,394,000
Amount due from a shareholder	3,633,469
Other payables and accruals	<u>(13,460)</u>
 Total identifiable net asset at fair value	 6,014,019
Loss on acquisition of Sunsea Land	<u>3,985,991</u>
	 <u><u>10,000,000</u></u>
 Consideration was satisfied by the fair value of:	
Cash	 <u><u>10,000,000</u></u>
 An analysis of the cash flows in respect of the acquisition is as follows:	
 Cash and cash equivalents acquired	 –
Cash consideration paid	<u>(10,000,000)</u>
 Net cash Outflow of cash and cash equivalents	 <u><u>(10,000,000)</u></u>

Since the acquisition, no revenue has been contributed by Sunsea Land to the Target Group and approximately HK\$3,985,991 consolidated loss for the year ended 31 December 2016 was incurred by Sunsea Land.

Had the acquisition of Sunsea Land taken place at the date of incorporation, there would be no increase in the Sunsea Group's revenue and the consolidated loss for the Relevant Period would still be HK\$4,214,271.

18. Related party transactions

Details of Target Company's outstanding balances with related parties are set out in the consolidated statement of financial position and note 15.

19. Subsequent events

No significant events took place subsequent to 31 December 2016.

20. Subsequent consolidated financial statements

As at the date of this report, no audited consolidated financial statements have been prepared by the Sunsea Group in respect of any period subsequent to 31 December 2016.

Yours Faithfully

Elite Partners CPA Limited

Certified Public Accountants

Hong Kong

Chan Wai Nam, William

Practising Certificate Number: P05957

B. ACCOUNTANT'S REPORT OF SUNSEA YACHT CLUB



開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

10th Floor,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

28 April 2017

The Board of Directors
China Household Holdings Limited
Suites No. 1001B, 10/F., Tower 1,
China Hong Kong City,
33 Canton Road,
Tsim Sha Tsui,
Hong Kong

Dear Sirs/Madam,

We set out below our report on the financial information of Guangdong Sunsea Yacht Club Company Limited* (廣東盛世遊艇會有限公司) (“**Sunsea Yacht Club**”) comprising the statements of financial position of the Sunsea Yacht Club as at 31 December 2014, 2015 and 2016, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the for the years ended 31 December 2014, 2015 and 2016 (the “**Relevant Periods**”) together with the explanatory notes thereto (the “**Financial Information**”). This Financial Information has been prepared by the sole director of the Sunsea Yacht Club for inclusion in appendix II to the circular issued by China Household Holdings Limited (the “**Company**”) dated 28 April 2017 (the “**Circular**”) in connection with the proposed acquisition of China Aerospace-themed Tourism Township Project (the “**Acquisition**”).

Sunsea Yacht Club was established on 22 May 2013 with limited liability in the People's Republic of China (the “**PRC**”) and its principal activities were property development.

Sunsea Yacht Club has adopted 31 December as its financial year end date in accordance with the relevant rules and regulations in the PRC. The statutory financial statements of Sunsea Yacht Club for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC. The statutory financial statements for the years ended 31 December 2014, 2015 and 2016 were audited by 中山市超越會計師事務所(普通合夥), a certified public accounting firm registered in the PRC.

* For identification purpose only

For the purpose of this report, the sole director of Sunsea Yacht Club has prepared the financial statements for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) (the “**Underlying Financial Statements**”). The Financial Information for the Relevant Periods has been prepared based on the Underlying Financial Statements, with no adjustments made thereto, and in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Underlying Financial Statements for each of the three years ended 31 December 2014, 2015 and 2016 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

DIRECTORS' RESPONSIBILITIES

The sole director of Sunsea Yacht Club is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provision of the Listing Rules, and for such internal control as the sole directors of Sunsea Yacht Club determines is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company is responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

It is our responsibility to form an independent opinion on the Financial Information for the Relevant Periods based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing and the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

OPINION

In our opinion, for the purpose of this report, the Financial Information give a true and fair view of the state of affairs of Sunsea Yacht Club as at 31 December 2014, 2015, 2016 and of the financial performance and cash flows for the Relevant Periods in accordance with HKFRS.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December		
		2014	2015	2016
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Other income	9	10,988	12,646	31,737
Administrative expenses		<u>(6,771,727)</u>	<u>(6,548,526)</u>	<u>(20,627,957)</u>
Loss before tax	10	(6,760,739)	(6,535,880)	(20,596,220)
Income tax expenses	13	<u>—</u>	<u>—</u>	<u>—</u>
Loss and total comprehensive expense for the year		<u><u>(6,760,739)</u></u>	<u><u>(6,535,880)</u></u>	<u><u>(20,596,220)</u></u>

STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2014	2015	2016
	Note	RMB	RMB	RMB
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	<u>1,478,162</u>	<u>1,114,288</u>	<u>20,115</u>
		<u>1,478,162</u>	<u>1,114,288</u>	<u>20,115</u>
Current assets				
Amount due from a shareholder	17	–	–	76,552,123
Other receivables, prepayment and deposits	16	11,050,006	11,005,240	39,860,000
Cash and bank balance		<u>626,737</u>	<u>2,336,208</u>	<u>198,740</u>
		<u>11,676,743</u>	<u>13,341,448</u>	<u>116,610,863</u>
Current liabilities				
Amount due to a shareholder	17	12,397,500	20,231,322	–
Amount due to a related company	17	2,000,000	2,000,000	–
Other payables and accruals	18	<u>17,435</u>	<u>20,324</u>	<u>2,023,108</u>
		<u>14,414,935</u>	<u>22,251,646</u>	<u>2,023,108</u>
Net current (liabilities)/assets		<u>(2,738,192)</u>	<u>(8,910,198)</u>	<u>114,587,755</u>
Net (liabilities)/assets		<u>(1,260,030)</u>	<u>(7,795,910)</u>	<u>114,607,870</u>
EQUITY				
Paid-up capital	19	7,000,000	7,000,000	150,000,000
Accumulated losses		<u>(8,260,030)</u>	<u>(14,795,910)</u>	<u>(35,392,130)</u>
(Capital deficiency)/total equity		<u>(1,260,030)</u>	<u>(7,795,910)</u>	<u>114,607,870</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital RMB	Accumulated losses RMB	Total RMB
At 1 January 2014	7,000,000	(1,499,291)	5,500,709
Loss for the year	<u>–</u>	<u>(6,760,739)</u>	<u>(6,760,739)</u>
Balance as at 31 December 2014	7,000,000	(8,260,030)	(1,260,030)
Loss for the year	<u>–</u>	<u>(6,535,880)</u>	<u>(6,535,880)</u>
Balance as at 31 December 2015	7,000,000	(14,795,910)	(7,795,910)
Capital contribution by shareholders	143,000,000	–	143,000,000
Loss for the year	<u>–</u>	<u>(20,596,220)</u>	<u>(20,596,220)</u>
Balance as at 31 December 2016	<u>150,000,000</u>	<u>(35,392,130)</u>	<u>114,607,870</u>

STATEMENT OF CASH FLOWS

	2014 RMB	2015 RMB	2016 RMB
OPERATING ACTIVITIES			
Loss before tax	(6,760,739)	(6,535,880)	(20,596,220)
Bank interest income	(10,988)	(12,646)	(31,737)
Depreciation	<u>372,975</u>	<u>374,194</u>	<u>349,185</u>
Operating loss before changes in working capital	(6,398,752)	(6,174,332)	(20,278,772)
(Increase)/decrease in other receivables, prepayment and deposits	(11,050,006)	44,766	(28,854,760)
Increase in other payables	<u>12,068</u>	<u>2,889</u>	<u>2,784</u>
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(17,436,690)</u>	<u>(6,126,677)</u>	<u>(49,130,748)</u>
CASH USED IN INVESTING ACTIVITY			
Bank interest received	10,988	12,646	31,737
Advance to shareholder	–	–	(76,552,123)
Purchase of property, plant and equipment	<u>(2,150)</u>	<u>(10,320)</u>	<u>(19,780)</u>
NET CASH GENERATED FROM/(USED IN) INVESTMENT ACTIVITIES	<u>8,838</u>	<u>2,326</u>	<u>(76,540,166)</u>
CASH FROM FINANCING ACTIVITIES			
Capital contribution by shareholder	–	–	143,000,000
Increase in amount due to a related company	2,000,000	–	–
Advance from/(to) a shareholder	<u>15,697,452</u>	<u>7,833,822</u>	<u>(19,466,554)</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>17,697,452</u>	<u>7,833,822</u>	<u>123,533,446</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	269,600	1,709,471	(2,137,468)
Cash and cash equivalents at the beginning of year	<u>357,137</u>	<u>626,737</u>	<u>2,336,208</u>
Cash and cash equivalents at the end of year	<u><u>626,737</u></u>	<u><u>2,336,208</u></u>	<u><u>198,740</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	<u><u>626,737</u></u>	<u><u>2,336,208</u></u>	<u><u>198,740</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. General information

Sunsea Yacht Club was established on 22 March 2013 with limited liability in the People's Republic of China (the "PRC"). The address of the registered office is No.22 Commercial South Street Shenwan Town, Zhongzhan City, Guangdong, China* (中山市神灣鎮商業南街22號). The principal activity is property development.

