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Jiayuan Services Holdings Limited

佳源服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1153)

DISCLOSEABLE TRANSACTION ACQUISITION OF 100% EQUITY INTERESTS IN SHANGHAI BAOJI PROPERTY MANAGEMENT CO., LTD.*

INTRODUCTION

The Board is pleased to announce that, on 16 April 2021 (after trading hours), Zhejiang Jiayuan, being an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors and the Target Company, pursuant to which Zhejiang Jiayuan has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sales Shares, being 100% equity interests in the Target Company for a Consideration in cash of approximately RMB140.67 million (subject to adjustment).

LISTING RULES IMPLICATIONS

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

INTRODUCTION

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THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows:

Date

16 April 2021 (after trading hours)

Parties

- (1) Zhejiang Jiayuan as the purchaser;
- (2) Shanghai Binda as one of the vendors;
- (3) Mr. Chen as one of the vendors; and
- (4) the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Chen, Shanghai Binda and its ultimate beneficial owner(s) are Independent Third Parties as at the date of this announcement.

Assets to be acquired

Pursuant to the Equity Transfer Agreement, Zhejiang Jiayuan has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sales Shares, being 100% equity interests in the Target Company, whereas Shanghai Binda and Mr. Chen have conditionally agreed to sell 99.99% equity interests and 0.01% equity interests in the Target Company, respectively.

Consideration

The Consideration for the Acquisition is approximately RMB140.67 million (subject to adjustment), which was arrived at after arm's length negotiations between the Vendors and Zhejiang Jiayuan and was primarily determined with reference to, among other things, (1) the Sales Shares; (2) the business prospects of the Target Company and the property management services industry in the PRC; (3) status of existing property management projects of the Target Company; (4) the valuation report prepared by an independent valuer for the valuation of 100% equity interests of the Target Company as at 31 December 2020 by adopting a market approach; (5) a price to earnings ratio of approximately 14.58 times of the Target Company in respect of the properties under management and a price to sales ratio of approximately 1.09 times of the Target Company in respect of the properties to be developed as at 31 December 2020, as determined by an independent valuer with reference to comparable transactions in the PRC in 2020; and (6) the unaudited financial statements of the Target Company for the year ended 31 December 2020.

The Directors consider that the Consideration and other terms of the Acquisition are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The Consideration shall be settled by the proceeds raised from the Global Offering of the Company and internal resources of the Group.

Consideration payment schedule

The Consideration shall be settled according to the following schedule:

First instalment of Consideration

Within two business days upon satisfaction and/or waiver (as the case may be) of, among other things, the following conditions precedent, Zhejiang Jiayuan shall pay the first instalment of Consideration in the amount of RMB51 million to the bank account designated by the Vendors:

1. all necessary consents and approvals from third parties (including but not limited to the government authorities) in respect of the equity transfer and the transaction contemplated under the Equity Transfer Agreement having been obtained; and
2. the undertakings, representation and warranties of the Vendors as set out under the Equity Transfer Agreement being true and correct in all material aspects.

Second instalment of Consideration

The second instalment of Consideration of approximately RMB62.56 million will be paid in two tranches.

The first tranche of the second instalment of approximately RMB19.04 million shall be settled within two business days upon the satisfaction and/or waiver of certain condition precedents, which include, among other things, (i) the release of share pledge in relation to the Sale Shares and the completion of the registration procedures for the transfer of Sale Shares; (ii) the transfer of licenses and seals of the Target Company and its subsidiaries; and (iii) the transfer of management rights of the Target Company's existing property management projects.

Within five business days upon receiving the payment of the first tranche of the second instalment, the Vendors should use the first tranche of the second instalment to settle the Target Company's historical accounts receivables as of 31 December 2020 of approximately RMB19.04 million.

Within three business days upon such settlement, Zhejiang Jiayuan shall pay the second tranche of the second instalment of approximately RMB43.52 million to the bank account designated by the Vendors.

Adjustment mechanism to the Consideration

Zhejiang Jiayuan shall pay Shanghai Binda (or its designated party) an adjustment fee of not more than approximately RMB27.11 million upon Shanghai Binda's completion of the post-completion undertakings or waiver of the same by Zhejiang Jiayuan (as the case may be).

