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## **COUNTRY GARDEN SERVICES HOLDINGS COMPANY LIMITED**

**碧桂園服務控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6098)**

# **DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF COMPANIES ENGAGED IN PROPERTY SERVICES**

## **THE ACQUISITIONS**

The Board is pleased to announce that on 26 November 2018 (after trading hours), CG Property Services (a wholly-owned subsidiary of the Company) as Purchaser entered into the Equity Transfer Agreements with Ms. Shi, Paladin Capital Management and/or Paladin Partnership as Vendors, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Interests (comprising equity interests in the five Target Companies which are all principally engaged in property management business in the PRC) at the aggregate Consideration of RMB682,588,800 (equivalent to approximately HK\$771,007,997).

Upon Completion, all of the Target Companies will become subsidiaries of the Company and the financial information of the Target Companies will be consolidated into the financial statements of the Group.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Acquisitions in aggregate exceed 5% but all are below 25%, the Acquisitions constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

On 26 November 2018 (after trading hours), CG Property Services (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreements with Ms. Shi, Paladin Capital Management and/or Paladin Partnership in relation to the Acquisitions, the principal terms of which are set out below.

# THE EQUITY TRANSFER AGREEMENTS

## Date

26 November 2018

## Parties

In respect of the Beijing Shengshi Equity Transfer Agreement and the Chengdu Jiaxiang Equity Transfer Agreement:

- (1) CG Property Services as Purchaser; and
- (2) Paladin Capital Management as Vendor.

In respect of the Nanchang Jiejia Equity Transfer Agreement I:

- (1) CG Property Services as Purchaser; and
- (2) Paladin Partnership as Vendor.

In respect of the Chengdu Qinghua Yijia Equity Transfer Agreement and the Shanghai Ruijing Equity Transfer Agreement:

- (1) CG Property Services as Purchaser; and
- (2) Paladin Capital Management and Paladin Partnership as Vendors.

In respect of the Nanchang Jiejia Equity Transfer Agreement II:

- (1) CG Property Services as Purchaser; and
- (2) Ms. Shi as Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Paladin Capital Management, Paladin Partnership and their respective ultimate beneficial owners, as well as Ms. Shi, are third parties independent of the Company and its connected persons.

## **Subject matter**

Pursuant to the Equity Transfer Agreements, the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Interests, which together comprise the following:

- (1) 70% of the total equity interest in Beijing Shengshi Property Services (from Paladin Capital Management);
- (2) 100% of the total equity interest in Chengdu Jiaxiang Property Management (from Paladin Capital Management);
- (3) 100% of the total equity interest in Chengdu Qinghua Yijia Property Management (99.99% from Paladin Partnership and 0.01% from Paladin Capital Management);
- (4) 100% of the total equity interest in Nanchang Jiejia Property (70% from Paladin Partnership and 30% from Ms. Shi); and
- (5) 100% of the total equity interest in Shanghai Ruijing Industrial (99.9% from Paladin Partnership and 0.1% from Paladin Capital Management).

The above Target Companies are all principally engaged in property management business in the PRC.

## **Consideration**

The aggregate Consideration for the Acquisitions is RMB682,588,800 (equivalent to approximately HK\$771,007,997), which comprises the total consideration for the Sale Interests of RMB664,588,800 (equivalent to approximately HK\$750,676,366) and the maximum amount of valuation adjustment payable by the Purchaser to Ms. Shi pursuant to the Nanchang Jiejia Equity Transfer Agreement II, being RMB18,000,000 (equivalent to approximately HK\$20,331,632).

The consideration under the Equity Transfer Agreements (except the Nanchang Jiejia Equity Transfer Agreement II) shall be payable by the Purchaser to the relevant Vendor(s) by way of wire transfer to the designated account of the Vendor(s) in the following manner:

- (1) the first instalment of RMB191,276,700 (equivalent to approximately HK\$216,053,743), representing approximately 30% of the consideration, will be payable by the Purchaser within 10 Working Days after satisfaction of the relevant conditions as set out in the paragraph headed “Conditions precedent” below;
- (2) the second instalment of RMB255,035,400 (equivalent to approximately HK\$288,071,432), representing approximately 40% of the consideration, will be payable by the Purchaser within 10 Working Days after satisfaction of the relevant conditions as set out in the paragraph headed “Conditions precedent” below; and

- (3) the third instalment of RMB191,276,700 (equivalent to approximately HK\$216,053,743), representing the remainder of the consideration, will be payable by the Purchaser within 10 Working Days after satisfaction of the relevant conditions as set out in the paragraph headed “Conditions precedent” below.

