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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)

DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTION AT SUBSIDIARY LEVEL

The Board would like to announce that on 29 March 2022 (after trading hours of the Stock Exchange), Zhejiang Yongcheng, Ningbo Yongdu, Mr. Huang, Mr. Zhou and Guangzhou Nuodeng entered into the Cancellation Agreement pursuant to which the parties thereto agreed to cancel the First Agreement and the Second Agreement and arrange for (i) the transfer of 100% equity interest in Guangzhou Nuodeng from Ninbo Yongdu back to Mr. Huang; and (ii) the transfer of 49% equity interest in Ningbo Yongdu from Mr. Huang back to Zhejiang Yongcheng or its designated third party, which will be a wholly owned subsidiary of the Company. The above agreed cancellation arrangement will be settled by the swap of equity interest in Guangzhou Nuodeng and Ningbo Yongdu and there will not be any cash payment involved.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of both the Acquisition and the Disposal (by reference to the higher applicable percentage ratios under each of the Acquisition and the Disposal) is more than 5% but less than 25%, the transactions contemplated under the Cancellation Agreement constitute discloseable transactions on the part of the Company under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Huang is interested in 49% equity interest in Ningbo Yongdu and is therefore a connected person at the subsidiary level (as defined under the Listing Rules) of the Company. As the Board (including all independent non-executive Directors) has approved the transactions contemplated under the Cancellation Agreement and confirmed that the terms and conditions of the transactions contemplated under the Cancellation Agreement are fair and reasonable, on normal commercial terms (although not in the ordinary and usual course of business of the Group) and in the interests of the Company and its Shareholders as a whole, the Cancellation Agreement being a connected transaction between the Company and a connected person at the subsidiary level (as defined under the Listing Rules) on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 29 December 2020 in relation to the previous discloseable transactions on the part of the Company pursuant to which (i) Ningbo Yongdu agreed to purchase and Mr. Zhou and Mr. Huang agreed to sell 100% equity interest in Guangzhou Nuodeng pursuant to the First Agreement; and (ii) Zhejiang Yongcheng agreed to sell and Mr. Huang agreed to purchase 49% equity interest in Ningbo Yongdu pursuant to the Second Agreement. The above transactions were completed in January 2021.

The Board would like to announce that on 29 March 2022 (after trading hours of the Stock Exchange), Zhejiang Yongcheng, Ningbo Yongdu, Mr. Huang, Mr. Zhou and Guangzhou Nuodeng entered into the Cancellation Agreement pursuant to which the parties thereto agreed to cancel the First Agreement and the Second Agreement and arrange for (i) the transfer of 100% equity interest in Guangzhou Nuodeng from Ningbo Yongdu back to Mr. Huang; and (ii) the transfer of 49% equity interest in Ningbo Yongdu from Mr. Huang back to Zhejiang Yongcheng or its designated third party, which will be a wholly owned subsidiary of the Company.

THE CANCELLATION AGREEMENT

Date

29 March 2022 (after trading hours of the Stock Exchange)

Parties

- (i) Zhejiang Yongcheng;
- (ii) Ningbo Yongdu;
- (iii) Mr. Huang;
- (iv) Mr. Zhou; and
- (v) Guangzhou Nuodeng.

Zhejiang Yongcheng is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company principally engaged in provision of property management services.

Ningbo Yongdu is a company established in the PRC with limited liability and is owned as to 51% and 49% by Zhejiang Yongcheng and Mr. Huang respectively. It is principally engaged in installation, repair and maintenance of elevator in the PRC.

Mr. Huang is interested in 49% equity interest in Ningbo Yongdu and is therefore a connected person at the subsidiary level (as defined under the Listing Rules).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Zhou is a third party independent of and not connected with the Company and its connected persons.

Guangzhou Nuodeng is a company established in the PRC with limited liability and is wholly owned by Ningbo Yongdu. It is principally engaged in installation, repair and maintenance of elevator in the PRC.

Asset to be acquired and disposed of

Pursuant to the Cancellation Agreement, the parties thereto agreed to cancel the First Agreement and the Second Agreement and arrange for (i) the transfer of 100% equity interest in Guangzhou Nuodeng from Ningbo Yongdu back to Mr. Huang; and (ii) the transfer of 49% equity interest in Ningbo Yongdu from Mr. Huang back to Zhejiang Yongcheng or its designated third party, which will be a wholly owned subsidiary of the Company.

As at the date of this announcement, (i) Guangzhou Nuodeng has a paid up capital of RMB5,100,000 and it is wholly and beneficially owned by Ningbo Yongdu; and (ii) Ningbo Yongdu has a paid up capital of RMB1,500,000 and it is owned as to 51% and 49% by Zhejiang Yongcheng and Mr. Huang respectively.

