

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Zhong Ao Home Group Limited

中奧到家集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1538)

MAJOR TRANSACTION

THE ACQUISITION

On 26 July 2016 (after trading hours), the Purchaser, an indirect non-wholly owned subsidiary of the Company, entered into the Agreement with the Vendors pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares at a total consideration of RMB210 million.

The Sale Shares represent 70% of the registered capital of the Target Company. The Target Company is a property management company located in Zhejiang Province of the PRC. As at the date of this announcement, the Target Company has 234 projects and properties with total contracted GFA of approximately 18.0 million square meters under its management.

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

A circular containing, among other things, further details about the Acquisition and the notice of the EGM to be convened to approve, among other things, the Acquisition will be despatched to the Shareholders. As the Company expects that it will need more time to collate the information to be included in the circular, the circular is expected to be despatched to the Shareholders on or before 31 August 2016.

Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfillment of the conditions under the Agreement and the Agreement may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Reference is made to the announcement of the Company dated 23 March 2016. On 26 July 2016, the Purchaser and the Vendors entered into the Agreement with respect to the Acquisition.

THE ACQUISITION

Date of the Agreement

26 July 2016 (after trading hours)

Parties

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

Seller : the Vendors, who are ten individuals.

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

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

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

Subject matter

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

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

Consideration

The consideration for the Acquisition is RMB210 million. The consideration was determined by the parties after arm’s length negotiations with reference to the net asset value of the Target Group, the portfolio of property management contracts of the Target Group, the prospect of the Target Group and the prospective synergy that may be created by the Acquisition.

The consideration is to be settled by cash through internal financial resources of the Company and the listing proceeds. The Consideration is payable by the Purchaser to Vendors as follows:

- (i) a deposit in the sum of RMB15 million has been paid to the Vendors upon the signing of the Agreement;
- (ii) the Purchaser will pay the Vendors the consideration in full within five Business Days following the date on which (i) conditions (a), (b) and (e) set out below have been satisfied; and (ii) the Deposit has been in full returned.

Conditions precedent

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

- (a) the Shareholders approving the Agreement and the transactions contemplated thereunder in a general meeting of the Company held in compliance with the Listing Rules;
- (b) the PRC examination and approval authorities having approved the Acquisition, the Agreement, the joint venture agreement and the revised articles of association of the Target Company and the PRC examination and approval authorities have not imposed any changes to the transaction documents;
- (c) the PRC administrative department for industry and commerce having registered the revised articles of association of the Target Company pertaining to the Acquisition, the Agreement and the joint venture agreement and has issued the amended business license of the Target Company;
- (d) the Target Company having completed foreign exchange registration in connection with the transaction;
- (e) each of the Vendors have opened personal RMB settlement bank account with a PRC bank in accordance with the Administrative Measures for foreign direct investments in RMB Settlement Business (外商直接投資人民幣結算業務管理辦法) for the receipt of the consideration and such banking information has been provided to the Purchaser;
- (f) the Vendors having discharged their obligations under the Agreement;
- (g) the warranties provided by the Vendors remaining true, accurate and not misleading in all material respect; and
- (h) there has not been any material adverse change to the Target Group.

The Company may at its discretion waive conditions (e), (f) and (g). If the conditions above have not been fulfilled or waived (as the case may be) by 30 September 2016 (or such later date as may be agreed between the parties), the Purchaser shall have the right to terminate the Agreement by giving notice to the Vendors.

Completion

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

Vendors' Post-Completion Obligation and Indemnification

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

INFORMATION ON THE PURCHASER

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

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

INFORMATION ON THE TARGET GROUP

Information on the Target Company

The Target Company is a limited liability company incorporated in the PRC in February 1999 and is wholly-owned by the Vendors. As at 31 December 2015, the Target Company had nine subsidiaries, two associates and two joint ventures. The Target Company is principally engaged in the business of property management. Primarily focusing on the Zhejiang Province of the PRC, the Target Company has 234 projects and properties with total contracted GFA of approximately 18.0 million square meters under its management as at the date of this announcement.

