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Greentown Service Group Co. Ltd.

綠城服務集團有限公司

(A company incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 2869)

DISCLOSEABLE TRANSACTION ACQUISITION OF INTEREST IN ZHONG AO HOME GROUP LIMITED

ACQUISITION OF INTEREST IN ZHONG AO

On 14 June 2020, the Company entered into the Subscription Agreement with Zhong Ao, pursuant to which the Company conditionally agreed to subscribe for, and Zhong Ao conditionally agreed to allot and issue, 36,928,000 Zhong Ao Subscription Shares, representing approximately 4.32% of the total issued share capital of Zhong Ao as enlarged by the issue of the Zhong Ao Subscription Shares, at the subscription price of HK\$0.98 per Zhong Ao Subscription Share. The Subscription was completed on 19 June 2020.

The Board is pleased to announce that on 23 June 2020 (after trading hours), the Company entered into (i) the SPA I with Central Oscar, pursuant to which the Company conditionally agreed to purchase, and Central Oscar conditionally agreed to sell, 81,452,650 Zhong Ao Sale Shares, representing approximately 9.53% of the total issued share capital of Zhong Ao as at the date of this announcement, and (ii) the SPA II with Decision Holdings, pursuant to which the Company conditionally agreed to purchase, and Decision Holdings conditionally agreed to sell, 41,190,650 Zhong Ao Sale Shares, representing approximately 4.82% of the total issued share capital of Zhong Ao as at the date of this announcement, each at the Sale Price of HK\$1.80 per Zhong Ao Sale Share. The total consideration of the Acquisitions is HK\$220,757,940.

Upon Completion, the Company will be interested in 159,571,300 Zhong Ao Shares, representing approximately 18.67% of the total issued share capital of Zhong Ao (assuming that there is no change to the issued share capital of Zhong Ao from the date of this announcement and up to the date of Completion).

IMPLICATIONS UNDER THE LISTING RULES

As all of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Subscription, the First Acquisition and the Second Acquisition, each on a standalone basis, are less than 5%, none of the Subscription, the First Acquisition and the Second Acquisition constitute a discloseable transaction (on standalone basis) for the Company under Chapter 14 of the Listing Rules.

As the Company entered into the Subscription Agreement and the SPAs within a 12-month period, the transactions under the Subscription Agreement and the SPAs shall be aggregated as a series of transactions for the Company pursuant to Rule 14.22 of the Listing Rules. As the highest application percentage ratio in respect of the Subscription and the Acquisitions when aggregated exceeds 5% but is less than 25%, the entering into of the Subscription Agreement and the SPAs (in aggregate) constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Completion is subject to the fulfillment of the conditions set out in the SPAs. The Acquisitions may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

On 14 June 2020, the Company entered into the Subscription Agreement with Zhong Ao, pursuant to which the Company conditionally agreed to subscribe for, and Zhong Ao conditionally agreed to allot and issue, 36,928,000 Zhong Ao Subscription Shares, representing approximately 4.32% of the total issued share capital of Zhong Ao as enlarged by the issue of the Zhong Ao Subscription Shares, at the subscription price of HK\$0.98 per Zhong Ao Subscription Share. The Subscription was completed on 19 June 2020.

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Upon Completion, the Company will be interested in 159,571,300 Zhong Ao Shares, representing approximately 18.67% of the total issued share capital of Zhong Ao (assuming that there is no change to the issued share capital of Zhong Ao from the date of this announcement and up to the date of Completion). The principal terms of each of the Subscription Agreement, the SPA I and the SPA II are summarized below.

THE SUBSCRIPTION AGREEMENT

Date

14 June 2020

Parties

- (1) the Company (as subscriber); and
- (2) Zhong Ao (as issuer).

Subject Matter and Completion

Pursuant to the Subscription Agreement, the Company conditionally agreed to subscribe for, and Zhong Ao conditionally agreed to allot and issue, 36,928,000 Zhong Ao Subscription Shares, representing:

- (i) approximately 4.52% of the total issued share capital of Zhong Ao as at the date of the Subscription Agreement; and
- (ii) approximately 4.32% of the total issued share capital of Zhong Ao as enlarged by the issue of the Zhong Ao Subscription Shares immediately after completion of the Subscription.

The Subscription was completed on 19 June 2020.

Consideration

The subscription price of HK\$0.98 per Zhong Ao Subscription Share represented:

- (i) a discount of approximately 16.24% to the closing price of HK\$1.17 per Zhong Ao Share as quoted on the Stock Exchange on 12 June 2020, being the last trading day immediately prior to the date of the Subscription Agreement;
- (ii) a premium of approximately 4.93% over the average closing price of approximately HK\$0.934 per Zhong Ao Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a discount of approximately 2.97% to the audited net asset value per Zhong Ao Share of approximately HK\$1.01 as at 31 December 2019 (based on the audited net asset value of approximately HK\$825,488,000 and a total of 817,622,000 Zhong Ao Shares in issue as at 31 December 2019).