Mr. Huang acquired 49% equity interest in Ningbo Yongdu from Zhejiang Yongcheng under the Second Agreement at the original acquisition cost of RMB735,000, which was fully settled by the transfer of 100% equity interest in Guangzhou Nuodeng from Mr. Huang and Mr. Zhou to Ningbo Yongdu under the First Agreement.

Ningbo Yongdu acquired 100% equity interest in Guangzhou Nuodeng from Mr. Huang under the First Agreement at the original acquisition cost of RMB5,100,000, which was fully settled by the transfer of 49% equity interest in Ningbo Yongdu from Zhejiang Yongcheng to Mr. Huang under the Second Agreement.

Consideration

The above agreed cancellation arrangement will be settled by the swap of equity interest in Guangzhou Nuodeng and Ningbo Yongdu and there will not be any cash payment involved.

The total consideration for the Disposal is RMB5,100,000, which is (i) determined with reference and equivalent to 100% of the paid up capital of Guangzhou Nuodeng; and (ii) is equivalent to the consideration for the initial acquisition of 100% equity interest in Guangzhou Nuodeng by Ningbo Yongdu from Mr. Huang and Mr. Zhou under the First Agreement, which will be fully settled by the transfer of 49% equity interest in Ningbo Yongdu from Mr. Huang back to Zhejiang Yongcheng or its designated third party, which will be a wholly owned subsidiary of the Company.

The total consideration for the Acquisition is RMB735,000, which is (i) determined with reference and equivalent to 49% of the paid up capital of Ningbo Yongdu; and (ii) equivalent to the consideration for the disposal of 49% equity interest in Ningbo Yongdu by Zhejiang Yongcheng to Mr. Huang under the Second Agreement, which will be fully settled by the transfer of 100% equity interest in Guangzhou Nuodeng from Ningbo Yongdu back to Mr. Huang.

Conditions Precedent

The Cancellation Agreement and the transactions contemplated thereunder are unconditional.

Completion

Completion of the Acquisition shall take place within 30 working days after the entering into of the Cancellation Agreement, upon which the industrial and commercial registration of the transfer of 49% equity interest in Ningbo Yongdu from Mr. Huang back to Zhejiang Yongcheng or its designated third party, which will be a wholly owned subsidiary of the Company, with the relevant authority in the PRC will take place.

Completion of the Disposal shall take place within 30 working days after completion of the Acquisition, upon which the industrial and commercial registration of the transfer of 100% equity interest in Guangzhou Nuodeng from Ningbo Yongdu back to Mr. Huang with the relevant authority in the PRC will take place.

Upon completion of the Acquisition and the Disposal, Guangzhou Nuodeng will be wholly and beneficially owned by Mr. Huang and will cease to be a subsidiary of the Company and Ningbo Yongdu will become a wholly owned subsidiary of the Company and its financial results will continue to be consolidated in the Group's financial statements.

INFORMATION OF NINGBO YONGDU AND GUANGZHOU NUODENG

Each of Ningbo Yongdu and Guangzhou Nuodeng is a company established in the PRC with limited liability and is principally engaged in installation, repair and maintenance of elevator in the PRC.

Followings are certain key financial figures extracted from Ningbo Yongdu's unaudited consolidated financial statements for the years ended 31 December 2020 and 2021 respectively:

	For the year ended 31 December 2020 RMB'000 (audited)	For the year ended 31 December 2021 RMB'000 (unaudited)
Net profit before taxation	5,240	4,856
Net profit after taxation	3,930	3,642
	As at 31 December 2020 RMB'000 (audited)	As at 31 December 2021 RMB'000 (unaudited)
Net assets	12,227	20,969

Followings are certain key financial figures extracted from Guangzhou Nuodeng's unaudited financial statements for the years ended 31 December 2020 and 2021 respectively:

	For the year ended 31 December 2020	For the year ended 31 December 2021
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Net loss before taxation	8,185	10,631
Net loss after taxation	8,189	7,973
	As at 31 December 2020	As at 31 December 2021
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Net assets/(liabilities)	3,011	(4,961)

FINANCIAL EFFECT OF THE DISPOSAL

It is expected that the Group will record a gain on disposal in the amount of approximately RMB6.2 million, which is calculated base on the difference between 49% of the unaudited net asset value of Ningbo Yongdu as adjusted primarily by reduction of goodwill previously recognised upon completion of the First Agreement and the Second Agreement in January 2021 and other relevant accounting adjustment entires in the amount of approximately RMB7.7 million as at 31 December 2021 and 100% of the unaudited net asset value of Guangzhou Nuodeng as adjusted primarily by adding back the goodwill previously derecognised upon completion of the First Agreement and the Second Agreement in January 2021 and other relevant accounting adjustment entires in the amount of approximately RMB1.5 million as at 31 December 2021. The actual amount of gain to be recorded by the Company will be subject review and final audit by the auditors of the Company.