The consideration under the Nanchang Jiejia Equity Transfer Agreement II shall be payable by the Purchaser to Ms. Shi by way of wire transfer to the designated account of Ms. Shi in the following manner:

- (1) the first instalment of RMB8,100,000 (equivalent to approximately HK\$9,149,234), representing 30% of the consideration, will be payable by the Purchaser within 10 Working Days after the date of the Nanchang Jiejia Equity Transfer Agreement II;
- (2) the second instalment of RMB10,800,000 (equivalent to approximately HK\$12,198,979), representing 40% of the consideration, will be payable by the Purchaser within 10 Working Days after the Purchaser’s name has been recorded in the register of shareholders of Nanchang Jiejia Property and business registration has been completed, and the relevant conditions as set out in the paragraph headed “Conditions precedent” below have been satisfied; and
- (3) the third instalment of RMB8,100,000 (equivalent to approximately HK\$9,149,234), representing the remainder of the consideration, will be payable by the Purchaser within 15 days after the date of payment of the second instalment and within 20 Working Days after the completion of handover of all matters related to Nanchang Jiejia Property to the Purchaser.

In addition, pursuant to the Nanchang Jiejia Equity Transfer Agreement II, the Purchaser shall pay a total of not more than RMB18,000,000 to Ms. Shi as valuation adjustment (before tax) depending on the fulfillment of the performance targets as set out in the paragraph headed “Performance undertaking and Valuation adjustment mechanism” below.

The Consideration was determined after arm’s length negotiations between the parties to each of the Equity Transfer Agreements taking into account factors including the prevailing conditions and room for future development of the property market, the market value of the Target Companies and the status of the existing management projects of the Target Companies.

### **Conditions precedent**

#### *For taking effect of the Equity Transfer Agreements*

Each Equity Transfer Agreement shall take effect upon execution by the parties thereto, and (in respect of the Beijing Shengshi Equity Transfer Agreement only) the issue of a written confirmation by the other non-selling shareholder of Beijing Shengshi Property Services that he will not exercise his pre-emptive right in respect of the relevant Sale Interests.

*For payment of the consideration under the Equity Transfer Agreements (except the Nanchang Jiejia Equity Transfer Agreement II)*

Payment of the first instalment of the consideration is subject to satisfaction of the following conditions:

- (1) the relevant Vendor(s) and the relevant Target Company shall have effectively passed all necessary resolutions to approve, including but not limited to, the transactions contemplated under the relevant Equity Transfer Agreement and the amendment(s) to the articles of association of the relevant Target Company.

Payment of the second instalment of the consideration is subject to satisfaction of the following conditions:

- (1) the relevant Target Company shall, within 30 Working Days after the date of the relevant Equity Transfer Agreement, perform legal and effective registration of the transfer of equity to the Purchaser with the competent business registration department in the PRC and provide relevant documentary evidence to the Purchaser;
- (2) the relevant Target Company shall have performed legal and effective registration in respect of the directors, supervisors and general manager designated by the Purchaser with the competent business registration department in the PRC;
- (3) the absence of (a) any judgment, ruling, decision or prohibition by any judicial institutions or competent government department restricting or prohibiting the Acquisitions; (b) any agreement or constraint restricting or prohibiting the Acquisitions; or (c) any pending or potential litigation, arbitration, judgment, ruling, decision or prohibition which has or will have an adverse impact on the relevant Vendor(s), the relevant Target Company or the Acquisitions, as at the Delivery Date;
- (4) the absence of any mortgage, pledge, lien, judicial freezing or any encumbrance in respect of the relevant Sale Interests as at the Delivery Date;
- (5) the absence of any event, fact, condition, change or other situation which has a material adverse impact on the financial position, business, assets, liabilities, prospects or operations of the relevant Target Company as at the Delivery Date; and
- (6) there shall not be newly-added shareholder or possession of funds by related parties in respect of the relevant Target Company during the period from the date of the relevant Equity Transfer Agreement to the Delivery Date (unless otherwise agreed in writing by the Purchaser).

Payment of the third instalment of the consideration is subject to satisfaction of the following conditions:

- (1) the relevant Vendor(s) shall have delivered the licenses and certificates, stamps and keys of the relevant Target Company to the Purchaser pursuant to the requirements under the relevant Equity Transfer Agreement and such delivery shall be confirmed in writing by the witnesses of the parties to the relevant Equity Transfer Agreement; and
- (2) the relevant Vendor(s) shall have completed the transfer of management right of existing property management projects of the relevant Target Company pursuant to the terms and conditions of the relevant Equity Transfer Agreement as confirmed by the Purchaser.