In the opinion of the sole director of Sunsea Yacht Club Target Company, the controlling party of Sunsea Yacht Club is Mr. Wong Hung Chiu during the Relevant Periods.

The Financial Information of the Sunsea Yacht Club for the Relevant Periods has been prepared solely for the purpose of including the Financial Information in the circular.

This Financial Information has been prepared under the historical cost basis. This Financial Information is presented in Renminbi ("RMB") which is the same as the functional currency of Sunsea Yacht Club and all values are rounded to the nearest dollar except when otherwise indicated.

2. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

For the purposes of preparing and presenting the Financial Information of Sunsea Yacht Club for the Relevant Periods Sunsea Yacht Club has adopted HKFRSs issued by the HKICPA that are effective for accounting period beginning on 1 January 2014.

Sunsea Yacht Club has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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

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

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

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

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

The sole director of Sunsea Yacht Club does not anticipate that the application of the above new and amendments to HKFRSs will have a material impact on the Financial Information of Sunsea Yacht Club.

3. Basis of preparation

The Financial Information set out in this report has been prepared in accordance with applicable HKFRSs, which includes all applicable individual HKFRSs, Hong Kong Accounting Standards and interpretations issued by 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 and the Hong Kong Companies Ordinance.

The preparation of Financial Information was in conformity with HKFRSs that requires management of Sunsea Yacht Club to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors believed by the management of Sunsea Yacht Club to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. 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. Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 5 to the Financial Information.

The significant accounting policies applied in the preparation of this Financial Information are set out below.

4. Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the Financial Information are summarised below. These policies have been consistently applied to the Relevant Periods unless otherwise stated.

4.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Sunsea Yacht Club and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the Relevant Periods in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate is as follows:

Office equipment	33%
Motor vehicles	19%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4.2 Impairment losses on tangible assets

At the end of the each reporting period, Sunsea Yacht Club 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. When it is not possible to estimate the recoverable amount of an individual asset, Sunsea Yacht Club estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) 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 (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4.3 *Financial instruments*

Financial assets and financial liabilities are recognised when Sunsea Yacht Club becomes a party to the contractual provisions of the instruments.

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. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Financial liabilities are recognised in the statement of financial position when Sunsea Yacht Club becomes a party to the contractual provision of the instrument. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Financial liabilities are subsequently 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 period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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

A financial liability is derecognised when, and only when, Sunsea Yacht Club's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.4 Cash and cash equivalents

Cash and bank balances include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

4.5 Revenue recognition

Sunsea Yacht Club did not generate any revenue during the Relevant Periods.

4.6 Taxation

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

The tax currently payable is based on the taxable profit for the Relevant Periods. Taxable profit differs from 'Profit before tax' as reported in the statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Liability for current tax is calculated using tax rates that have been enacted or substantively enacted by 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 of and the corresponding tax base 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 the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

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

Current and deferred income taxes are recognised in profit or loss.

4.7 Employee benefits

The employees of Sunsea Yacht Club are required to participate in a central pension scheme operated by the local municipal government. Sunsea Yacht Club is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

4.8 Provisions and contingent liabilities

Provisions are recognised when Sunsea Yacht Club has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provision are reviewed at each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of Sunsea Yacht Club is also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.9 Related parties

- (a) A person, or a close member of that person's family, is related to the Sunsea Yacht Club if that person:
 - (i) has control or joint control over the Sunsea Yacht Club;
 - (ii) has significant influence over the Sunsea Yacht Club; or
 - (iii) is a member of the key management personnel of Sunsea Yacht Club or Sunsea Yacht Club's parent.
- (b) An entity is related to the Sunsea Yacht Club if any of the following conditions applies:
 - (i) The entity and the Sunsea Yacht Club are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Sunsea Yacht Club or an entity related to the Sunsea Yacht Club.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to Sunsea Yacht Club or the Sunsea Yacht Club's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity

5. Critical accounting judgements

In the application of accounting policies, which are described in Note 4, the sole director of Sunsea Yacht Club is required to make judgements, 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 on-going 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 judgements in applying accounting policies

The following is the critical judgment that the sole director of Sunsea Yacht Club has made in the process of applying the entity's accounting policies and that has the most significant effect on the amounts recognised in the Financial Information.

Depreciation of plant and equipment

Management of Sunsea Yacht Club determines the estimated useful lives and related depreciation charge for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Income tax

Sunsea Yacht Club is subject to income tax in the PRC. Significant judgement is required in determining the provision of taxation. Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. Management of Sunsea Yacht Club has carefully evaluated tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

6. Capital risk management

Sunsea Yacht Club manages its capital to ensure that the Sunsea Yacht Club will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance. Strategy remains unchanged throughout the Relevant Periods. The capital structure of Sunsea Yacht Club consists of amount due to a shareholder, and equity attributable to owner of Sunsea Yacht Club, comprising paid-up capital and accumulated loss.

The director of Sunsea Yacht Club reviews the capital structure on a regular basis. As part of this review, the directors of Sunsea Yacht Club considers the cost of capital and the risks associated with each class of capital.

7. Financial instruments by category

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<i>Financial assets</i>			
Loans and receivables			
Amount due from a shareholder	–	–	76,552,123
Other receivable	11,050,000	11,003,000	35,004,000
Cash and bank balance	<u>626,737</u>	<u>2,336,208</u>	<u>198,740</u>
	<u>11,676,737</u>	<u>13,339,208</u>	<u>111,754,863</u>
<i>Financial liabilities</i>			
Financial liabilities at amortised cost			
Amount due to a shareholder	12,397,500	20,231,222	–
Amount due to a related company	2,000,000	2,000,000	–
Other payable	<u>–</u>	<u>–</u>	<u>2,000,000</u>
	<u>14,397,500</u>	<u>22,231,322</u>	<u>2,000,000</u>

8. Financial risk management objectives and policy

Sunsea Yacht Club is exposed through its operation to the liquidity risk and credit risk from its use of financial instruments.

Liquidity risk

Sunsea Yacht Club actively manages operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met.

The following table details the remaining contractual maturity for financial liabilities of Sunsea Yacht Club. The table has 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.

At 31 December 2014

	Within 1 year or on demand RMB	1-2 years RMB	2-3 years RMB	Total undiscounted cash flows RMB	Carrying amount RMB
Amount due to a shareholder	12,397,500	–	–	12,397,500	12,397,500
Amount due to a related company	2,000,000	–	–	2,000,000	2,000,000
	<u>14,397,500</u>	<u>–</u>	<u>–</u>	<u>14,397,500</u>	<u>14,397,500</u>

At 31 December 2015

	Within 1 year or on demand RMB	1-2 years RMB	2-3 years RMB	Total undiscounted cash flows RMB	Carrying amount RMB
Amount due to a shareholder	20,231,322	–	–	20,231,322	20,231,322
Amount due to a related company	2,000,000	–	–	2,000,000	2,000,000
	<u>22,231,322</u>	<u>–</u>	<u>–</u>	<u>22,231,322</u>	<u>22,231,322</u>

At 31 December 2016

	Within 1 year or on demand RMB	1-2 years RMB	2-3 years RMB	Total undiscounted cash flows RMB	Carrying amount RMB
Other payable	<u>2,000,000</u>	<u>–</u>	<u>–</u>	<u>2,000,000</u>	<u>2,000,000</u>

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to Sunsea Yacht Club. It is exposed to credit risk from other receivables and cash and bank balances.