Financial Information of the Target Group

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

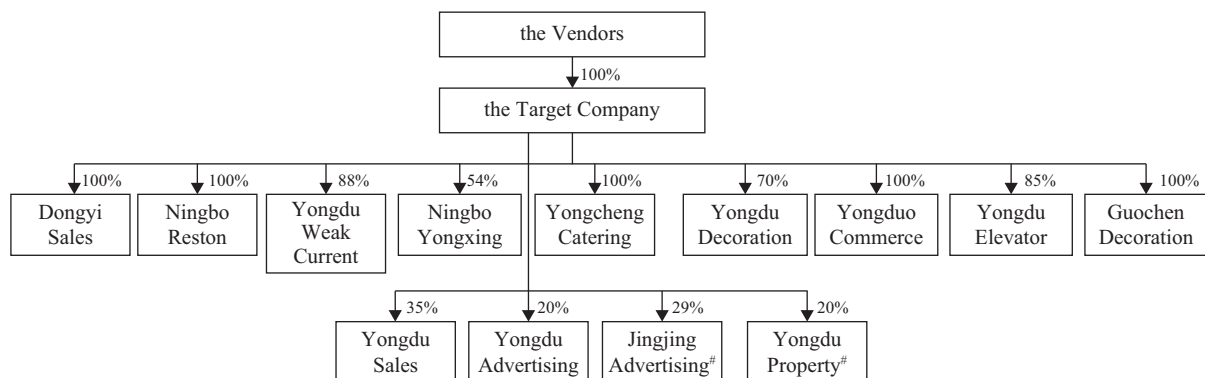
	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>Approximately RMB'000</i>	<i>Approximately RMB'000</i>
Before tax profit	17,904	30,462
After tax profit	11,083	20,217

The net asset value of the Target Company as at 31 December 2015 was approximately RMB76,526,000.

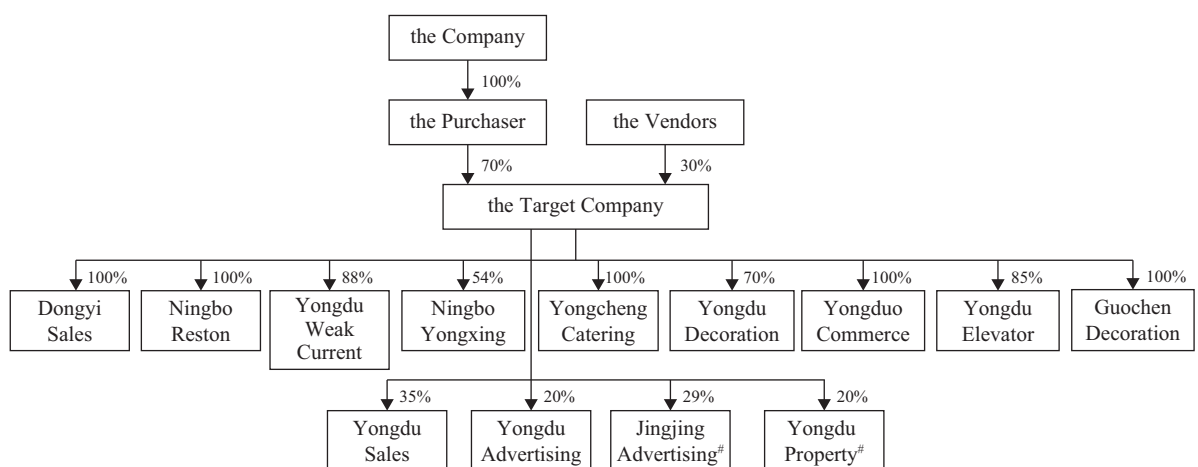
The financial information on the Target Company disclosed above is subject to audit and an accountants' report on the Target Group prepared in compliance with the requirements of the Listing Rules will be included in the circular to be despatched to the Shareholders.

