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Zhong Ao Home Group Limited

中奧到家集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1538)

DISCLOSEABLE TRANSACTION

THE ACQUISITION

Reference is made to the Company's announcement dated 23 December 2015 relating to the memorandum of understanding entered into between the Purchaser and the Sellers in relation to the Acquisition.

On 5 February 2016, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Sellers under which the Purchaser has agreed to acquire 70% equity interest in the Target Company at the consideration of RMB12,066,038 (equivalent to approximately HK\$14,176,991).

The Target Company is a company incorporated in Hong Kong with limited liability. The Target Company is the sole shareholder of the Subsidiary, which is a PRC property management company located in Shanghai with 11 properties and approximately 1.0 million square metres of gross floor area under its management.

IMPLICATION UNDER THE LISTING RULES

As two of the applicable ratios as set out in Rule 14.07 of the Listing Rules in respect of the Acquisition are over 5% but below 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

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THE AGREEMENT

The principal terms of the Agreement are as follows:

Date

5 February 2016 (after trading hours)

Parties

- (1) the Purchaser, an indirect wholly-owned subsidiary of the Company;
- (2) Ko Hoi Cheung; and
- (3) Lo Wai Lee (together with Ko Hoi Cheung, the “**Sellers**”).

To the best of the Directors’ knowledge, information and belief, after having made all reasonable enquiries, each of the Sellers is a third party independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

Subject matter

The Purchaser has agreed to acquire 70% equity interest in the Target Company. Upon completion of the Acquisition, the Target Company will become an indirect non wholly-owned subsidiary of the Company and its results will be consolidated with the financial statements of the Company.

Consideration

The consideration for the Acquisition is RMB12,066,038 (equivalent to approximately HK\$14,176,991). The consideration was determined after arm’s length negotiations between the parties. The basis for determining the consideration (the “**Calculation Basis**”) is the average of the normalised net profits (excluding a one-off property management fee subsidy provided by a property developer) of the Subsidiary for the three financial years of 2012, 2013 and 2014 as reviewed by the auditor engaged by the Purchaser and confirmed in writing by the Purchaser and the Sellers. The consideration is equal to 70% of five times multiples of the Calculation Basis. The consideration will be paid to the Sellers by the Purchaser by cheque in HK\$ at the Completion Date.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability. The Target Company is a holding company and is the sole shareholder of the Subsidiary. The Subsidiary is a PRC property management company located in Shanghai with 11 properties and approximately 1.0 million square metres of gross floor area under its management. The Target Company is owned as to 50% by Ko Hoi Cheung and as to 50% by Lo Wai Lee.

The financial information of the Target Company as extracted from its unaudited management accounts is summarised as follows:

	For the year ended	
	31 December	
	2014	2015
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax*	16,835	6,445
Net profit after tax	12,421	4,833

The net asset value of the Target Company as at 31 December 2015 was approximately RMB6,677,000.

* *Includes a one-off property management fee subsidy from a property developer of approximately RMB8,685,000.*

REASONS FOR THE ACQUISITION

The Company is principally engaged in property management and sales assistance in the PRC.

The Subsidiary is primarily engaged in property management services in Shanghai, having 11 properties and approximately 1.0 million square metres of gross floor area under its management. The Company considers that the Acquisition would enable the Company to expand its scope of services and coverage in the PRC.

The Directors (including the independent non-executive 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 Company and the Shareholders are concerned and that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As two of the applicable ratios as set out in Rule 14.07 of the Listing Rules in respect of the Acquisition are over 5% but below 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of 70% equity interest in the Target Company;
“Agreement”	the agreement dated 5 February 2016 between the Purchaser and the Sellers in relation to the Acquisition;

“Board”	the board of Directors;
“Company”	Zhong Ao Home Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange;
“Completion Date”	means 5 February 2016;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the directors of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, will exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Zhong Ao Property Services (Hong Kong) Limited, a limited liability company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“Sellers”	Ko Hoi Cheung and Lo Wai Lee, two individuals who are the legal and beneficial owners of the entire issued share capital of the Target Company and each of them is a third party independent of and not connected with the Company and its connected persons;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	Shanghai Yidong Property Management Limited* (上海怡東物業管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Target Company;

“Target Company” Eastern Harbour Engineering Management Limited, a company incorporated in Hong Kong with limited liability;

“HK\$” Hong Kong dollar, the lawful currency of Hong Kong; and

“%” per cent.

By order of the Board of
Zhong Ao Home Group Limited
Yu Ho Ming
Company Secretary

Hong Kong, 5 February 2016

As at the date of this announcement, our executive directors are Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bing, Mr. Long Weimin, our non-executive directors are Mr. Wei Zhe, Ms. Wu Qimin, Mr. Lam Yiu Por, and our independent non-executive directors are Mr. Zhang Weilun, Mr. Lee Kwok Tung Louis, Mr. Yuan Boyin, and Mr. Wu Haibing.

* *for identification purpose only*