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Zhong Ao Home Group Limited

中奥到家集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1538)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE 2020 ANNUAL REPORT

Reference is made to the annual report of Zhong Ao Home Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the financial year ended 31 December 2020 (the “**Annual Report**”) published on 29 April 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide additional information in the Annual Report as follows:

(i) USE OF PROCEEDS OF THE SUBSCRIPTION

As disclosed in the announcements of the Company dated 14 June 2020 and 19 June 2020 respectively, pursuant to the subscription agreement dated 14 June 2020 entered into between the Company and Greentown Service Group Co. Ltd. (the “**Subscriber**”), a total of 36,928,000 new shares were allotted and issued by the Company to the Subscriber at the subscription price of HK\$0.98 per subscription share on 19 June 2020 (the “**Subscription**”). The net proceeds received by the Company from the Subscription, after deducting relevant expenses, were approximately HK\$36,000,000 and would be used for general working capital of the Group.

The Board would like to confirm that the Group had fully utilised the net proceeds of the Subscription during the financial year ended 31 December 2020 as follows:

Intended use of net proceeds	Allocation of net proceeds <i>HK\$ (million)</i>	Utilisation during the financial year ended 31 December 2020 <i>HK\$ (million)</i>	Remaining balance of unused net proceeds as at the date of this announcement <i>HK\$ (million)</i>
General working capital of the Group	36	36	—

The following table sets out the breakdown of the use of proceeds of the Subscription as general working capital of the Group:

	Utilisation during the financial year ended 31 December 2020 <i>HK\$ (million)</i>
Repayment of bank borrowings	24.0
Administration and other general expenses	<u>12.0</u>
Total	<u><u>36.0</u></u>

(ii) THE PROFIT GUARANTEES

(a) Huihuang Real Estate and Huihuang Property

Reference is made to the announcements (the “**Huihuang Announcements**”) of the Company dated 17 April 2019, 22 July 2021, 18 August 2021 and 22 October 2021 respectively in relation to the acquisition and subsequent disposal of 51% equity interests in Huihuang Real Estate and Huihuang Property. Unless otherwise defined, capitalised terms used in this section of this announcement shall have the same meanings as those defined in the Huihuang Announcements.

As disclosed in the Huihuang Announcements, the First Vendor irrevocably represented and warranted to and undertook with the Purchaser that (i) the audited net profit after tax of the Target Companies shall not be less than RMB20,000,000 for the financial year ending 31 December 2019; (ii) the audited net profit after tax of the Target Companies shall not be less than RMB30,000,000 for the financial year ending 31 December 2020; and (iii) the audited net profit after tax of the Target Companies shall not be less than RMB50,000,000 for the financial year ending 31 December 2021.

The First Vendor also agreed to grant the Put Option to the Purchaser pursuant to which the Purchaser should have the right to request the First Vendor to purchase all of the Sale Capital held by the Purchaser at the Option Price, if the Profit Guarantee cannot be satisfied for any of the relevant financial year under the Profit Guarantee.

According to the audited financial statements of the Target Companies for the year ended 31 December 2020, the audited combined net profit after tax of the Target Companies for the financial year ended 31 December 2020 was in the amount of approximately RMB22,718,000, which was less than the amount guaranteed by the First Vendor.

On 18 August 2021, the Purchaser exercised the Put Option and served an Option Notice on the First Vendor to request the First Vendor to purchase all of the Sale Capital held by the Purchaser at the pre-agreed Option Price in the total amount of approximately RMB36.9 million. As at the date of this announcement, the disposal of the beneficial interest in the Sale Capital by the Purchaser to the First Vendor pursuant to the exercise of Put Option has been completed and each of the Target Companies has ceased to be a subsidiary of the Company.

(b) Jindun Zhengan

Reference is made to the announcement (the “**Jindun Announcement**”) of the Company dated 20 December 2019 in relation to the acquisition of 60% equity interest in Guangdong Jindun Zhengan Security Services Company Limited (“**Jindun Zhengan**”).

As disclosed in the Jindun Announcement, the vendor agreed to guarantee that Jindun Zhengan will have (i) consolidated net profit after tax of not less than RMB13,000,000 for the financial year ending 31 December 2020; (ii) consolidated net profit after tax of not less than RMB16,300,000 for the financial year ending 31 December 2021; and (iii) consolidated net profit after tax of not less than RMB18,700,000 for the financial year ending 31 December 2022.

The Board has reviewed the audited consolidated financial statements of Jindun Zhengan for the financial year ended 31 December 2020 and is pleased to confirm that the profit guarantee of not less than RMB13,000,000 for the same period was met.

(c) Huarui Environmental

Reference is made to the announcement (the “**Huarui Announcement**”) of the Company dated 8 May 2020 in relation to the acquisition of 51% equity interest in Guangdong Huarui Environmental Engineering Company Limited (“**Huarui Environmental**”).

As disclosed in the Huarui Announcement, the vendor agreed to guarantee that Huarui Environmental will have (i) consolidated net profit after tax of not less than RMB6,800,000 for the financial year ending 31 December 2020; (ii) consolidated net profit after tax of not less than RMB8,200,000 for the financial year ending 31 December 2021; and (iii) consolidated net profit after tax of not less than RMB9,800,000 for the financial year ending 31 December 2022.

The Board has reviewed the audited consolidated financial statements of Huarui Environmental for the financial year ended 31 December 2020 and is pleased to confirm that the profit guarantee of not less than RMB6,800,000 for the same period was met.

The above additional information does not affect other information contained in the Annual Report and save as disclosed above, all other information in the Annual Report remains unchanged.

By order of the Board
Zhong Ao Home Group Limited
LIU Jian
Chairman and Executive Director

Hong Kong, 28 October 2021

As at the date of this announcement, our executive Directors are Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bing and Mr. Long Weimin, our non-executive directors are Mr. Wu Zhihua and Ms. Jin Keli, and our independent non-executive Directors are Mr. Zhang Weilun, Mr. Chan Wai Cheung, Admiral, Mr. Chan Ka Leung, Kevin and Mr. Huang Anxin.