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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 TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO EXERCISE OF PUT OPTION

On 21 April 2022, the Purchaser, a wholly-owned subsidiary of the Company, has served an Option Notice on the Vendor to request the Vendor to purchase all of the Sale Capital held by the Purchaser in the total amount of RMB15 million, which is equivalent to the total consideration paid by the Purchaser for the acquisition of the Sale Capital from the Vendor. On the date of the Option Notice, the Vendor has paid the Purchaser RMB15 million for the acquisition of all the Sale Capital by the Vendor from the Purchaser under the Option Notice. Therefore, the Purchaser agreed not to charge the Vendor any interest as compensation under the Option Price. The Purchaser will arrange for the business registration of the transfer of all Sale Capital to the Vendor with the relevant authority in the PRC as soon as practicable to complete the exercise of the Put Option. On the date of the Option Notice, the parties agreed that the equity transfer agreement entered into between the Purchaser and the Vendor on 20 December 2019 in relation to the acquisition of the Sale Capital by the Purchaser from the Vendor would be terminated accordingly.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor is a substantial shareholder of the Target Company holding 40% equity interest in the Target Company. Therefore, the Vendor is a connected person at the subsidiary level (as defined in the Listing Rules) of the Company under Chapter 14A of the Listing Rules. As the Board (including all independent non-executive Directors but other than Mr. Wu Zhihua and Ms. Jin Keli who have abstained from voting due to the reason that they were not appointed as the Directors as at the date of the Announcement and did not approve the previous acquisition of 60% equity interest in the Target Company by the Purchaser from the Vendor) has approved the Disposal and confirmed that the terms and conditions of the Disposal 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 Disposal constitutes a transaction with connected person at the subsidiary level on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but 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 in relation to the acquisition of 60% equity interest in the Target Company by the Purchaser from the Vendor. As disclosed in the Announcement, the Vendor agreed to guarantee that the Target Company would have (i) consolidated net profit after tax of not less than RMB13,000,000 for the financial year ended 31 December 2020; (ii) consolidated net profit after tax of not less than RMB16,300,000 for the financial year ended 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 Vendor also agreed to grant the Put Option to the Purchaser that if the actual consolidated net profit after tax of the Target Company would be less than the above guaranteed amount for any of the relevant financial year end of the Target Company, the Purchaser would be entitled to request the Vendor to acquire all of the Sale Capital held by the Purchaser at the Option Price.

The unaudited consolidated financial statements of the Target Company for the year ended 31 December 2021 has been prepared on 15 March 2022 (the “**Financial Statements**”) and agreed upon between the Purchaser and Vendor and the consolidated net profit after tax of the Target Company is in the amount of approximately RMB8.9 million for the financial year ended 31 December 2021, which is less than the amount guaranteed by the Vendor.

EXERCISE OF PUT OPTION

On 21 April 2022, the Purchaser, a wholly-owned subsidiary of the Company, has exercised the Put Option Notice and served an Option Notice on the Vendor to request the Vendor to purchase all of the Sale Capital held by the Purchaser in the total amount of RMB15 million, which is equivalent to the total consideration paid by the Purchaser for the acquisition of the Sale Capital from the Vendor. On the date of the Option Notice, the Vendor has paid the Purchaser RMB15 million for the acquisition of all the Sale Capital by the Vendor from the Purchaser under the Option Notice. Therefore, the Purchaser agreed not to charge the Vendor any interest as compensation under the Option Price. The Purchaser will arrange for

the business registration of the transfer of all Sale Capital to the Vendor with the relevant authority in the PRC as soon as practicable to complete the exercise of the Put Option. On the date of the Option Notice, the parties agreed that the equity transfer agreement entered into between the Purchaser and the Vendor on 20 December 2019 in relation to the acquisition of the Sale Capital by the Purchaser from the Vendor would be terminated accordingly.

Assets to be disposed of

Pursuant to the Option Notice, the Purchaser requested the Vendor to acquire the Sale Capital, representing 60% of the registered capital in the Target Company. As at the date of this announcement, the Target Company is owned as to 60% by the Purchaser and 40% by the Vendor.