*For payment of the consideration under the Nanchang Jiejia Equity Transfer Agreement II*

Payment of the second instalment of the consideration is subject to satisfaction of the following conditions:

- (1) the absence of (a) any judgment, ruling, decision or prohibition by any judicial institutions or competent government department restricting or prohibiting the relevant Acquisition; or (b) any pending or potential litigation, arbitration, judgment, ruling, decision or prohibition which has or will have an adverse impact on Ms. Shi, Nanchang Jiejia Property or the transactions contemplated under the Nanchang Jiejia Equity Transfer Agreement II, as at the Delivery Date;
- (2) Ms. Shi and Nanchang Jiejia Property shall have effectively passed all necessary resolutions to approve, including but not limited to, the transactions contemplated under the Nanchang Jiejia Equity Transfer Agreement II and the amendment(s) to the articles of association of Nanchang Jiejia Property;
- (3) the absence of any mortgage, pledge, lien, judicial freezing or any encumbrance in respect of the relevant Sale Interests as at the Delivery Date;
- (4) the absence of any event, fact, condition, change or other situation which has resulted in, or may reasonably be expected to result in, a material adverse impact on the financial position, business, assets, liabilities, prospects or operations of Nanchang Jiejia Property as at the Delivery Date;
- (5) there shall not be newly-added shareholder or possession of funds by related parties in respect of Nanchang Jiejia Property during the period from the date of the Nanchang Jiejia Equity Transfer Agreement II to the Delivery Date (unless otherwise agreed in writing by the Purchaser); and
- (6) Ms. Shi and Nanchang Jiejia Property shall have fulfilled and complied with all agreements, obligations and conditions which are required to be fulfilled or complied with on or before the Delivery Date under the Nanchang Jiejia Equity Transfer Agreement II in all material respects.

## **Completion**

Completion will take place on the date on which payment of the third instalment of the Consideration is made by the Purchaser.

Upon Completion, all of the Target Companies will become subsidiaries of the Company and the financial information of the Target Companies will be consolidated into the financial statements of the Group.

## **Certain transitional arrangements**

In respect of all Equity Transfer Agreements:

- (1) After the signing of the Equity Transfer Agreements, the Purchaser has the right to take over the management of the Target Companies, including to supervise the bank account(s) involved in the operation of the Target Companies, change the legal representatives of the Target Companies, appoint new executive directors, general manager, financial controller, and other employees to the Target Companies and to designate business training for the employees of the Target Companies.
- (2) From the date of the Equity Transfer Agreements until the Target Companies' businesses have achieved stable operation (6 months after the date of Completion), the Vendor(s) and the Target Companies shall ensure that all employees of the Target Companies shall fully assist the Purchaser to complete the handover and shall not resign without permission.
- (3) The Target Companies shall retain the fixed assets required for its daily operation as set out in the Equity Transfer Agreements.

In respect of all Equity Transfer Agreements (except the Beijing Shengshi Equity Transfer Agreement), the undistributed profit of the relevant Target Company before the Delivery Date shall belong to the relevant Vendor(s) in proportion to its original shareholding, whereas the undistributed profit of the relevant Target Company thereafter shall belong to its shareholders in proportion to their respective shareholding after Completion.

In respect of the Beijing Shengshi Equity Transfer Agreement, the undistributed profit of Beijing Shengshi Property Services before the Delivery Date shall belong to the Purchaser and the remaining shareholder in proportion to their respective shareholding.

## **Performance undertaking and Valuation adjustment mechanism**

### *The Nanchang Jiejia Equity Transfer Agreement II*

Ms. Shi and Nanchang Jiejia Property jointly undertook to the Purchaser that, adopting the revenue of RMB100 million as the base reference, the performance targets set out in the table below will be achieved by Nanchang Jiejia Property for the two financial years ending 31 December 2020:



*Unit: RMB0'000*

<b>Financial year</b>	<b>Minimum audited revenue for the year</b>	<b>Minimum accumulated audited revenue since 2019</b>	<b>Increase in revenue for the year</b>	<b>Cumulative increase in accumulated audited revenue since 2019</b>
2019	12,000	12,000	2,000	2,000
2020	14,400	26,400	4,400	6,400

If the accumulated audited revenue of Nanchang Jiejia Property for the two financial years ending 31 December 2020 amounts to RMB264 million or more, the Purchaser shall pay a total of RMB18 million to Ms. Shi as valuation adjustment (before tax).

If the increase in audited revenue of Nanchang Jiejia Property in any of the two financial years ending 31 December 2020 is less than the above performance targets, the amount of value adjustment payable to Ms. Shi shall be proportionally reduced.