Although the bank deposits are concentrated on certain counterparties, the credit risk is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies

The credit risk of Sunsea Yacht Club is primarily attributable to other receivable. Sunsea Yacht Club reviews those recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

9. Other Income

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Bank interest income	<u>10,988</u>	<u>12,646</u>	<u>31,737</u>

10. Loss before tax

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Depreciation of property, plant and equipment	372,975	374,194	349,185
Staff costs including director's emoluments			
Salaries and other benefits	516,961	1,629,954	2,759,017
Contribution to retirement benefit scheme	52,161	135,105	208,653
Minimum lease payment			
– operating lease charges in respect of office premises	<u>218,552</u>	<u>1,085,928</u>	<u>2,384,714</u>

11. Director's emoluments and five highest paid individuals**(a) Director's emoluments**

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Fee	–	–	–
Other emolument			
– Salaries	–	262,000	277,000
– Retirement benefit costs	<u>–</u>	<u>9,034</u>	<u>9,746</u>
	<u>–</u>	<u>271,034</u>	<u>286,746</u>

(b) Five highest paid individuals

The five highest paid employees of Sunsea Yacht Club during the years ended 31 December 2014, 2015 and 2016 included 0,1 and 1 director of Sunsea Yacht Club, respectively, detail of whose remuneration are set out in Note 11(a) to the Financial Information above. Details of the remuneration for the remaining 5,4 and 4 highest paid employees who were neither a director nor a chief executive of Sunsea Yacht Club for the years ended 31 December 2014, 2015 and 2016, respectively, are as follows:

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Salary	493,580	583,000	595,000
Contributions to retirement benefits scheme	<u>28,978</u>	<u>25,734</u>	<u>29,812</u>
	<u><u>522,558</u></u>	<u><u>608,734</u></u>	<u><u>624,812</u></u>

The emoluments of the above highest paid individual other than directors fell within the following band:

	2014	2015	2016
Nil to HK\$1,000,000	<u><u>5</u></u>	<u><u>4</u></u>	<u><u>4</u></u>

12. Segment information

The sole director manages Sunsea Yacht Club's operations as a single business segment with no revenue generated in the Relevant Periods. Accordingly there is no segment information to be presented.

13. Income Tax Expense

Sunsea Yacht Club is subject to PRC enterprise income tax at a rate of 25% for the Relevant Periods. No provision for enterprise income tax has been made during the Relevant Periods for Sunsea Yacht Club as it had no assessable profit for the Relevant Periods.

APPENDIX II**ACCOUNTANT'S REPORT OF THE TARGET
GROUP AND SUNSEA YACHT CLUB**

The income tax expense for the Relevant Periods can be reconciled to the loss before tax per the statement of profit or loss and other comprehensive income as follows:

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Loss before tax	<u>(6,760,739)</u>	<u>(6,535,880)</u>	<u>(20,596,220)</u>
Tax at the applicable rate of 25%	(1,690,184)	(1,633,970)	(5,149,055)
Tax effect of expenses non-deductible	<u>1,690,184</u>	<u>1,633,970</u>	<u>5,149,055</u>
Tax expenses at effective tax rate	<u>–</u>	<u>–</u>	<u>–</u>

There was no significant unprovided deferred tax liabilities for the each reporting period or at the end of each reporting period.

14. Earnings per Share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is considered not meaningful.

15. Property, plant and equipment

	Office equipment	Motor vehicle	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
COST			
Balance as at 1 January 2014	26,235	1,915,116	1,941,351
Addition	<u>2,150</u>	<u>–</u>	<u>2,150</u>
Balance as at 31 December 2014, and 1 January 2015	28,385	1,915,116	1,943,501
Addition	<u>10,320</u>	<u>–</u>	<u>10,320</u>
Balance as at 31 December 2015, and 1 January 2016	38,705	1,915,116	1,953,821
Addition	19,780	–	19,780
Disposal	<u>–</u>	<u>(1,915,116)</u>	<u>(1,915,116)</u>
Balance as at 31 December 2016	<u>58,485</u>	<u>–</u>	<u>58,485</u>

APPENDIX II
**ACCOUNTANT'S REPORT OF THE TARGET
GROUP AND SUNSEA YACHT CLUB**

	Office equipment RMB	Motor vehicle RMB	Total RMB
ACCUMULATED DEPRECIATION			
Balance as at 1 January 2014	3,309	89,055	92,364
Provided for the year	<u>9,103</u>	<u>363,872</u>	<u>372,975</u>
Balance as at 31 December 2014, and 1 January 2015	12,412	452,927	465,339
Provided for the year	<u>10,322</u>	<u>363,872</u>	<u>374,194</u>
Balance as at 31 December 2015, and 1 January 2016	22,734	816,799	839,533
Provided for the year	15,636	333,549	349,185
Written back on disposal	<u>–</u>	<u>(1,150,349)</u>	<u>(1,150,348)</u>
Balance as at 31 December 2016	<u><u>38,370</u></u>	<u><u>–</u></u>	<u><u>38,370</u></u>
CARRYING AMOUNT			
Balance as at 31 December 2014	<u><u>15,973</u></u>	<u><u>1,462,189</u></u>	<u><u>1,478,162</u></u>
Balance as at 31 December 2015	<u><u>15,971</u></u>	<u><u>1,098,317</u></u>	<u><u>1,114,288</u></u>
Balance as at 31 December 2016	<u><u>20,115</u></u>	<u><u>–</u></u>	<u><u>20,115</u></u>

16. Other receivables, prepayment and deposits

	2014 RMB	2015 RMB	2016 RMB
Other receivable (<i>note</i>)	11,050,000	11,003,000	35,004,000
Prepayment and deposits	<u>6</u>	<u>2,240</u>	<u>4,856,000</u>
	<u><u>11,050,006</u></u>	<u><u>11,005,240</u></u>	<u><u>39,860,000</u></u>

Note: The balance of RMB11,000,000, RMB11,000,000 and RMB35,000,000 as at 31 December 2014, 2015 and 2016 represented the advance to Zhongshan Shenwan Township Real Estate Investment Company Limited* (中山市神灣鎮房地產投資有限公司), an independent third party, for the expropriation of the land. If Sunsea Yacht Club fails to obtain the land by the process of bidding invitation, auction and listing (招拍掛), the independent third party will refund the full amount with interest at 150% of rate per commercial loan to Sunsea Yacht Club.

17. Amount due from/(to) a shareholder/due to a related company

The balances are unsecured, non-interest-bearing and repayable on demand.

The summary of maximum balance during each reporting period are as follows:

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Amount due from a shareholder	<u>–</u>	<u>–</u>	<u>76,552,123</u>

18. Other payables and accruals

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Other payables (<i>note</i>)	–	–	2,000,000
Accruals	<u>17,435</u>	<u>20,324</u>	<u>23,108</u>
	<u>17,435</u>	<u>20,324</u>	<u>2,023,108</u>

Note: The balance represents the amount due to Sunsea Land, a former related company of Sunsea Yacht Club with common directorship and shareholding, Sunsea Land became an independent third party upon the Sunsea Land acquired by an independent third party in 2016. The balance is unsecured, interest free and repayable on demand.

19. Paid-up capital

	<i>RMB</i>
Paid-up capital:	
– At 1 January 2014, 31 December 2014, 2015	7,000,000
Addition (<i>note</i>)	<u>143,000,000</u>
As 31 December 2016	<u>150,000,000</u>

Note: During the year ended 31 December 2016, the shareholders contributed RMB143,000,000 as additional paid-up capital of Sunsea Yacht Club.

20. Operation lease commitments*As lessee*

Sunsea Yacht Club leases its office premises under operating lease arrangements. Leases for properties are negotiated for terms of one year.

Sunsea Yacht Club had future aggregate minimum lease payments under non-cancellable operating lease in respect of office premises as follows:

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Within one year	<u>234,000</u>	<u>2,277,000</u>	<u>2,025,992</u>

21. Related party transactions

Details of Sunsea Yacht Club's outstanding balances with related parties are set out in the statement of financial position and Note 17.

22. Major non-cash transaction

During the year ended 31 December 2016, Sunsea Yacht Club disposed of a motor vehicle to a shareholder of Sunsea Yacht Club at the carrying amount of RMB764,768 and the proceed was settled by the amount due from a shareholder.

Save as disclosed in above, Sunsea Yacht Club had no other major non-cash transactions during the Relevant Periods.

23. Subsequent events

No significant events took place subsequent to 31 December 2016.

24. Subsequent financial statements

As at the date of this report, no audited financial statements have been prepared by the Sunsea Yacht Club in respect of any period subsequent to 31 December 2016.