Consideration

Pursuant to the Option Notice, the Purchaser requested the Vendor to acquire the Sale Capital in the consideration of RMB15 million, which is equivalent to the total consideration paid by the Purchaser for the acquisition of the Sale Capital from the Vendor. As at the date of this announcement, the Purchaser (i) has paid only part of the total consideration for the acquisition of the Sale Capital from the Vendor in the amount of RMB15 million as agreed between the Purchaser and the Vendor; and (ii) did not inject any capital into the Target Company.

The Option Price was pre-agreed between the Vendor and the Purchaser as disclosed in the Announcement and was arrived at after arm's length negotiations between the Vendor and the Purchaser. On the date of the Option Notice, the Vendor has paid the Purchaser RMB15 million for the acquisition of all the Sale Capital by the Vendor from the Purchaser under the Option Notice. Therefore, the Purchaser agreed not to charge the Vendor any interest as compensation under the Option Price.

The Directors (including the independent non-executive Directors but other than Mr. Wu Zhihua and Ms. Jin Keli who have abstained from voting due to the reason that they were not appointed as the Directors as at the date of the Announcement and did not approve the previous acquisition of 60% equity interest in the Target Company by the Purchaser from the Vendor) consider that the terms and conditions of the Disposal including the consideration for the transfer of the Sale Capital from the Purchaser to the Vendor in the amount of RMB15 million are on normal commercial terms (although not in the ordinary and usual course of business of the Group), fair and reasonable and are in the best interests of the Company and the Shareholders as a whole and have approved the Disposal. Other than Mr. Wu Zhihua and Ms. Jin Keli who have abstained from voting due to the reason that they were not appointed as the Directors as at the date of the Announcement and did not approve the previous acquisition of 60% equity interest in the Target Company by the Purchaser from the Vendor, none of the Directors have any material interest in the Disposal and they were not required to abstain from voting on the Board resolution to approve the Disposal.

Completion

The Purchaser will arrange for the business registration of the transfer of all Sale Capital to the Vendor with the relevant authority in the PRC as soon as practicable to complete the exercise of the Put Option.

Upon Completion, the Target Company will be wholly and beneficially owned by the Vendor and will cease to be a subsidiary of the Company and the results of the Target Company will no longer be consolidated into the consolidated financial statements of the Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and is principally engaged in provision of security services and variety of outsourcing security services in the PRC.

As at the date of this announcement, (i) the Target Company owns 100% equity interest in Zhaoqing Security; and (ii) the Target Company owns 60% equity interest in Guilin Security. Each of Zhaoqing Security and Guilin Security is a company established in the PRC with limited liability and is principally engaged in provision of security services in the PRC.

The Purchaser acquired the Sale Capital from the Vendor at the original costs of RMB68,000,000 as disclosed in the Announcement but has paid only part of the total consideration for the acquisition of the Sale Capital in the amount of RMB15 million as agreed between the Purchaser and the Vendor.

Set out below is the consolidated financial information of the Target Group for the years ended 31 December 2020 and 2021 respectively:

| | For the year ended 31 December 2020 (audited) (RMB'000) | For the year ended 31 December 2021 (unaudited) (RMB'000) |
|------------------------|--|--|
| Profit before taxation | 18,043 | 11,810 |
| Profit after taxation | 13,438 | 8,858 |
| | As at 31 December 2020 (audited) (RMB'000) | As at 31 December 2021 (unaudited) (RMB'000) |
| Net assets | 25,807 | 34,665 |

FINANCIAL EFFECT OF THE DISPOSAL

It is expected that the Group will record a gain on disposal in the amount of approximately RMB4.9 million, which is calculated based on the difference between the consideration for the transfer of the Sale Capital from the Purchaser to the Vendor in the amount of RMB15 million and the consolidated net assets of the Target Company attributable to the Company in the amount of approximately RMB10.1 million as at 28 February 2022 as extracted and calculated from the unaudited consolidated management accounts of the Target Company for the two months ended 28 February 2022. The actual amount of gain or loss as a result of the Disposal to be recorded by the Company will be subject to review and final audit by the auditors of the Company.

The sale proceeds to be received by the Company after the Disposal will be applied by the Company as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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.

