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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)

INSIDE INFORMATION

ANNOUNCEMENT — MEMORANDUM OF UNDERSTANDING IN RELATION TO PROPOSED ISSUANCE OF CONVERTIBLE NOTES BY A SUBSIDIARY

This announcement is made by the Company pursuant to the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

PROPOSED ISSUANCE OF CONVERTIBLE NOTES

On 6 April 2016, the Company entered into a memorandum of understanding (the “**MOU**”) with Central Oscar for the potential subscription by Central Oscar of convertible notes (the “**Convertible Notes**”) in the principal amount of US\$5 million to be issued by Aidaojia Holdings Limited (愛到家控股有限公司) (the “**Issuer**”), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company (the “**Proposed Transaction**”).

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Central Oscar is interested in approximately 11.82% of the issued share capital of the Company and is a substantial shareholder and connected person of the Company. Accordingly, the Proposed Transaction, if materialised, will constitute a connected transaction for the Company which is subject to the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. Central Oscar and its associates will abstain from voting at the EGM to be convened to consider approve the Proposed Transaction.

As the Convertible Notes are convertible into shares of the Issuer and upon conversion, the shareholding of the Company in the Issuer will decrease, and the Issuer will become a non-wholly owned subsidiary of the Company. As such, the Proposed Transaction will also constitute a deemed disposal by the Company under Chapter 14 of the Listing Rules.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES:

Principal Amount:	US\$5 million
Maturity:	12 months from the closing date
Guarantor:	The Company will guarantee the repayment of the Convertible Notes.
Use of Proceeds:	Funding the development of O2O Platform by Hangzhou Yidao Information Technology Company Limited (杭州壹到信息科技有限公司) (“ Hangzhou Yidao ”)
Coupon rate:	The coupon rate of the Convertible Notes will be agreed by the parties and set out in the definitive subscription agreement in respect of the subscription of the Convertible Notes.
Conversion Rights:	Whilst the Convertible Notes remains outstanding, Central Oscar has the right to convert the principal amount of the Convertible Notes into shares of the Issuer.
Conversion Price:	The conversion price shall be a price to be agreed between the Issuer and Central Oscar based on a 30% discount to the post-money valuation of Hangzhou Yidao by the investor(s) in a further round of investment in Hangzhou Yidao (or its holding company) by way of equity fund raising prior to maturity of the Convertible Notes.
Conditions:	The Convertible Notes will be subject to such conditions customary to transactions of this nature.
Transferability:	The Convertible Notes are freely transferable.
Issuer’s undertakings:	The Issuer shall procure a further issue of the convertible notes in principal amount of not less than US\$5 million to be subscribed by the Company on substantially same terms and not more favourable than those of the Convertible Notes issued to the Investor as soon as practicable.
Other Terms:	The MOU is non-legally binding, save for the provisions regarding confidentiality and expenses.

REASONS AND BENEFITS OF THE ISSUANCE OF CONVERTIBLE NOTES

The Board believes that the Proposed Transaction is an efficient funding method for the development of the Issuer at this stage as it will not strain the cash flow of the Company and allow the Company to have more flexibility in applying its available resources for the other business activities of the Company.

GENERAL

As of the date of this announcement, all terms and conditions of the Proposed Transaction are still being negotiated and no binding agreement has been entered into. The Proposed Transaction, if materialised, will constitute a connected transaction for the Company and also a deemed disposal of a subsidiary under the Listing Rules. The Company will make further announcement in compliance with the requirements of the Listing Rules when definitive agreements in respect of the Proposed Transaction are entered into. **As the Proposed Transaction may or may not materialise, shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.**

“Board”	the board of Directors;
“Central Oscar”	Central Oscar Holdings Limited, a company incorporated in the British Virgin Islands, which is held as to approximately 95.5% and 4.5% by Vision Knight Capital (China) Fund II, L.P. and Vision Knight Capital (China) Entrepreneur Fund II, L.P., respectively, both of which are managed by Vision Knight Capital (China) GP II, L.P. (the “VKC”), an exempted limited partnership registered under the laws of the Cayman Islands, the general partner of which is VKC (China) GP II Ltd. VKC (China) GP II Ltd. is wholly-owned by VKC Cayman II Ltd. Both of VKC (China) GP II Ltd and VKC Cayman II Ltd are limited companies incorporated under the laws of the Cayman Islands. VKC Cayman II Ltd is owned as to 50% by Mr. Wei Zhe and 50% by Mr. Zhu Daming;
“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;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve, inter alia, the issue of the Convertible Notes;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Shareholder”	Shareholders other than Central Oscar and its associates;

“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;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States Dollar, the lawful currency of the United States of America;
“%”	percent.

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

Hong Kong, 6 April 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.