Yours Faithfully

Elite Partners CPA Limited

Certified Public Accountants

Hong Kong

Chan Wai Nam, William

Practising Certificate Number: P05957

Set out below is the management discussion and analysis of the business and results of operations of the Sunsea Group for the period from 20 April 2016 (date of incorporation) to 31 December 2016 and the Sunsea Yacht Club for the year ended 31 December 2014, 31 December 2015 and 31 December 2016 (“Relevant Periods”).

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Business Review

The Target Company is a company incorporated in the British Virgin Islands with limited liability. Sunsea Land is a company incorporated in Hong Kong and wholly owned by the Target Company. The Target Company and Sunsea Land were incorporated on 20 April 2016 and 21 April 2009 respectively. The Target Company and Sunsea Land have no major assets and liabilities. As at the Latest Practicable Date, the Target Company and Sunsea Land have not conducted any businesses yet and have not generated any revenue and profit since their incorporation. As at the Latest Practicable Date, Sunsea Yacht Club was established on 22 March 2013. Sunsea Yacht Club has a registered capital of RMB150,000,000. As at the Latest Practicable Date, save as the development and research development cost incurred, Sunsea Yacht Club has not conducted any businesses yet and have not generated any revenue and profit since its establishment. Upon the completion of the reorganisation, the paid-up capital of Sunsea Yacht Club will be indirectly and wholly owned by the Target Company. The Sunsea Group and Sunsea Yacht Club (collectively the “Target Group”) will principally engage in the operation of the China Aerospace-Themed Tourism Township Project through Sunsea Yacht Club.

Financial Review

The Sunsea Group recorded net losses of HK\$4,214,271 for the period from 20 April 2016 (date of incorporation) to 31 December 2016.

The Sunsea Yacht Club recorded continuous losses of RMB6,760,739, RMB6,535,880 and RMB20,596,220 for the three financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 respectively.

Liquidity capital and financial resources

As at 31 December 2016, the net current liabilities of the Sunsea Group were HK\$4,136,271. As at 31 December 2016, the cash and cash equivalents of the Sunsea Group were HK\$20,000.

As at 31 December 2014 and 31 December 2015, the net liabilities of the Sunsea Yacht Club were RMB1,260,030 and RMB7,795,910 respectively. As at 31 December 2016, the net assets of the Sunsea Yacht Club was RMB114,607,870. As at 31 December 2014, 31 December 2015 and 31 December 2016, the cash and cash equivalents of the Sunsea Yacht Club were RMB 626,737, RMB2,336,208, and RMB 198,740 respectively.

Administrative expenses

During the period, administrative expenses of the Sunsea Group mainly included preliminary expenses and auditor's remuneration and legal and professional fee. For the period from 20 April 2016 (date of incorporation) to 31 December 2016, administrative expenses of the Target Group amounted to HK\$228,280.

During the Relevant Periods, administrative expenses of the Sunsea Yacht Club mainly included rental expenses, employee benefit, inspection fee and design fee. For the three years ended 31 December 2014, 31 December 2015 and 31 December 2016, administrative expenses of the Sunsea Yacht Club amounted to RMB6,771,727, RMB6,548,526 and RMB20,627,957 respectively.

Number of staff and remuneration policy of staff

For the period from 20 April 2016 (date of incorporation) to 31 December 2016, the Sunsea Group had employed no staff.

For the years ended 31 December 2014, 31 December 2015 and 31 December 2016, the numbers of staff of the Sunsea Yacht Club were 9, 21 and 31.

In accordance with the relevant laws and regulations of the PRC, the Sunsea Yacht Club must make contribution to the social insurance contribution scheme, which includes the endowment insurance, medical insurance and unemployment insurance for the employees.

Borrowings and collaterals

During the period from 20 April 2016 (date of incorporation) to 31 December 2016, the Sunsea Group had no interest-bearing borrowings or any collaterals pledged by the Sunsea Group.

During the three years ended 31 December 2014, 31 December 2015 and 31 December 2016, the Sunsea Yacht Club had no interest-bearing borrowings or any collaterals pledged by the Sunsea Yacht Club.

Gearing ratio and capital structure

As at 31 December 2016, gearing ratios (total interest-bearing loans/total assets) of the Sunsea Group were approximately Nil as the Sunsea Group had no borrowings.

As at 31 December 2014, 31 December 2015 and 31 December 2016, gearing ratios (total interest-bearing loans/total assets) of the Sunsea Yacht Club were Nil for all years, respectively as the Sunsea Yacht Club had no borrowings.

As at 31 December 2016, the capital structure of the Sunsea Group mainly comprised its share capital of approximately HK\$78,000 and accumulated loss of approximately HK\$4,214,271. The Sunsea Group had no interest-bearing borrowings and adopted centralised treasury policies in cash and financial management.

As at 31 December 2014 and 2015, the capital structure of the Sunsea Yacht Club mainly comprised its paid-up capital of approximately RMB7,000,000 for both year and accumulated loss of approximately RMB8,260,030 and RMB14,795,910 respectively. As at 31 December 2016, the capital structure of the Sunsea Yacht Club mainly comprised its paid-up capital of approximately RMB150,00,000 and accumulated loss of approximately RMB35,392,130.

During the Relevant Periods, Sunsea Yacht Club had no interest-bearing borrowings and adopted centralised treasury policies in cash and financial management

Treasury policies and foreign exchange risk

For the period from 20 April 2016 (date of incorporation) to 31 December 2016, there was no formal treasury policy. The expenses of the Sunsea Group were dominated in HKD and there was no trading in foreign currency. Therefore, it is not exposed to material foreign exchange.

For the three years ended 31 December 2014, 31 December 2015, 31 December 2016, there was no formal treasury policy. The expenses of the Sunsea Yacht Club were dominated in RMB and there was no trading in foreign currency. Therefore, it is not exposed to material foreign exchange.

Contingent liabilities

As at 31 December 2016, the Sunsea Group did not have any contingent liability.

As at 31 December 2014, 31 December 2015 and 31 December 2016, the Sunsea Yacht Club did not have any contingent liability.

Material acquisition and disposal

On 21 April 2016, the Target Company acquired 100% equity interest of Sunsea Land at consideration of HK\$10,000,000 by cash. Since the Sunsea Land was dormant since its incorporation, the loss of HK\$3,985,991 was recognised upon the completion of the acquisition. The Target Group did not have any material acquisition and disposal of subsidiaries and associated companies during the period from 20 April 2016 (date of incorporation) to 31 December 2016.

The Sunsea Yacht Club did not have any material acquisition and disposal of subsidiaries and associated companies during the years ended 31 December 2014, 2015 and 2016.

Significant investments

During the period from 20 April 2016 (date of incorporation) to 31 December 2016, there was no significant investment held by Sunsea Group.

During the three years ended 31 December 2014, 31 December 2015 and 31 December 2016, there was no significant investment held by Sunsea Yacht Club.

Future Prospect

For the past few years, the PRC government had made huge effort in developing and promoting the cultural tourism industry. These could be evidenced by the policies implemented by the PRC government, which includes “Outline of the Thirteenth Five-Year Plan”, and emphasis expediting the development of modern cultural industry, promoting the innovation of cultural industry and co-developing the cultural, technology and tourism sectors. In view of this trend of development and the favorable government’s policy regarding the cultural, technology and tourism sectors, the Group intends to tap the cultural, technology and tourism business industry and as mentioned in the section headed “REASONS AND BENEFITS FOR THE ACQUISITION”, the Directors consider that the cultural, technology and tourism business developed by the Target Group are expected to enable the Group to diversify its business risk and to increase the Shareholders’ value.



開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

10th Floor,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

28 April 2017

The Board of Directors

China Household Holdings Limited

Suites No. 1001B, 10/F., Tower 1,

China Hong Kong City,

33 Canton Road,

Tsim Sha Tsui,

Hong Kong

Dear Sirs/Madams,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) of China Household Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the Directors of the Company for illustrative purposes only.

