

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Evergrande Property Services Group Limited

恒大物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6666)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF PROPERTY MANAGEMENT COMPANY
AND
RESUMPTION OF TRADING**

On 29 January 2021, the Group acquired 100% of the equity interests in 寧波市雅太酒店物業服務有限公司 (Ningbo Yatai Hotel Property Services Co., Ltd.*) for a total consideration of RMB1.5 billion. Its wholly owned subsidiary, 浙江亞太酒店物業服務有限公司 (Zhejiang Asia Pacific Hotel Property Services Co., Ltd.*), was ranked number 54 in China's top 100 property service companies with comprehensive strengths in 2020, with businesses covering 13 provinces and 39 cities including Zhejiang, Jiangsu, Shandong, and Sichuan. It has 940 projects under management, serving over 2 million homeowners and has area under management of over 80 million square meters which includes residential buildings, office buildings, urban complexes, large industrial parks, etc. At the same time, it has 33 urban public services projects and has rich management experience in the field of public buildings and urban public services, including 5A-level scenic spots, public venues, metro and high-speed trains, airports, and hospitals.

Through this acquisition, the area under management of the Group will exceed 380 million square meters, which will further consolidate the benefit of scale in property management, and at the same time greatly enhance the Company's management and capability and talents pool in the fields of public buildings and urban public services, helping the Group to further improve its diversified property services business layout, further strengthen the core competitiveness and brand influence in different formats, promote the continuous improvement of scale and profitability, and accelerate the goal of becoming the world's largest property service group with the widest layout, the most comprehensive business format and the best efficiency.

THE ACQUISITION

Date

29 January 2021

Parties

- (i) the Purchaser, a subsidiary of the Company;
- (ii) the Vendors; and
- (iii) the Target Company.

Subject matter

100% equity interests in the Target Company.

Consideration

The total consideration for the transaction is RMB1.5 billion, which was determined after arm's length negotiations with reference to the projects and area under management by the Target Company, its financial and operating conditions, the value-added services being provided, and the prospects of the industry of the Target Company, its development potential and the benefits of the Acquisition being considered as a whole. The consideration will be paid in five instalments over two years, with the last instalment being payable not later than 30 April 2023.

The consideration will be settled by the proceeds of the global offering of the Company.

Profit and revenue guarantee and consideration adjustment

The Vendors warrant that the Target Group will achieve annual total revenue of RMB2 billion and net profit of RMB120 million for the year 2021; and total revenue of RMB2.3 billion and net profit of RMB140 million for the year 2022. The above performance undertaking is calculated yearly and may be consolidated after the end of the performance undertaking period.

If the Target Group's annual net profit does not meet the requirement, the Purchaser has the right to deduct 100% of such net profit difference from the consideration payable to the Vendors or from the distributable profits attributable to the Vendors.

If the Target Group's annual total revenue does not meet the requirement, the Purchaser has the right to deduct 20% of such difference from the consideration payable to the Vendors or from the distributable profits attributable to the Vendors.

If the Target Group's annual net profit exceeds the above performance target within the performance undertaking period, both parties agree to apply 30% of such exceeded net profit (the net profit for the year – the net profit under the profit guarantee x 30%) as reward for the Vendors, and the remaining net profit shall be distributed in accordance with the shareholding of the parties in the Target Company.

Conditions precedent

Completion of the Acquisition is subject to the satisfaction or waiver of, among others, the following conditions:

- (1) the Vendors having completed the internal reorganisation of the Target Group, consolidating the property management related business under their control into the Target Group; and
- (2) the Vendors and the Target Company having obtained all necessary approvals and authorisations for the transactions contemplated under the Share Transfer Agreement.

The Purchaser may waive the above conditions precedent. The conditions precedent shall be fulfilled within 30 days of the execution of the Share Transfer Agreement. In the event that any of the conditions precedent has not been fulfilled or waived by the Purchaser within this period, the long-stop date shall be automatically extended, but shall not be later than 1 April 2021.

Completion

After the conditions precedent have been fulfilled and the first completion payment has been paid, the Vendors will transfer 80% of the equity interests in the Target Company to the Purchaser, and the remaining 20% equity interests will be held by Mr. Zhang Bo, which will be transferred to the Purchaser two years after the completion date.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is principally engaged in the property management business, and has been ranked among the top 100 China's property service companies with comprehensive strengths for many consecutive years. The Target Company has more than 90 branches, 940 projects under its management, with an area under management of over 80 million square meters and 33 urban public service projects. It has completed three major business layouts: property management services, urban public services, and community life services.

Its service formats include residential buildings, 5A-level office buildings, government organisations and large-scale corporate office buildings, 5A-level scenic spots, public venues, metro and high-speed trains, airports, schools, hospitals, large industrial parks, shopping malls, and urban complexes. The business covers Zhejiang, Jiangsu, Anhui, Fujian, Jiangxi, Sichuan, Hunan, Shandong, Henan, Guizhou and other locations, covering 13 provinces, a total of 39 cities.

In addition, the Target Company has a number of professional companies, covering professional areas such as building equipment maintenance, fire protection inspection and maintenance, smart parking, urban environmental services, security services, and landscaping.