In addition, in respect of any amount of the revenue of Nanchang Jiejia Property exceeding the above targeted amount in any of the two financial years ending 31 December 2020, the Purchaser shall pay a sum equal to 2% of such amount in excess to Ms. Shi as bonus.

### **Non-competition**

After the signing of the Nanchang Jiejia Equity Transfer Agreement II, Ms. Shi may continue to act as the legal representative of Nanchang Jiejia Property and will optimise the operation management of Nanchang Jiejia Property under the management system of the Purchaser or entity designated by the Purchaser, and Ms. Shi shall not:

- (1) participate in senior management positions in other property management companies;
- (2) register and incorporate any new company engaged in property management business as shareholder, actual controller, etc.; or
- (3) engage in any other behaviour which may form a competitive relationship with Nanchang Jiejia Property after Completion or may be adverse to its operation or management.

### **REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

The Directors consider that the Acquisitions will enable the Group to further expand the scale and the scope of its business, and increase its influence and competitiveness in the market, which is in line with the strategic development needs of the Group.

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



## INFORMATION OF THE TARGET COMPANIES

Beijing Shengshi Property Services and its subsidiaries are principally engaged in property management. As at the date of this announcement, Beijing Shengshi Property Services is held as to 70% by Paladin Capital Management and 30% by a third party independent of the Company and its connected persons.

Chengdu Jiaxiang Property Management and its subsidiary is principally engaged in property management. As at the date of this announcement, Chengdu Jiaxiang Property Management is held as to 100% by Paladin Capital Management.

Chengdu Qinghua Yijia Property Management is principally engaged in property management. As at the date of this announcement, Chengdu Qinghua Yijia Property Management is held as to 99.99% by Paladin Partnership and 0.01% by Paladin Capital Management.

Nanchang Jiejia Property and its branch companies are principally engaged in property management. As at the date of this announcement, Nanchang Jiejia Property is held as to 70% by Paladin Partnership and 30% by Ms. Shi.

Shanghai Ruijing Industrial and its subsidiaries are principally engaged in property management. As at the date of this announcement, Shanghai Ruijing Industrial is held as to 99.9% by Paladin Partnership and 0.1% by Paladin Capital Management.

Set out below is the key combined financial information of the Target Companies for each of the two years ended 31 December 2017 and the nine months ended 30 September 2018 prepared under the China Accounting Standards for Business Enterprises:

*Currency: RMB*

	<b>For the nine months ended 30 September 2018</b>	<b>For the year ended 31 December</b>	
		<b>2017</b>	<b>2016</b>
Profit before taxation	73,599,092.19	18,508,911.37	8,211,210.61
Net profit	59,915,642.48	14,568,988.16	4,668,403.87

The unaudited combined net asset value of the Target Companies as at 30 September 2018 amounted to approximately RMB124,820,401.35 (equivalent to approximately HK\$140,989,022.44).

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Acquisitions in aggregate exceed 5% but all are below 25%, the Acquisitions constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## GENERAL INFORMATION

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners.

CG Property Services is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in property management business.

Paladin Capital Management is principally engaged in equity investment, investment management, and entrusted asset management.

Paladin Partnership is principally engaged in equity investment, investment planning, investment management, and entrusted asset management.

Ms. Shi is the individual owner of 30% of the total equity interest in Nanchang Jiejia Property.

## DEFINITIONS

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

“Acquisitions”	the acquisitions of the Sale Interests by the Purchaser pursuant to the Equity Transfer Agreements
“Beijing Shengshi Property Services”	Beijing Shengshi Property Services Co., Ltd. (北京盛世物業服務有限公司), a company incorporated in the PRC with limited liability
“Beijing Shengshi Equity Transfer Agreement”	the agreement dated 26 November 2018 entered into between CG Property Services as Purchaser and Paladin Capital Management as Vendor in respect of the sale and purchase of 70% of the total equity interest in Beijing Shengshi Property Services
“Board”	the board of Directors
“CG Property Services” or “Purchaser”	Guangdong Country Garden Property Services Co., Ltd. (廣東碧桂園物業服務股份有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company