The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2016, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages 5 to 9 in Appendix IV of the Company’s circular dated 28 April 2017 (the “**Circular**”), in connection with the proposed acquisition of Shenzhou Aerospace City Holding Limited (the “**Target Company**”) by the Purchaser, a wholly-owned subsidiary of the Company, with an assumption that Plot A, Plot B, Plot C and Plot D land (collectively referred to as the “**Land**”) as defined in the Circular had been injected into the Target Company (the “**Transaction**”). The applicable criteria on the basis of which the Directors of the Company have compiled the Unaudited Pro Forma Financial Information are described on pages 5 in Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Company to illustrate the impact of the Transaction on the Group’s financial position as at 31 December 2016 as if the Transaction had taken place at 31 December 2016. As part of this process, information about the Group’s financial position has been extracted by the Directors of the Company from the Group’s audited financial statements for the year ended 31 December 2016, on which the related result announcement has been published.

**DIRECTORS' RESPONSIBILITIES FOR THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

The Directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities of 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 (“**HKICPA**”).

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement 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 issue by 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 accountant plans and performs procedures to obtain reasonable assurance about whether the Directors of the Company 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 a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 Transaction at the completion date 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 of the Company 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 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, 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 complied by the Directors of the Company on the basis stated;
- (b) Such basis is consistent with the accounting policies of the Group; and
- (c) The adjustment are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours Faithfully,

Elite Partners CPA Limited

Certified Public Accountants

Hong Kong

Chan Wai Nam, William

Practising Certificate Number: P05957

**A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE ENLARGED GROUP**

The accompanying unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) of the Enlarged Group (as defined in the Circular) has been prepared by the Directors of the Company (as defined in this circular) in accordance with Rule 4.29 of The Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, for illustrative purposes only, to provide information about how the proposed Acquisition (as defined in the Circular) with an assumption that Plot A, Plot B, Plot C and Plot D land (collectively referred to as the “**Land**”) as defined in the Circular had been injected to the Target Company (the “**Transaction**”), as detailed in the “Letter from the Board” included in the Circular, might have affected the financial position of the Group as if the Transaction had been completed on 31 December 2016.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated statement of financial position of the Group as at 31 December 2016 as extracted from the result announcement of the Group for the year ended 31 December 2016 and the audited statement of financial position of Sunsea Group and Sunsea Yacht Club (together the “**Target Group**”) as at 31 December 2016 as extracted from the accountant’s reports as set out in Appendix II to this Circular after making certain pro forma adjustments resulting from the Transaction.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Transaction actually occurred on 31 December 2016. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group’s future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the result announcement of the Group for the year ended 31 December 2016 and the accountant’s report of the Target Group as set out in Appendix II to this Circular.

APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	Consolidated statement of assets and liabilities of the Group as at 31 December 2016 HK\$'000 note 1	Statement of assets and liabilities of Sunsea Group as at 31 December 2016 HK\$'000 note 2	Statement of assets and liabilities of Sunsea Yacht Club as at 31 December 2016 HK\$'000 notes 2 & 3	HK\$'000 note 4	Pro forma adjustments		HK\$'000 note 6	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2016 HK\$'000
					HK\$'000 note 4	HK\$'000 note 5		
Non-current assets								
Property, plant and equipment	26,499	–	23	(23)	–	–	–	26,499
Lease premiums for land	101,931	–	–	–	1,056,500	–	–	1,158,431
Exploration and evaluation assets	50,000	–	–	–	–	–	–	50,000
Intangible assets	48,000	–	–	–	–	–	–	48,000
Other financial assets	179	–	–	–	–	–	–	179
Deferred tax assets	1,221	–	–	–	–	–	–	1,221
Goodwill	228,962	–	–	–	–	–	–	228,962
	<u>456,792</u>	<u>–</u>	<u>23</u>	<u>(23)</u>	<u>1,056,500</u>	<u>–</u>	<u>–</u>	<u>1,513,292</u>
Current assets								
Inventories	134,958	–	–	–	–	–	–	134,958
Lease premiums for land	3,959	–	–	–	–	–	–	3,959
Trade and bills receivables	164,915	–	–	–	–	–	–	164,915
Prepayments, deposits and other receivables	326,764	2,234	44,643	(44,643)	–	(2,234)	–	326,764
Amount due from shareholder	–	–	85,738	(85,738)	–	–	–	–
Equity investments at fair value through profit or loss	1,106	–	–	–	–	–	–	1,106
Cash and cash equivalents	563,429	20	222	(242)	–	–	–	563,429
	<u>1,195,131</u>	<u>2,254</u>	<u>130,603</u>	<u>(130,623)</u>	<u>–</u>	<u>(2,234)</u>	<u>–</u>	<u>1,195,131</u>
Current liabilities								
Bank loans, secured	52,930	–	–	–	–	–	–	52,930
Trade payables	103,552	–	–	–	–	–	–	103,552
Other payables and accruals	210,783	62	2,266	(94)	–	(2,234)	1,899	212,682
Amount due to a shareholder	–	6,328	–	(6,328)	–	–	–	–
Tax payables	13,760	–	–	–	–	–	–	131,163
Obligation under finance leases	170	–	–	–	–	–	–	170
Strict bonds	131,163	–	–	–	–	–	–	131,163
Contingent consideration shares	–	–	–	–	–	–	–	–
Convertible bonds	–	–	–	–	–	–	–	–
Promissory notes	1,666	–	–	–	–	–	–	1,666
	<u>514,024</u>	<u>6,390</u>	<u>2,266</u>	<u>(6,422)</u>	<u>–</u>	<u>(2,234)</u>	<u>1,899</u>	<u>515,923</u>
Net current assets/(liabilities)	<u>681,107</u>	<u>(4,136)</u>	<u>128,337</u>	<u>(124,201)</u>	<u>–</u>	<u>–</u>	<u>(1,899)</u>	<u>679,208</u>
Total assets less current liabilities	<u>1,137,899</u>	<u>(4,136)</u>	<u>128,360</u>	<u>(124,224)</u>	<u>1,056,500</u>	<u>–</u>	<u>(1,899)</u>	<u>2,192,500</u>

APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Consolidated statement of assets and liabilities of the Group as at 31 December 2016 HK\$'000 note 1	Statement of assets and liabilities of Sunsea Group as at 31 December 2016 HK\$'000 note 2	Statement of assets and liabilities of Sunsea Yacht Club as at 31 December 2016 HK\$'000 notes 2 & 3	HK\$'000 note 4	Pro forma adjustments		HK\$'000 note 6	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2016 HK\$'000
					HK\$'000 note 4	HK\$'000 note 5		
Non-current liabilities								
Obligation under finance lease	179	-	-	-	-	-	-	179
Other payables	39,941	-	-	-	-	-	-	39,941
Deferred tax liabilities	12,000	-	-	-	-	-	-	12,000
Strict bonds	380,052	-	-	-	-	-	-	380,052
Contingent consideration shares	-	-	-	-	-	-	-	-
Convertible bonds	-	-	-	-	113,300	-	-	113,300
Promissory notes	-	-	-	-	906,500	-	-	906,500
	<u>432,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,019,800</u>	<u>-</u>	<u>-</u>	<u>1,451,972</u>
Net assets/(liabilities)	<u>705,727</u>	<u>(4,136)</u>	<u>128,360</u>	<u>(124,224)</u>	<u>36,700</u>	<u>-</u>	<u>(1,899)</u>	<u>740,528</u>

Notes to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group:

1. The consolidated statement of assets and liabilities of the Group as at 31 December 2016 being extracted from the Company's published results announcement for the year ended 31 December 2016.
2. The audited statements of assets and liabilities of the Sunsea Group and Sunsea Yacht Club as at 31 December 2016 being extracted from Appendix II to this Circular.
3. In respect of Sunsea Yacht Club, the amounts have been translated to the Group presentation currency, Hong Kong dollars (HKD or HK\$) at an exchange rate of RMB1=HK\$1.12, being the exchange rate as at 31 December 2016 and rounded to the nearest thousand.
4. Pursuant to the Agreement, Sunsea Land, a wholly owned subsidiary of the Target Company, will acquire 100% equity interest of Sunsea Yacht Club (the "Reorganisation"). Upon completion of the Reorganisation which is one of the conditions precedents set out in related agreement (as defined in this circular), the Sunsea Land and Sunsea Yacht Club will become a subsidiary of the Target Company (the Target Company, Sunsea Land and Sunsea Yacht Club are collectively referred to as the "Target Group"). For the purpose of the preparation of the Proforma Financial Information, it was assumed that reorganisation was completed as of 31 December 2016.