According to the financial information provided by the Target Company, the financial statements of the Target Group for the two years ended 31 December 2020 are as follows:

	For the year ended 31 December	
	2019	2020
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	35,322	101,425
Net profit after tax	26,894	78,368

The net asset value of the Target Company as at 31 December 2020 was approximately RMB84.13 million. After the completion of the transaction, the Purchaser will hold 100% equity interests in the registered capital of the Target Company. The Target Company will become a wholly-owned subsidiary of the Company, and its financial statements will be consolidated with that of the Group.

REASONS FOR THE ACQUISITION

The Company is one of the largest and fastest-growing integrated property management service enterprise in the PRC. It is an all-round property manager and manages a diverse portfolio of properties (including mid-to-high-end residential properties, office buildings and commercial properties), and has been contracted to manage other types of properties (such as theme parks, industrial parks, healthcare complexes, themed towns and schools, etc.). The Group provides property management services, non-property owners and/or community value-added services to more than 1,350 projects in over 280 cities in 22 provinces, five autonomous regions, four directly administered municipalities and Hong Kong, with a total gross floor area under management of approximately 254.0 million sq.m. and contracted gross floor area of 513.3 million sq.m., serving nearly two million households.

The Acquisition will be complementary to the Group's existing business models and layout, consolidate its existing advantageous position, generate synergies, and accelerate the Company's entire business model and industry chain layout coverage, and create greater value.

Rapid increase in area under management, continuing consolidate scale advantage

As of the date of this announcement, the Target Company has an area under management of over 80 million square meters, covering a wide range of business types such as public buildings, commercial offices, and residential buildings, as well as considerable urban public service projects. The businesses of the Target Company cover the important areas of Eastern China, Central China, Southwest China and Northern China. Through the Acquisition, the Group can rapidly strengthen its layout in various business formats. Upon completion of the Acquisition, the overall area under management of the Group is expected to exceed 380 million square meters, which will help further increase the market share of the Group and consolidate its scale advantages, industry status and market competitiveness.

Enhance market development capabilities, rapid realization of diversified layout

The Target Company has strong market development capabilities, especially in the prospective public construction and urban public service sectors; the Group will integrate and expand its market development teams, share market resources, and leverage on each other's positions in different areas to build core competitiveness and brand influence in different business formats and realising a balanced development for the entire business. In addition, the Target Company has professional companies such as building equipment maintenance, fire inspection and maintenance, smart parking, security services, which the Group can further strengthen its overall industry chain layout through the Acquisition and supporting the call of the State for entering the integrated service market for harmonious community and urban operations.

All-round management output, significant room for cost reduction and income increase

The Group has a complete management system and rich operating resources. Through various channels such as management output, technological empowerment, and resource sharing, it will achieve comprehensive integration among enterprises and relying on standardized operations, refined management and the benefit of economies of scale, and can improve the profitability of the Target Company. In addition, the Target Company has a significant base under its management, the Group will work with it to sort out its value-added service resources and content, and continue to explore business growth areas, with promising revenue prospects.

Given that the Acquisition was made on fair and reasonable terms, the Directors (including the independent non-executive Directors) consider that the Acquisition was fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The Company

The Company is a company incorporated in the Cayman Islands. It is principally engaged in the integrated commercial properties services business.

The Purchaser

The Purchaser is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company. It is principally engaged in the property management business.

The Target Company

The Target Company is limited liability company incorporated in the PRC and is principally engaged in the property management business.

The Vendors

The Vendors are the shareholders of the Target Company, namely Zhang Bo, Zhou Chaohui, Li Yongrui, Zhang Yaokui, Ge Yongling, Mao Xinhua, Wu Shouwen, Wang Bingfa, Chen Shijun and Qian Fen, holding 30%, 15.5%, 10.5%, 8%, 8%, 8%, 8%, 5%, 3.5% and 3.5% interests in the Target Company, respectively.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Target Company and the Vendors are third parties independent of and not connected with the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under Rule 14.07 in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was halted at 1:00 p.m. on 29 January 2021 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company from 9:00 a.m. on 1 February 2021.

DEFINITIONS

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

“Acquisition”	the acquisition of 100% equity interests in the Target Company;
“Board”	the board of Directors;
“Company”	Evergrande Property Services Group Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administration Region;
“Purchaser”	金碧物業有限公司 (Jinbi Property Co., Ltd.), a subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“Shareholder(s)”	shareholder(s) of the Company;
“Share Transfer Agreement”	the share transfer agreement dated 29 January 2021 entered into between the Purchaser, the Vendors and the Target Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“sq.m.”	square meters;
“Target Company”	寧波市雅太酒店物業服務有限公司 (Ningbo Yatai Hotel Property Services Co., Ltd.*);

“Target Group” the Target Company and its subsidiaries;
“Vendors” all the shareholders of the Target Company; and
“%” per cent.

By order of the Board
Evergrande Property Services Group Limited
Zhao Changlong
Chairman

Hong Kong, 29 January 2021

As at the date of this announcement, the Board comprises Mr. Zhao Changlong, Mr. Hu Liang, Mr. Wang Zhen and Ms. An Lihong as executive Directors, and Mr. Chan Chun Hung, Vincent, Mr. Victor Huang and Mr. Guo Zhaohui as independent non-executive Directors.

* *For identification only*