The management of the Company has from time to time reviewed the performance of the Target Company and its business prospects. Given that the Profit Guarantee could not be met by the Vendor, the Directors (including the independent non-executive Directors but other than Mr. Wu Zhihua and Ms. Jin Keli who have abstained from voting due to the reason that they were not appointed as the Directors as at the date of the Announcement and did not approve the previous acquisition of 60% equity interest in the Target Company by the Purchaser from the Vendor) consider that the Disposal can provide a good opportunity for the Group to reallocate its resources and to strengthen the cash position of the Group. After exercising the Put Option, all the consideration previously paid by the Purchaser for the acquisition of the Sale Capital from the Vendor has been fully recouped. Therefore, the Directors (including the independent non-executive Directors but other than Mr. Wu Zhihua and Ms. Jin Keli who have abstained from voting due to the reason that they were not appointed as the Directors as at the date of the Announcement and did not approve the previous acquisition of 60% equity interest in the Target Company by the Purchaser from the Vendor) consider the Disposal and the exercise of the Put Option is in the best interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor is a substantial shareholder of the Target Company holding 40% equity interest in the Target Company. Therefore, the Vendor is a connected person at the subsidiary level (as defined in the Listing Rules) of the Company under Chapter 14A of the Listing Rules. As the Board (including all independent non-executive Directors but other than Mr. Wu Zihua and Ms. Jin Keli who have abstained from voting due to the reason that they were not appointed as the Directors as at the date of the Announcement and did not approve the previous acquisition of 60% equity interest in the Target Company by the Purchaser from the Vendor) has approved the Disposal and confirmed that the terms and conditions of the Disposal 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 Disposal constitutes a transaction with connected person at the subsidiary level on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

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| “Announcement” | the announcement of the Company dated 20 December 2019 in relation to the discloseable transaction involving the acquisition of 60% equity interest in the Target Company by the Purchaser from the Vendor |
| “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 Stock Exchange |
| “Completion” | completion of the Disposal in accordance with the terms and conditions of the Option Notice |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | director(s) of the Company |
| “Disposal” | the disposal of the Sale Capital by the Purchaser to the Vendor upon the exercise of the Put Option |
| “Group” | the Company and its subsidiaries |
| “Guilin Security” | 桂林市威仕保安服務有限公司 (for transliteration purpose only, Guilin Weishi Security Services Company Limited), a company established in the PRC with limited liability |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

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| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Option Notice” | the written notice dated 21 April 2022 and served by the Purchaser to the Vendor to request the Vendor to purchase all of the Sale Capital held by the Purchaser |
| “Option Price” | the aggregate of the total consideration paid by the Purchaser for the acquisition of the Sale Capital (i.e. RMB15 million), the total capital amount then injected by the Purchaser into the Target Company (if any) and interest (at the interest rate of 10% per annum) accruing from date of issue of the consolidated financial statements of the Target Company for the relevant financial year up to the date of actual payment by the Vendor as compensation as agreed by the parties pursuant to the equity transfer agreement entered into between the Purchaser and the Vendor on 20 December 2019 in relation to the acquisition of the Sale Capital by the Purchaser from the Vendor |
| “PRC” | the People’s Republic of China |
| “Profit Guarantee” | the profit guarantee made by the Vendor in favour of the Purchaser, details of which are set out in the paragraph headed “Profit guarantee” in the Announcement |
| “Purchaser” | 廣東中奧物業管理有限公司 (for transliteration purpose only, Guangdong Zhong Ao Property Management Company Limited), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Company |
| “Put Option” | the option granted by the Vendor to the Purchaser and exercisable by the Purchaser to request the Vendor to purchase all of the Sale Capital held by the Purchaser |
| “Sale Capital” | 60% of the registered capital in the Target Company |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | 廣東金盾正安保安服務有限公司 (for transliteration purpose only, Guangdong Jindun Zhengan Security Services Company Limited), a company established in the PRC with limited liability |

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| “Target Group” | collectively, the Target Company, Guiling Security and Zhaoqing Security |
| “Vendor” | 趙濤 (Zhao Tao), the vendor as disclosed in the Announcement who is a merchant |
| “Zhaoqing Security” | 肇慶市神盾保安服務有限公司 (for transliteration purpose only, Zhaoqing Shendun Security Services Company Limited), a company established in the PRC with limited liability |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “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, 21 April 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 Zhihua 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.