APPENDIX IV

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

Pursuant to the Agreement, the Purchaser as defined in this Circular, being a wholly owned subsidiary of the Company, agrees that upon the completion of shareholding reorganisation of the Target Group by the Vendor, save for all interest in land and property, other assets of Sunsea Group and Sunsea Yacht Club shall belong to the Vendor, including the “current accounts” with the original shareholder(s) of the Sunsea Yacht Club and the “prepayments” interest of the Sunsea Yacht Club to Zhongshan Shenwan township Real Estate Investment Company Limited * (中山市神灣鎮房地產投資有限公司). Accordingly, the following assets have been removed for the purposes of the preparation of the Proforma Financial Information:

Assets and liabilities

	<i>HK\$'000</i>
Properties, plant and equipment	23
Prepayments, deposits and other Receivables	44,643
Amount due from a shareholder	85,738
Cash and cash equivalents	242
Other payables and accruals	(94)
Amount due to the immediate holding company	<u>(6,328)</u>
	124,224

The consideration for equity transfer amount arising from the reorganisation of the Sunsea Yacht Club which is payable by the Target Group to the original shareholders(s) of the Sunsea Yacht Club, shall be borne by the Vendor in full.

Pursuant to the Agreement, the consideration for the Transaction would be paid by way of issuing the convertible bonds and promissory notes to the Vendor by the Company payable by stages after (i) 1/4 of the Land is injected into the Target Group and the Purchaser is reasonably satisfied that the land has legally owned by the Target Group, (ii) each time after the Company is reasonably satisfied that the Target Group has legally owned the land, and (iii) the vendor has not breached any terms of the Agreement. The first HK\$ 150,000,000 of the consideration will be paid by way of issuing convertible bonds, while the remaining HK\$ 1,200,000,000 will be paid by way of issuing promissory note.

In preparation of the Unaudited Proforma Financial Information of the Enlarged Group, since the Target Group had not commenced business yet and the development plan of the project is only at preliminary stage, the Directors of the Company concluded that the Transaction did not constitute an acquisition of a business in accordance with HKFRS 3 “Business combination” but rather just an acquisition of assets.

For the purposes of preparation of the Unaudited Proforma Financial Information of the Enlarged Group, it was assumed that the Land was acquired at a cost of HK\$ 1,056,500,000, based on the assumed fair values of the consideration as at 31 December 2016.

The convertible bonds contain a debt and a conversion option that give the holder the right to convert the convertible bonds into a fixed number of ordinary shares of the Company at a fixed convertible price of HK\$ 0.1 (subject to certain customary adjustments). For the purpose of preparation of the Unaudited Proforma Financial Information of the Enlarged Group, the conversion option is assumed to meet the definition of an equity instrument. For the purposes of the preparation of the Unaudited Proforma Financial Information of the Enlarged Group, the aggregate fair value of the convertible bonds of the liability component and promissory note as at 31 December 2016 was liability component of convertible bonds estimated by the Directors of the Company amounting to HK\$113,300,000 based on the effective interest rate of 13% per annum and 906,500,000 based on the effective interest rate of 13% per annum respectively. The fair values of the liability component of the convertible bonds and promissory note are based on the valuation report prepared by an independent professional valuation firm. The Difference between the assumed fair value of the convertible bond as at 31 December 2016 (based on the valuation report) and the assumed fair value of the liability component of the convertible bonds assumed to be allocated to the conversion option that was assumed to be classified as an equity instrument as explained in above.

The convertible bonds have a principal amount of HK\$150,000,000 and a repayment term of 36 months from the date of issue (the “CB Maturity Date”) with 3% interest per annum payable at CB Maturity Date. The Company has the right to redeem the whole or any part of the principal amount of the convertible bonds at any time on any business day prior to the CB Maturity Date at its principal amount outstanding with interest accrued.

The promissory note has the aggregate principal amount of HK\$1,200,000,000 and a repayment term of 36 months from the date of issue (the “PN Maturity Date”) with 3% interest per annum payable at PN Maturity Date. The fair value of the promissory note of HK\$906,500,000 was estimated by using the discounted cash flow approach using an effective interest rate of 13%.

As explained above, the issuance of the convertible bonds and promissory note by the Company are contingent upon injection of the Land into the Target Group. Also, since the fair values of the Land, of the convertible bonds and of the promissory note at the completion date may be substantially different from the above mentioned amounts, the effects of the Transaction shown in this unaudited Pro Forma Financial Information may be different from the amounts presented when the Transactions actually occurs and the difference may be significant.

5. The adjustment represents the reclassification from amount due to the ultimate holding company to other payables.
6. The adjustment was made to reflect the accrual for the estimated transaction costs, such as professional fees and printing costs, of approximately HK\$1,899,000 that are directly attributable to the Acquisition.
7. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2016.

The following is the text of a valuation report prepared for inclusion in this document, received from APAC Asset Valuation and Consulting Limited, an independent property valuer, in connection with their valuation as of 28 February 2017 of the Property to be acquired by the Group.



APAC Asset Valuation and Consulting Limited

Units 07-08, 17/F, Loon Kee Building, 267 – 275 Des Voeux Road Central, Hong Kong

Tel: (852) 2357 0059

Fax: (852) 2951 0799

The Directors

China Household Holdings Limited

Suite No. 1001B, 10/F.

Tower 1, China Hong Kong City

33 Canton Road

Tsim Sha Tsui

Kowloon

Hong Kong

28 April 2017

Dear Sirs,

**RE: FOUR PARCELS OF LAND LOCATED IN SHENXI VILLAGE, SHENWAN TOWN,
ZHONGSHAN, GUANGDONG PROVINCE, THE PEOPLE’S REPUBLIC OF CHINA
(THE “PROPERTY”)**

In accordance with the instructions from China Household Holdings Limited (the “Company”) for us to value the Property intended to be acquired by the Company and/or its subsidiaries (hereinafter together referred to as the “Group”) situated in The People’s Republic of China (the “PRC”), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 28 February 2017 (the “valuation date”) for the purpose of incorporation into the circular issued by the Group.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We are independent of the Group and our valuation is prepared in accordance with the “International Valuation Standards” published by the International Valuation Standards Council and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the Property.

No allowance has been made in our valuation report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

VALUATION METHODOLOGY

In undertaking our valuation for the Property, which is intended to be acquired by the Group for future development in the PRC, we have ascribed no commercial value to the Property as the relevant land grant formalities have not been performed and the relevant Land Grant Contract and Land Use Rights Certificate have not been obtained for the related land parcels.

TITLE AND ASSUMPTIONS

We have been provided with copies of extracts of title documents relating to the Property. However, we have not caused title searches to be made for the Property at the relevant government bureaus in the PRC and have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the Property in the PRC, we have relied on the legal opinion provided by the Group's PRC legal adviser, Yangsan Law Firm of Guangdong (廣東洋三律師事務所), regarding the title and other legal matters to the Property.

SOURCES OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, site and floor areas and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation report are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

SITE INSPECTIONS

Site inspection of the Property was carried out by Mr. Daniel Cho (BBA) in December 2016. We have inspected the exterior and, where possible, the interior of the Property. We have not inspected those parts of the Property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the title documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspection, we did not notice any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free of rot, infestation or any other structural defects. No tests have been carried out on any of the services.

LIMITATION OF LIABILITIES

This valuation report is issued on the understanding that you have drawn our attention to all matters of which they are aware concerning the Property which may have an impact on our valuation report up to the valuation date. We have no responsibility to update this valuation report for events and circumstances occurring after the date of completion of our assessment but will be pleased to discuss further instructions as may be required.

MANAGEMENT CONFIRMATION OF FACTS

A draft of this valuation report and our calculation has been sent to the Group. The Group has reviewed and orally confirmed to us that facts as stated in this valuation report and calculation are accurate in all material respects and that the Group is not aware of any material matters relevant to our engagement which have been excluded.

CURRENCY

Unless otherwise stated, all monetary amounts in our valuation are in Hong Kong Dollars (HK\$). The exchange rate adopted in our valuation is approximately HK\$1 = RMB0.89.

Our valuation report is attached.

Yours faithfully,
For and on behalf of
APAC Asset Valuation and Consulting Limited
K.H. Cheung
MRICS, RPS (GP)
Associate Director

Note: Mr. K.H. Cheung is a Registered Professional Surveyor in General Practice Division with over 12 years' valuation experience on properties in the PRC.