The subscription price was arrived at after arm's length negotiations between the Company and Zhong Ao with reference to the audited net asset value per Zhong Ao Share. The consideration of the Subscription was settled in cash by the Company from its internal source upon completion of the Subscription.

THE SPA I

Date

23 June 2020 (after trading hours)

Parties

- (1) the Company (as purchaser); and
- (2) Central Oscar (as vendor).

Subject Matter

Pursuant to the SPA I, the Company conditionally agreed to purchase, and Central Oscar conditionally agreed to sell, 81,452,650 Zhong Ao Sale Shares, representing approximately 9.53% of the total issued share capital of Zhong Ao as at the date of this announcement, on the terms and subject to the conditions set out in the SPA I.

Consideration

The Sale Price is HK\$1.80 per Zhong Ao Sale Share and the total consideration of the First Acquisition amounted to HK\$146,614,770. The Sale Price was determined after arm's length negotiations between both parties to the SPA I, with reference to the publicly available financial statements and announcements of Zhong Ao, the relative market value of similar companies in the same sector, the potential synergy between the Group and the Zhong Ao Group, and the valuation and analysis reports relating to Zhong Ao and the property service industry prepared by professional institutions.

The consideration for the First Acquisition will be settled by the Company in cash upon completion of the First Acquisition.

Conditions

Completion of the First Acquisition is conditional upon the fulfillment or waiver (as the case may be) of, among others, the following conditions:

- (i) the Zhong Ao Shares remain listed on the Main Board of the Stock Exchange and no trading of any Zhong Ao Shares has been revoked, withdrawn or suspended before the other conditions set out in the SPA I are fulfilled or waived (if applicable) and up to the completion of the First Acquisition;
- (ii) Central Oscar has not created any encumbrances on the 81,452,650 Zhong Ao Sale Shares that are subject to the SPA I;

- (iii) the Company and Central Oscar have obtained all necessary consents (including but not limited to Mr. Wei Zhe shall obtain acknowledgement from the chairman of the board of directors of Zhong Ao in relation to the sale of 81,452,650 Zhong Ao Sale Shares), permissions, authorizations and approvals (or, if applicable, waivers for obtaining the same) for entering into and performing the SPA I and the transactions contemplated thereunder; and
- (iv) the representations and warranties given by Central Oscar in the SPA I remain true, accurate and not misleading in all aspects.

If the conditions set out in the SPA I are not satisfied or waived by 5:00 p.m. on 10 July 2020, the SPA I will be terminated unless the Company and Central Oscar agree otherwise in writing. Upon fulfillment of all the conditions (except for those relating to the Company) set out in the SPA I, Central Oscar shall give a written confirmation to the Company to confirm the fulfillment of the conditions.

As at the date of this announcement, the condition(s) relating to the Company under SPA I has been fulfilled.

Completion

Completion of the First Acquisition will take place on 10:00 a.m. (Hong Kong time) on the fifth Business Day from the date of fulfillment (or waiver, as the case may be) of the conditions set out in the SPA I (or such other time or date as the Company and Central Oscar may agree in writing).

Nomination of non-executive director of Zhong Ao by the Company

Central Oscar has nominated the person nominated by the Company (the “**First Nominee**”) as a non-executive director of Zhong Ao and such appointment shall become effective upon completion of the First Acquisition. Central Oscar has also undertaken to vote in favor of the relevant resolution at the shareholder’s meeting(s) convened to consider the appointment and/or re-election of the First Nominee as a non-executive director of Zhong Ao.

If the Company ceases to hold any Zhong Ao Shares, it shall procure the immediate resignation of the First Nominee as a non-executive director of Zhong Ao.

THE SPA II

Date

23 June 2020 (after trading hours)

Parties

- (1) the Company (as purchaser); and
- (2) Decision Holdings (as vendor).

Subject Matter

Pursuant to the SPA II, the Company conditionally agreed to purchase, and Decision Holdings conditionally agreed to sell, 41,190,650 Zhong Ao Sale Shares, representing approximately 4.82% of the total issued share capital of Zhong Ao as at the date of this announcement, on the terms and subject to the conditions set out in the SPA II.