“Chengdu Jiaxiang Property Management”	Chengdu Jiaxiang Property Management Co., Ltd. ( 成都佳祥物業管理有限公司 ), a company incorporated in the PRC with limited liability
“Chengdu Jiaxiang Equity Transfer Agreement”	the agreement dated 26 November 2018 entered into between CG Property Services as Purchaser and Paladin Capital Management as Vendor in respect of the sale and purchase of 100% of the total equity interest in Chengdu Jiaxiang Property Management
“Chengdu Qinghua Yijia Property Management”	Chengdu Qinghua Yijia Property Management Co., Ltd. ( 成都清華逸家物業管理有限公司 ), a company incorporated in the PRC with limited liability
“Chengdu Qinghua Yijia Equity Transfer Agreement”	the agreement dated 26 November 2018 entered into between CG Property Services as Purchaser and Paladin Capital Management and Paladin Partnership as Vendors in respect of the sale and purchase of 100% of the total equity interest in Chengdu Qinghua Yijia Property Management
“Company”	Country Garden Services Holdings Company Limited ( 碧桂園服務控股有限公司 ), 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: 6098)
“Completion”	completion of the Acquisitions pursuant to the Equity Transfer Agreements
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Sale Interests under the Equity Transfer Agreements
“Delivery Date”	the date on which the business registration for the transfer of equity to the Purchaser in respect of the Sale Interests is completed
“Directors”	the directors of the Company
“Equity Transfer Agreements”	the Beijing Shengshi Equity Transfer Agreement, the Chengdu Jiaxiang Equity Transfer Agreement, the Chengdu Qinghua Yijia Equity Transfer Agreement, the Nanchang Jiejia Equity Transfer Agreement I, the Nanchang Jiejia Equity Transfer Agreement II and the Shanghai Ruijing Equity Transfer Agreement, and each an “Equity Transfer Agreement”
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Shi”	Ms. Shi Xiaoqin ( 史小琴女士 ), the individual owner of 30% of the total equity interest in Nanchang Jiejia Property
“Nanchang Jiejia Property”	Nanchang Jiejia Property Co., Ltd. ( 南昌市潔佳物業有限公司 ), a company incorporated in the PRC with limited liability
“Nanchang Jiejia Equity Transfer Agreement I”	the agreement dated 26 November 2018 entered into between CG Property Services as Purchaser and Paladin Partnership as Vendor in respect of the sale and purchase of 70% of the total equity interest in Nanchang Jiejia Property
“Nanchang Jiejia Equity Transfer Agreement II”	the agreement dated 26 November 2018 entered into between CG Property Services as Purchaser and Ms. Shi as Vendor in respect of the sale and purchase of 30% of the total equity interest in Nanchang Jiejia Property
“Paladin Capital Management”	Shenzhen Paladin Capital Management Ltd. ( 深圳市帕拉丁股權投資有限公司 ), a company incorporated in the PRC with limited liability
“Paladin Partnership”	Shenzhen Paladin 5th Equity Investment Partnership (Limited Partnership) ( 深圳市帕拉丁五期股權投資合夥企業 (有限合夥) ), a limited partnership incorporated in the PRC
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of PRC
“Sale Interests”	(i) 70% of the total equity interest in Beijing Shengshi Property Services; (ii) 100% of the total equity interest in Chengdu Jiaxiang Property Management; (iii) 100% of the total equity interest in Chengdu Qinghua Yijia Property Management; (iv) 100% of the total equity interest in Nanchang Jiejia Property; and (v) 100% of the total equity interest in Shanghai Ruijing Industrial
“Shanghai Ruijing Industrial”	Shanghai Ruijing Industrial Co., Ltd. ( 上海睿靖實業有限公司 ), a company incorporated in the PRC with limited liability

“Shanghai Ruijing Equity Transfer Agreement”	the agreement dated 26 November 2018 entered into between CG Property Services as Purchaser and Paladin Capital Management and Paladin Partnership as Vendors in respect of the sale and purchase of 100% of the total equity interest in Shanghai Ruijing Industrial
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Beijing Shengshi Property Services, Chengdu Jiaxiang Property Management, Chengdu Qinghua Yijia Property Management, Nanchang Jiejia Property and Shanghai Ruijing Industrial, and each a “Target Company”
“Vendors”	Ms. Shi, Paladin Capital Management and Paladin Partnership, and each a “Vendor”
“Working Day(s)”	statutory working day(s) in the PRC
“%”	per cent

By order of the Board  
**Country Garden Services Holdings Company Limited**  
**YANG Huiyan**  
*Chairman*

Hong Kong, 26 November 2018

*As of the date of this announcement, the executive Directors are Mr. LI Changjiang, Mr. XIAO Hua and Mr. GUO Zhanjun. The non-executive Directors are Ms. YANG Huiyan (Chairman), Mr. YANG Zhicheng and Ms. WU Bijun. The independent non-executive Directors are Mr. MEI Wenjue, Mr. RUI Meng and Mr. CHEN Weiru.*