VALUATION REPORT

Property intended to be acquired by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2017								
Four Parcels of Land located in Shenxi Village, Shenwan Town, Zhongshan, Guangdong Province, PRC	<p>The Property is located in Shenxi Village of Shenwan Town in Zhongshan. The immediate locality is a country area with various farmlands and rural villages in the vicinity.</p> <p>According to the information provided by the Group, the Property comprises four parcels of land with a total site area of approximately 1,125 mu (750,000 sqm). Details of the site areas of the Property are listed as follows:</p> <table> <tr> <td>Use</td> <td>Approximate Site Area (mu)</td> </tr> <tr> <td>Commercial & Residential Land</td> <td>475</td> </tr> <tr> <td>Tourism Land</td> <td>650</td> </tr> <tr> <td>Total:</td> <td>1,125</td> </tr> </table>	Use	Approximate Site Area (mu)	Commercial & Residential Land	475	Tourism Land	650	Total:	1,125	<p>As at the valuation date, the Property was occupied by various villagers for agricultural and residential uses.</p> <p>The demolition and resettlement works still have not been performed. As instructed by the Group, we have valued the Property as if the said buildings and structures were removed and the related land parcels were vacant for future development.</p>	No commercial value (refer to Note 3)
Use	Approximate Site Area (mu)										
Commercial & Residential Land	475										
Tourism Land	650										
Total:	1,125										

As advised by the Group, the project to be developed on the land parcels is known as the “China Aerospace-Themed Tourism Township Project” (the “Project”) and will be developed into a town of tourism, culture and commercial properties.

The relevant land grant formalities and demolition and resettlement works still have not been performed and the relevant Land Grant Contract and Land Use Rights Certificate have not been obtained for the related land parcels.

Notes:

1. Pursuant to the Cooperation Framework Agreement entered into between the China Academy of Space Technology, the Government of Zhongshan City of Guangdong Province and Guangdong Sunsea Yacht Club Company Limited (“Sunsea Yacht Club”) at the China (Zhuhai) International Aviation & Aerospace Exhibition held in Zhuhai on 1 November 2016, the land parcels of the Property will be developed into a tourist park of various segments (including “Shenzhou Aerospace Park”, “Outlets Town” and “Space Agricultural Park”) with an investment amount of up to RMB12,000,000,000.
2. Pursuant to the supplementary agreement entered into between the Company, Vanilla Venus Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, and Ever Sino Investment Holdings Limited (the “Vendor”) on 7 March 2017, the Vendor agreed to issue a letter of undertaking to undertake that the plot ratios of the four parcels of land of the Property to be obtained by Shenzhou Aerospace Town Holdings Company Limited and its subsidiaries (the “Target Group”) as stated in the Agreement are equal to or greater than 0.25 for Land Plot A, 1.5 for Land Plot B, 0.25 for Land Plot C and 1.2 for Land Plot D, respectively. If the final plot ratios of the auctioned land of the abovementioned parcels of land fall below the abovementioned undertaking, the Purchaser shall be entitled to make a reasonable price adjustment on the payment of consideration to the Vendor. Nevertheless, if the final plot ratios of the auctioned land are higher than the abovementioned undertaking, the Purchaser is not required to pay any further consideration to the Vendor.
3. In the course of our valuation, we have ascribed no commercial value to the Property as the relevant land grant formalities have not been performed and the relevant Land Grant Contract and Land Use Rights Certificate have not been obtained for the related land parcels. For your specific indicative purpose, assuming that the relevant land grant formalities of the Property have been completed with all the land premium settled in full and all the demolition and resettlement works done, and the Property can be developed in accordance with the following usage and plot ratio which were provided and confirmed by the Group, the market value of the Property was in the sum of HK\$1,350,000,000 (RMB1,201,000,000) under assumed land use terms of 40 years for commercial and tourism uses and 70 years for residential uses respectively as at the valuation date.

Plot	Site Area (mu)	Plot Ratio	Usage
A	185	0.25	Tourism
B	200	1.5	Commercial and Residential
C	465	0.25	Tourism
D	<u>275</u>	1.2	Commercial and Residential
Total:	<u><u>1,125</u></u>		

4. We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following:–
- i. the governor of Shenwan Town has made an application to Zhongshan Development & Reform Bureau (中山市發展和改革局) for the approval of the development of the Project and the Project has then been approved. The granting for the land parcels of the Project can be performed by means of auction and listing after the planning procedure of the land parcels has been completed;
 - ii. Sunsea Land (China) Company Limited ("Sunsea Land") has signed the legal contract with the governor of Shenwan Town for getting the principal qualification of legal person and the concession of the master design, investment, construction, operation and management of the "Shenxi Tourism Project" (神溪旅游項目). Hereafter, the Shenxi Tourism Project has been changed to the Project and Sunsea Yacht Club has been assigned as the sponsor of the Project by the governor of Zhongshan City. In accordance with the requirements of the relevant cooperation agreement, Sunsea Yacht Club has to (i) apply for the detailed regulatory plan of the Project; (ii) apply for the relevant procedures of the preliminary approval of the Project; (iii) confirm the dimension and the land grant procedure; (iv) apply for the granting of the land parcels by auction and listing procedure; and (v) assist the Project Company to develop and operate the Project; and
 - iii. according to the Zhongshan Planning Standards and Guidelines (中山市城市規劃技術標準與準則), the nature of the land parcels of the Project has been defined as Residential Land (Type II) and the plot ratios of multi-storey, medium-storey and high-rise buildings are 1.5 to 1.7, 1.5 to 2.5 and 1.5 to 3.0 respectively. In regards to the plot ratio, Sunsea Yacht Club has promised that the proposed plot ratios of the Project have not exceeded the aforesaid limits, and they will bear the adverse consequences if the commitment letter has been violated. This kind of voluntary undertaking of adverse consequences does not violate the relevant requirements of the PRC laws.

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. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company 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), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“Model Code”) were as follows:

Share – long position

The Company:

Name of director	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Li Zhixiong	178,681,666	43,030,000	–	–	221,711,666

Interest in underlying share

The directors of the Company have been granted options under the Company's share option scheme, the following table summarises the movements in the Company's share options during the period ended 30 June 2016:

New Scheme	Grant date	At 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2016	Exercise period	Exercise price per share
Executive directors								
Dr. Kaneko Hiroshi (Resigned on 1 June 2016)	3.7.2014	8,000,000	-	-	-	8,000,000	3.7.2014-2.7.2024	0.485
	24.4.2015	10,000,000	-	-	-	10,000,000	24.4.2015-23.4.2025	0.78
Mr. Li Zhixiong	24.4.2015	6,000,000	-	-	-	6,000,000	24.4.2015-23.4.2025	0.78
Mr. Fu Zhenjun	3.7.2014	20,000,000	-	-	-	20,000,000	3.7.2014-2.7.2024	0.485
	24.4.2015	8,000,000	-	-	-	8,000,000	24.4.2015-23.4.2025	0.78
Mr. Kuang Yuanwei	3.7.2014	20,000,000	-	-	-	20,000,000	3.7.2014-2.7.2024	0.485
	24.4.2015	6,000,000	-	-	-	6,000,000	24.4.2015-23.4.2025	0.78
		<u>78,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,000,000</u>		

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company, or any of its associated corporation (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders

As at the Latest Practicable Date, the persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange 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 pursuant to section 336 of the SFO were as follows:

Share – long position

The Company:

Name		Number of underlying shares interested	Percentage of issued share capital at Latest Practicable Date
Lin Kai	Beneficial owner	356,000,000	6.11%

Save as disclosed above, as at the Latest Practicable Date, no other substantial shareholder or person had an interest or short position in the shares or underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor any of their respective close associates had interests in businesses, other than being a director of the Group and their respective close associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without payment of compensation (other than statutory compensation)).

5. INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, the following agreements, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

6. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which, since 31 December 2015 (the date to which the latest published audited financial statements of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following sets out the qualification of the experts who have given opinions, letter or advice included in this circular (collectively, the “Experts”):

Name	Qualification
Elite Partners CPA Limited	Certified Public Accountants
APAC Asset Valuation and Consulting Limited	Independent valuer

Each of the letter or report of the Experts is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, the date to which the latest published audited accounts of the Company were made up.