Shareholding structure of the Target Group

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



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



Being liquidated and deregistered

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

GUARANTEES AND FURTHER ACQUISITIONS

Pursuant to the terms of the joint venture agreement entered into between the Purchaser and the Vendors in relation to the Acquisition and the governance of the Target Company, the Vendors have provided a guarantee to the Purchaser that the adjusted net profit of the Target Company for each of the four financial years ending 31 December 2016, 2017, 2018 and 2019 will not be less than RMB32 million. If the adjusted net profit of the Target Company for any of the guaranteed period has fallen short of the profit target, the consideration for the subsequent acquisitions will be adjusted accordingly.

Under the terms of the joint venture agreement, the Purchaser will acquire from the Vendors further interests in the Target Company in four tranches of 7.5% each at a price of RMB22.5 million for each of the acquisition. The acquisition will be made within 30 days upon determination of the adjusted net profits of the Target Company in accordance with the joint venture agreement (subject to extension of such periods as may be required to obtain requisite governmental approvals required for the subsequent acquisitions, if any), respectively.

If the adjusted net profit of the Target Company has fallen short of the profit target in any of the guaranteed financial year, the consideration will be adjusted in accordance with the following formulas:

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

(1) if the relevant financial year is 2017,

$$\text{Final consideration} = [\text{RMB300 million} \times 90\%] \times 7.5\%$$

(2) if the relevant financial year is 2018 or after and the adjusted net profit of the Target Company for the year that is two years preceding the relevant financial year has exceeded the profit target and the excess is equal or greater than the shortfall,

$$\text{Final consideration} = \text{RMB22.5 million}$$

(3) if the relevant financial year is 2018 or after and the adjusted net profit of the Target Company for the year that is two years preceding the relevant financial year has exceeded the profit target but the excess is less than the shortfall,

$$\text{Final consideration} = [\text{RMB300 million} \times 90\%] \times 7.5\%$$

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

$$\text{Final consideration} = [(\text{actual net profit for the relevant financial year} \times 6.5) + \text{RMB72 million}] \times 7.5\%$$

(c) if the Target Company has suffered net losses for the relevant financial year, the consideration to be paid will be adjusted as follows:

$$\text{Final consideration} = [\text{RMB72 million} - \text{Adjustment Amount}] \times 7.5\%$$

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

REASONS FOR THE ACQUISITION

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

As mentioned in the 2015 annual report of the Group and the prospectus of the Company dated 13 November 2015, the property management market is currently quite fragmented, where a trend of industry consolidation is expected. Through acquisitions, the Group will be able to strengthen its market position, increase its market share, expand its geographical coverage and gain access to new capacity. The Group has been actively identifying investment opportunities in pursuit of its business strategy. As the Target Group's properties under management are mainly located in the prime business district of Ningbo City, Zhejiang Province, covered by convenient transportation networks, the Board believes that upon Completion, the Group will be able to enlarge its portfolio of properties under management and provide additional income to the Group.

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

LISTING RULES IMPLICATIONS

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

A circular containing, among other things, further details about the Acquisition and the notice of the EGM to be convened to approve, among other things, the Acquisition will be despatched to the Shareholders. As the Company expects that it will need more time to collate the information to be included in the circular, the circular is expected to be despatched to the Shareholders on or before 31 August 2016.

Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfillment of the conditions under the Agreement and the Agreement may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares pursuant to the terms and conditions of the Agreement;
“Agreement”	the sale and purchase agreement dated 26 July 2016 entered into among the Vendors and the Purchaser in relation to the Acquisition;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Business Day(s)”	a day(s) on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays);
“Circular”	the circular of the Company to be dispatched to the Shareholders in relation to, among other things, the Agreement and the transactions contemplated thereunder;
“Company”	Zhong Ao Home Group Limited (中奧到家集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1538);
“Completion”	completion of the Agreement and the transactions contemplated thereunder in accordance with the terms and conditions of the Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Deposit”	RMB15,000,000 to be paid by the Company to the Vendors on the date of the signing of the Agreement;
“Director(s)”	director(s) of the Company;
“Dongyi Sales”	寧波東逸房產銷售有限公司 (Ningbo Dongyi Property Sales Company Limited*), a company incorporated in the PRC, a wholly-owned subsidiary of the Target Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries from time to time;