Consideration

The Sale Price is HK\$1.80 per Zhong Ao Sale Share and the total consideration of the Second Acquisition amounted to HK\$74,143,170. The Sale Price was determined after arm's length negotiations between both parties to the SPA II, with reference to the publicly available financial statements and announcements of Zhong Ao, the relative market value of similar companies in the same sector, the potential synergy between the Group and the Zhong Ao Group, and the valuation and analysis reports relating to Zhong Ao and the property service industry prepared by professional institutions.

The consideration for the Second Acquisition will be settled by the Company in cash upon completion of the Second Acquisition.

Conditions

Completion of the Second Acquisition is conditional upon the fulfillment or waiver (as the case may be) of, among others, the following conditions:

- (i) the Zhong Ao Shares remain listed on the Main Board of the Stock Exchange and no trading of any Zhong Ao Shares has been revoked, withdrawn or suspended before the other conditions set out in the SPA II are fulfilled or waived (if applicable) and up to the completion of the Second Acquisition;
- (ii) Decision Holdings has not created any encumbrances on the 41,190,650 Zhong Ao Sale Shares that are subject to the SPA II;
- (iii) the Company and Decision Holdings have each obtained all necessary consents, permissions, authorizations and approvals (or, if applicable, waivers for obtaining the same) for entering into and performing the SPA II and the transactions contemplated thereunder; and
- (iv) the representations and warranties given by Decision Holdings in the SPA II remaining true, accurate and not misleading in all aspects.

If the conditions set out in the SPA II are not satisfied or waived by 5:00 p.m. on 24 July 2020, the SPA II will be terminated unless the Company and Decision Holdings agree otherwise in writing. Upon fulfillment of all the conditions (except for those relating to the Company) set out in the SPA II, Decision Holdings shall give a written confirmation to the Company to confirm the fulfillment of the conditions.

As at the date of this announcement, the condition(s) relating to the Company under SPA II has been fulfilled.

Completion

On the fifth Business Day from the date of fulfillment or waiver of the conditions set out in the SPA II (or such other time or date as the Company and Decision Holdings may agree in writing). Decision Holdings shall, among other things, submit to the Hong Kong share registrar of Zhong Ao the requisite signed and stamped transfer documents for the 41,190,650 Zhong Ao Sale Shares. Completion of the Second Acquisition will take place on the day on which Decision Holdings delivers to the Company the share certificate for the 41,190,650 Zhong Ao Sale Shares with the Company as the registered holder.

Nomination of non-executive director of Zhong Ao by the Company

Decision Holdings has nominated the person nominated by the Company (the “**Second Nominee**”) as a non-executive director of Zhong Ao and such appointment shall become effective upon completion of the Second Acquisition. Decision Holdings has also undertaken to vote in favor of the relevant resolution at the shareholder’s meeting(s) convened to consider the appointment and/or re-election of the Second Nominee as a non-executive director of Zhong Ao.

If the Company ceases to hold any Zhong Ao Shares, it shall procure the immediate resignation of the Second Nominee as a non-executive director of Zhong Ao.

INFORMATION ABOUT ZHONG AO

Zhong Ao is a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1538). It is an investment holding company and its subsidiaries are principally engaged in the provision of property management services and property management consulting services in the PRC.

Based on the information available publicly on the Stock Exchange, set out below is the audited financial information of Zhong Ao (as prepared in accordance with Hong Kong Financial Reporting Standards) for two financial years ended 31 December 2018 and 31 December 2019, respectively and the net assets of Zhong Ao as at 31 December 2018 and 31 December 2019, respectively.

	For the financial year ended 31 December 2018 RMB (consolidated and audited)	For the financial year ended 31 December 2019 RMB (consolidated and audited)
Net Profits before taxation	157,399,000	174,979,000
Net Profits after taxation	106,950,000	133,920,000

	As at 31 December 2018 RMB (consolidated and audited)	As at 31 December 2019 RMB (consolidated and audited)
Net asset	605,950,000	737,925,000

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE ACQUISITIONS

The Group is a leading high-end residential property service provider in the PRC with a diversified service portfolio comprising various services, including property services, consulting services and community living services.

Having considered the financial performance of Zhong Ao, the Board considers that the Subscription and the Acquisitions contribute to enhancing the investment portfolios of the Company, and also providing a good opportunity to strengthen the cooperation between the Group and the Zhong Ao Group, which will bring favourable development opportunities in relation to the business of the Group through the business synergy.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement and the SPAs and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT CENTRAL OSCAR AND DECISION HOLDINGS

Central Oscar is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in the business of investment holding. It 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, 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 wholly-owned by Mr. Wei Zhe.