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- on 13 March 2014, the vendor and the purchaser entered into a supplemental agreement to amend certain terms of the agreement in relation to acquisition of 100% of the issued share capital of the Kassade Investment Limited at the consideration of HK\$100,000,000;
- on 30 March 2014, the Company, vendor and the purchaser entered into an agreement to acquire 100% of the issued share capital of the Zhongshan City Banfu Town Dingli Trading Company at the consideration of HK\$230,000,000;
- on 9 April 2014, the vendor and the purchaser entered into a third supplemental agreement to amend certain terms of the agreement in relation to the acquisition of 100% of the issued share capital of the Polar Sunshine Wood Holdings Company Limited at the consideration of HK\$210,040,000;
- on 26 May 2014, the vendor and the purchaser entered into a second supplemental agreement to amend certain terms of the agreement in relation to acquisition of 100% of the issued share capital of the Kassade Investment Limited at the consideration of HK\$100,000,000;
- on 17 December 2014, the Company, the vendor and the purchaser entered into the agreement in relation to the acquisition of the land use rights of the land located at Shandong Weifang Binhai Economic-Technological Development Area, Shandong Province, the PRC with a total site area of 128.2 hectares at the consideration of RMB1,100,000,000 by stages;
- on 31 December 2014, the Company, as tenant, entered into a tenancy agreement with Zhongshan Jindao Wood Products Company Limited, as landlord, for the leasing of premises for terms of three years commencing from 1 January 2015 and expiring on 31 December 2017 respectively;

- on 23 February 2015, the Company, the vendor and the purchaser entered into an agreement in relation to the acquisition of 100% of the issued share capital of the China New Oriental Household Holdings Limited at the Consideration of HK\$420,000,000;
- on 18 March 2015, the Company and Shenzhen Munsun Asset Management Limited entered into a fund establishment framework agreement, leverage on their respective advantages, the parties establish the “Zhongshan Smart Household Fund LP” of approximately RMB\$2 billion (subject to the actual amount raised);
- on 26 March 2015, the Company, the vendor and the purchaser entered into a supplemental agreement to amend the agreement relating to the payment of the consideration in relation to the acquisition of 100% of the issued share capital of the China New Oriental Household Holdings Limited;
- on 6 August 2015, the Company entered into subscription agreements with the subscribers to subscribe for the convertible bonds in the principal amount of HK\$226,219,436 with the rights to convert into 665,351,280 conversion shares at initial conversion price of HK\$0.34 per conversion Share;
- on 20 August 2015, the Company and respective subscribers further entered into supplemental agreements to amend certain terms of the convertible bonds under the subscription agreements in relation to the convertible bonds in the principal amount of HK\$226,219,436;
- on 16 December 2015, the Company entered into subscription agreements with the subscribers to subscribe for the convertible bonds in the principal amount of HK\$83,702,575 with the rights to convert into 558,017,167 conversion shares at initial conversion price of HK\$0.15 per conversion share;
- on 4 March 2016, the Company entered into subscription agreements with the subscribers to subscribe or procure subscription by its nominee(s) for the convertible bonds in the principal amount of HK\$25,000,000 with the rights to convert into 250,000,000 conversion shares at initial conversion price of HK\$0.10 per conversion share;
- on 5 August 2016, the Company entered into subscription agreements with not less than six subscribers to subscribe for the convertible bonds in the principal amount of HK\$90,000,000 with the rights to convert into 900,000,000 conversion shares at initial conversion price of HK\$0.10 per conversion share;

- on 24 January 2017, the Company entered into subscription agreements with not less than six subscribers to subscribe for the convertible bonds in the principal amount of HK\$140,000,000 with the rights to convert into 700,000,000 conversion shares at initial conversion price of HK\$0.20 per conversion share;
- on 6 March 2017, the Company entered into subscription agreements with not less than six subscribers to subscribe for the convertible bonds in the principal amount of HK\$93,000,000 with the rights to convert into 465,000,000 conversion shares at initial conversion price of HK\$0.20 per conversion share; and
- the Agreement.

10. GENERAL

- (a) The secretary of the Company is Yuen Kwok Kuen who is a Certified Public Accountants of the Hong Kong Institute of Certified Public Accountants and CPA Australia.
- (b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The head office and principal place of business in Hong Kong is situated at Suite no. 1001B, 10/F., Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Hong Kong.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) In the event of any inconsistency, the English texts of the circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Suite no. 1001B, 10/F., Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the Agreement;
- (b) the annual reports of the Company for the three years ended 31 December 2015 and the interim report of the Company for the six months ended 30 June 2016;

- (c) the accountant's report of the Target Group and Sunsea Yacht Club, the text of which is set out in Appendix II to this circular;
- (d) the accountant's report from on the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix IV to this circular;
- (e) the valuation report, the text of which is set out in Appendix V to this circular;
- (f) the written consents referred to in paragraph headed "8. Qualification and Consent of Experts" of this appendix;
- (g) the material contracts referred to in the paragraph headed "9. Material Contracts" in this appendix; and
- (h) this circular.

NOTICE OF SPECIAL GENERAL MEETING



CHINA HOUSEHOLD HOLDINGS LIMITED 中國家居控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 692)

NOTICE IS HERE BY GIVEN that the special general meeting of shareholders of the Company will be held at The Royal Pacific Hotel & Towers, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 16 June 2017 at 10 a.m., as special business, to consider and, if thought fit, pass with or without amendments the following resolution as Ordinary Resolution:

1. “THAT:

- (a) the sale and purchase agreement dated 9 December 2016 (the “Agreement”) and the supplemental agreement dated 7 March 2017 (“Supplemental Agreement”) entered into between Vanilla Venus Limited, a wholly-owned subsidiary of the Company (the “Purchaser”), and Ever Sino Investment Holdings Limited (the “Vendor”) relating to the acquisition of the entire issued capital of Shenzhou Aerospace City Holding Limited for a total Consideration of HK\$1,350,000,000.00 (“Acquisition”), of which HK\$150,000,000 shall be satisfied by the Purchaser by procuring the Company to issue the convertible bonds (the “Convertible Bonds”) in the aggregate principal amount of HK\$150,000,000 entitling the holder(s) thereof to convert the principal amount into ordinary shares of HK\$0.001 each in the share capital of the Company (the “Conversion Shares”) at the initial conversion price of HK\$0.10 per Conversion Share (subject to adjustment), to the Vendor (or its nominee(s)), and HK\$1,200,000,000 shall be satisfied by the Purchaser by procuring the Company to issue 3% interest bearing promissory notes in the aggregate principal amount of HK\$1,200,000,000 (the “Promissory Notes”) to the Vendor (or its nominee(s)); (a copy of the Agreement and Supplemental Agreement has been produced to this meeting marked “A” and signed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

NOTICE OF SPECIAL GENERAL MEETING

- (b) subject to the fulfillment or waiver of the conditions precedent set out in the Agreement and Supplemental Agreement, the issue of the Convertible Bonds in the aggregate principal amount of HK\$150,000,000 by the Company to the Vendor (or its nominee(s)) in accordance with the terms and conditions of the Agreement and Supplemental Agreement and all transactions contemplated thereunder be and is hereby approved, confirmed and ratified;
- (c) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares to be allotted and issued, the directors (the “Directors”) of the Company be and are hereby granted a specific mandate (the “Specific Mandate”) to allot and issue the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds at the initial conversion price of HK\$0.10 per Conversion Share (subject to adjustment) pursuant to the conditions of the Convertible Bonds. The Specific Mandate is in addition to, and shall not prejudice nor revoke any existing or such other general or special mandates which may from time to time be granted to the Directors prior to passing of this resolution;
- (d) the issue of the Promissory Notes in the aggregate principal amount of HK\$1,200,000,000 by the Company to the Vendor (or its nominee(s)) to settle part of the consideration payable by the Purchaser in accordance with the terms and conditions of the Agreement and Supplemental Agreement and all transactions contemplated thereunder be and is hereby approved, confirmed and ratified; and
- (e) any one Director be and is hereby authorised to sign and execute such documents, including under seal where applicable, and do all such acts and things, as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Agreement and Supplemental Agreement and the transactions contemplated thereunder.”

By order of the Board
China Household Holdings Limited
Fu Zhenjun
Executive Director

Hong Kong, 28 April 2017

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) A member entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (2) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the SGM or any adjourned meeting thereof.
- (3) In the case of joint holders of any Share, any one of such holders may vote at the SGM either personally or by proxy in respect of such Share as if he was solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, the holder whose name stands first in the register of members of the Company shall alone be entitled to vote in respect of that Share.
- (4) Pursuant to Rule 13.39 of the Listing Rules, all votes of Shareholders at a general meeting must be taken by poll. The Chairman of the meeting will therefore demand a poll for every resolution put to the vote of the SGM pursuant to clause 70 of the Bye-Laws.