REASONS FOR AND BENEFITS OF THE CANCELLATION AGREEMENT

The Company is an investment holding company. The Group is principally engaged in the provision of property management services and property management consulting services in the PRC.

At the time of entering into of the First Agreement and the Second Agreement, it was agreed between the parties that Zhejiang Yongcheng would be responsible for deciding the business plans and strategies of Ningbo Yongdu and Guangzhou Nuodeng whereas the operation of Ningbo Yongdu and Guangzhou Nuodeng would be managed by Mr. Huang, Mr. Zhou and their management teams. However, as Ningbo Yongdu and Guangzhou Nuodeng failed to achieve the business targets agreed between the parties, the parties agreed to cease the cooperation by entering into the Cancellation Agreement. The Directors (including the independent non-executive Directors) consider that the Cancellation Agreement would allow

the Group to reallocate its resources to focus on the business development and operation of Ningbo Yongdu and the Group will continue to make constant efforts to enhance the comprehensiveness of its property management services and property management consulting services, including but not limited to the installation, repair and maintenance of elevators in the PRC. The Directors do not have any material interest in the transactions contemplated under the Cancellation Agreement and they are not required to abstain from voting on the Board resolution to approve the Cancellation Agreement.

Based on the above, the Directors (including the independent non-executive Directors) consider that the entering into of the Cancellation Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms (although not in the ordinary and usual course of business of the Group) and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of both the Acquisition and the Disposal (by reference to the higher applicable percentage ratios under each of the Acquisition and the Disposal) is more than 5% but less than 25%, the transactions contemplated under the Cancellation Agreement constitute discloseable transactions on the part of the Company under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Huang is interested in 49% equity interest in Ningbo Yongdu and is therefore a connected person at the subsidiary level (as defined under the Listing Rules) of the Company. As the Board (including all independent non-executive Directors) has approved the transactions contemplated under the Cancellation Agreement and confirmed that the terms and conditions of the transactions contemplated under the Cancellation Agreement are fair and reasonable, on normal commercial terms (although not in the ordinary and usual course of business of the Group) and in the interests of the Company and its Shareholders as a whole, the Cancellation Agreement being a connected transaction between the Company and a connected person at the subsidiary level (as defined under the Listing Rules) on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the transfer of 49% equity interest in Ningbo Yongdu from Mr. Huang back to Zhejiang Yongcheng or its designated third party, which will be a wholly owned subsidiary of the Company, under the Cancellation Agreement
“Board”	the board of Directors

“Cancellation Agreement”	the cancellation agreement dated 29 March 2022 and entered into among Zhejiang Yongcheng, Ningbo Yongdu, Mr. Huang, Mr. Zhou and Guangzhou Nuodeng in relation to the cancellation of the First Agreement and the Second Agreement and the Acquisition and the Disposal
“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 Stock Exchange
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the transfer of 100% equity interest in Guangzhou Nuodeng from Ningbo Yongdu back to Mr. Huang under the Cancellation Agreement
“First Agreement”	the equity transfer agreement dated 29 December 2020 and entered into among Ningbo Yongdu as purchaser, Mr. Huang and Mr. Zhou as vendors in relation to the transfer of 100% equity interest in Guangzhou Nuodeng
“Group”	the Company and its subsidiaries from time to time
“Guangzhou Nuodeng”	廣州諾登電梯服務有限公司 (for transliteration purpose only, Guangzhou Nuodeng Elevator Services Company Limited), a company established in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Huang”	黃柏潛 (for transliteration purpose only, Huang Boqian)
“Mr. Zhou”	周帶輝 (for transliteration purpose only, Zhou Daihui)
“Ningbo Yongdu”	寧波永都電梯工程有限公司 (for transliteration purpose only, Ningbo Yongdu Elevator Engineering Company Limited), a company established in the PRC with limited liability and a 51% owned subsidiary of the Company
“PRC”	The People’s Republic of China

“Second Agreement”	the equity transfer agreement dated 29 December 2020 and entered into between Zhejiang Yongcheng as vendor and Mr. Huang as purchaser in relation to the transfer of 49% equity interest in Ningbo Yongdu
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Yongcheng”	浙江永成物業管理有限公司 (for transliteration purpose only, Zhejiang Yongcheng Property Management Company Limited), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 29 March 2022

As at the date of this announcement, the Board comprises Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bing and Mr. Long Weimin as executive directors, Mr. Wu Zihua and Ms. Jin Keli as non-executive directors, and Mr. Chan Wai Cheung, Admiral, Mr. Chan Ka Leung, Kevin and Mr. Huang Anxin as independent non-executive directors.