Decision Holdings is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in the business of investment holding. It is wholly-owned by Shanghai Hengji Assets Management Center (L.P.), a limited partnership registered under PRC laws, the general partner of which is Shanghai Yidezhen Investment Management Center (L.P.) (“Yidezhen”), which is also a limited partnership registered under PRC laws. Yidezhen is managed by Shanghai Yubo Investment Management Company Limited, a limited liability company established in the PRC, which is a wholly-owned indirect subsidiary of Jupai Holdings Limited (Cayman).

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Zhong Ao, Central Oscar and Decision Holdings and their respective ultimate beneficial owner(s) are Independent Third Parties.

IMPLICATIONS UNDER THE LISTING RULES

As all of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Subscription, the First Acquisition and the Second Acquisition, each on a standalone basis, are less than 5%, none of the Subscription, the First Acquisition and the Second Acquisition constitute a discloseable transaction (on standalone basis) for the Company under Chapter 14 of the Listing Rules.

As the Company entered into the Subscription Agreement and the SPAs within a 12-month period, the transactions under the Subscription Agreement and the SPAs shall be aggregated as a series of transactions for the Company pursuant to Rule 14.22 of the Listing Rules. As the highest application percentage ratio in respect of the Subscription and the Acquisitions when aggregated exceeds 5% but is less than 25%, the entering into of the Subscription Agreement and the SPAs (in aggregate) constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Completion is subject to the fulfillment of the conditions set out in the SPAs. The Acquisitions may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context requires otherwise, capitalized terms used in this announcement shall have the meanings as follow:

“Acquisitions”	the First Acquisition and the Second Acquisition
“Board”	the board of Directors of the Company
“Business Day”	any day on which licensed banks are generally open for business in Hong Kong, excluding a Saturday, a Sunday, any other Hong Kong public holiday, PRC public holiday or a day on which a number 8 typhoon signal or black rainstorm warning signal is hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. (Hong Kong time)
“Central Oscar”	Central Oscar Holdings Limited, a company incorporated in the British Virgin Islands, which holds approximately 11.03% of the total issued share capital of Zhong Ao as at the date of this announcement
“Company”	Greentown Service Group Co. Ltd. (綠城服務集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2869)

“Completion”	completion of the Acquisitions
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Decision Holdings”	Decision Holdings Limited, a company incorporated in the British Virgin Islands, which holds approximately 6.60% of the total issued share capital of Zhong Ao as at the date of this announcement
“Director(s)”	director(s) of the Company
“First Acquisition”	the acquisition of 81,452,650 Zhong Ao Sale Shares by the Company pursuant to the SPA I
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person or persons, or entity or entities who/which is/are not a connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Sale Price”	HK\$1.80 per Zhong Ao Sale Share
“Second Acquisition”	the acquisition of 41,190,650 Zhong Ao Sale Shares by the Company pursuant to the SPA II
“Shares”	ordinary shares of HK\$0.00001 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“SPA I”	the sale and purchase agreement dated 23 June 2020 entered into between the Company and Central Oscar in respect of the First Acquisition
“SPA II”	the sale and purchase agreement dated 23 June 2020 entered into between the Company and Decision Holdings in respect of the Second Acquisition
“SPAs”	the SPA I and the SPA II

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 36,928,000 Zhong Ao Subscription Shares by the Company pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 14 June 2020 entered into between the Company and Zhong Ao in respect of the Subscription
“trading day”	a day on which securities are traded or dealt with on the Stock Exchange
“Zhong Ao”	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, whose shares are listed on the Main Board of the Stock Exchange (stock code: 1538)
“Zhong Ao Group”	Zhong Ao and its subsidiaries
“Zhong Ao Sale Shares”	an aggregate of 122,643,300 existing Zhong Ao Shares to be purchased by the Company, 81,452,650 of which from Central Oscar and 41,190,650 of which from Decision Holdings, in accordance with the SPA I and SPA II, respectively
“Zhong Ao Shares”	share(s) of HK\$0.01 each in the share capital of Zhong Ao
“Zhong Ao Subscription Shares”	an aggregate of 36,928,000 new Zhong Ao Shares allotted and issued by Zhong Ao to the Company pursuant to the Subscription Agreement
“%”	per cent

By Order of the Board
Greentown Service Group Co. Ltd.
LI Hairong
Chairman

Hangzhou, the PRC
23 June 2020

As at the date of this announcement, the executive Directors are Ms. LI Hairong (Chairman), Mr. YANG Zhangfa, Mr. WU Zhihua and Mr. CHEN Hao; the non-executive Directors are Mr. SHOU Bainian, Ms. XIA Yibo and Mr. WANG Guangjian; and the independent non-executive Directors are Mr. LI Feng, Mr. POON Chiu Kwok, Mr. WONG Ka Yi and Ms. WU Aiping.