“Guochen Decoration”	寧波國晨裝飾工程有限公司 (Ningbo Guochen Decoration Engineering Company Limited*), a company incorporated in the PRC, a wholly-owned subsidiary of the Target Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Jingjing Advertising”	寧波永都菁菁廣告有限公司 (Ningbo Yongdu Jingjing Advertising Company Limited*), a company incorporated in the PRC, of which 29% of its registered capital is held by the Target Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Ningbo Reston”	寧波雷斯頓酒店物業服務有限公司 (Ningbo Reston Hotel Property Management Services Company Limited*), a company incorporated in the PRC, a wholly-owned subsidiary of the Target Company;
“Ningbo Yongxing”	寧波市甬興物業管理有限公司 (Ningbo Yongxing Property Management Company Limited*), a company incorporated in the PRC, a non wholly-owned subsidiary of the Target Company;
“PRC”	the People’s Republic of China which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
“Purchaser”	Zhong Ao Home Investment Company Limited (中奧到家投資有限公司), a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	RMB7,700,000 in the registered capital of the Target Company, representing 70% of the existing registered capital of the Target Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	浙江永成物業管理有限公司 (Zhejiang Yongcheng Property Management Company Limited*), a company incorporated in the PRC with limited liability;

“Target Group”	the Target and its subsidiaries from time to time;
“Vendors”	He Xiaoyong, Cen Wei, Zhang Aiguo, Cui Guofu, Qi Kangning, Wang Chenliang, Lu Yikang, Gui Chenyi, He Guodong and Li Cuiyue, collectively holding 100% of the registered capital of the Target Company;
“Yongcheng Catering”	寧波高新區永成餐飲服務有限公司 (Ningbo High-tech Zone Yongcheng Catering Service Company Limited*), a company incorporated in the PRC, a wholly-owned subsidiary of the Target Company;
“Yongdu Advertising”	寧波江北區永都廣告傳媒有限公司 (Ningbo Jiangbei District Yongdu Advertising Media Company Limited*), a company incorporated in the PRC, of which 20% of its registered capital is held by the Target Company;
“Yongdu Decoration”	寧波永都裝飾有限公司 (Ningbo Yongdu Decoration Engineering Company Limited*), a company incorporated in the PRC, a non wholly-owned subsidiary of the Target Company;
“Yongdu Elevator”	寧波永都電梯工程有限公司 (Ningbo Yongdu Elevator Engineering Company Limited*), a company incorporated in the PRC, a non wholly-owned subsidiary of the Target Company;
“Yongdu Property”	寧波永都置業有限公司 (Ningbo Yongdu Property Company Limited*), a company incorporated in the PRC, of which 20% of its registered capital is held by the Target Company;
“Yongdu Sales”	寧波永都房產銷售有限公司 (Ningbo Yongdu Property Sales Company Limited*), a company incorporated in the PRC, of which 35% of its registered capital is held by the Target Company;
“Yongdu Weak Current”	寧波江北永都弱電工程有限公司 (Ningbo Jiangbei Yongdu Weak Current Engineering Company Limited*), a company incorporated in the PRC, a non wholly-owned subsidiary of the Target Company;

“Yongduo Commerce” 寧波永鐸電子商務有限公司 (Ningbo Yongduo Electronic Commerce Company Limited*), a company incorporated in the PRC, a wholly-owned subsidiary of the Target Company;

“%” per cent.

* For identification purpose only

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

Hong Kong, 26 July 2016

As at the date of this announcement, the Executive Directors are Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bing and Mr. Long Weimin; the Non-Executive Directors are Mr. Wei Xhe, Ms. Wu Qimin and Mr. Lam Yiu Por; the Independent Non-Executive Directors are Mr. Lee Kwok Tung Louis, Mr. Yuan Boyin, Mr. Wu Haibing and Mr. Zhang Weilun.

In the event of inconsistency, the English text of this announcement shall prevail over the Chinese text thereof.