Post-completion Undertakings

Shanghai Binda undertakes, subsequent to the Completion, to perform, among others, the following obligations and the parties can adjust the adjustment fee in proportion to the Consideration according to the actual performance of Shanghai Binda's obligations:

1. to the satisfaction of Zhejiang Jiayuan, to deliver each of the four projects which are properties to be developed with planned gross floor area ("GFA") of approximately 0.82 million square meters to the Target Company and the corresponding consideration of each property management project shall be paid by Zhejiang Jiayuan to Shanghai Binda in the next month after delivery with reference to the then respective valuation; and
2. to procure the renewal of certain expired property management projects as set out in the Equity Transfer Agreement to the satisfaction of Zhejiang Jiayuan not later than the Long Stop Date.

Completion

Completion shall take place within seven business days from the satisfaction and/or waiver (as the case may be) of all of the conditions precedent set out above, or other dates mutually agreed by both parties in writing and shall not be later than the Long Stop Date.

Following Completion, Zhejiang Jiayuan will hold 100% equity interests in the Target Company. Accordingly, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results and assets and liabilities will be consolidated into the financial results of the Group.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

Zhejiang Jiayuan

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

The Vendors

Shanghai Binda is a limited partnership established in accordance with the Partnership Laws of the PRC and is principally engaged in financial consultation and enterprises management. As at the date of this announcement, Shanghai Binda is owned as to approximately 42.31% by Harmonia Capital, the general partner of Shanghai Binda and Harmonia Capital is ultimately and beneficially owned by Mr. Zheng Lei (鄭磊).

The remaining approximately 57.69% of Shanghai Binda are held in the following proportion of contribution:

Name of limited partners	Approximate proportion of holding
Shanghai Shiyi Investment Consultancy Co. Ltd* (上海石一投資諮詢有限公司)	16.34%
XIA Ying (夏英)	6.73%
RUAN Fang (阮方)	4.80%
WENG Wenyuan (翁文元)	4.80%
YU Youqin (余幼勤)	3.85%
YANG Lei (楊磊)	3.85%
YUAN Aixiang (袁愛香)	3.85%
YE Guorong (葉國榮)	3.85%
ZHANG Jin (張瑾)	3.85%
SONG Jing (宋婧)	3.85%
Cai Renci (蔡仁慈)	1.92%
Total	<u>57.69%</u>

As at the date of this announcement, Shanghai Binda owns 99.99% equity interests in the Target Company and each of Shanghai Binda, its partners and their ultimate beneficial owner(s) is an Independent Third Party.

Mr. Chen is a PRC individual investor and owns 0.01% equity interests in the Target Company and is an Independent Third Party.

The Target Company

The Target Company is a company established in the PRC in 2000 with limited liability and is principally engaged in property management services in the PRC. The Target Company's property management projects are mainly located in Jiangsu province, Zhejiang province, Jiangxi province and Shanghai with contracted GFA (for properties to be developed) of approximately 1.29 million square meters and GFA under management of approximately 4.07 million square meters as at 31 December 2020.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the unaudited consolidated financial information of the Target Company for the two years ended 31 December 2020:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000
Revenue	96,868	103,187
Net profit before taxation	7,865	10,347
Net profit after taxation	7,541	8,083

The unaudited net assets value of the Target Company as at 31 December 2020 was approximately RMB23,011,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company strives in the private property management service sector in the Zhejiang province, Jiangsu province, Jiangxi province and Shanghai and possesses a professional service system. The Directors believe that the Acquisition enables the Group to solidify the Group's market position in Yangtze River Delta Region, further expand into the markets and properties that the Target Company are serving in the region, thereby diversifying the Group's business continuously, while generating stronger synergies with the Group and achieving an upgrade of service systems and enhancement in service quality. The Acquisition will also enhance the Group's brand image.

The Directors consider that the terms of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

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

Completion of the Acquisition is conditional upon fulfilment of the conditions precedent set out in the Equity Transfer Agreement. There is no assurance that Completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of Sales Shares as contemplated under the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	Jiayuan Services Holdings Limited (佳源服務控股有限公司), 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: 1153)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
“Completion Date”	a day within seven business days after the completion of the conditions precedent in the Equity Transfer Agreement and in any event not later than the Long Stop Date
“Consideration”	the consideration for the Sales Shares, being approximately RMB140.67 million
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 16 April 2021 entered into between Zhejiang Jiayuan and the Vendors in relation to the sale and purchase of 100% equity interests in the Target Company
“Global Offering”	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Independent Third Party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 May 2021 or any other date mutually agreed by the parties
“Mr. Chen”	Mr. Chen Ping (陳平), an Independent Third Party and is one of the Vendors

“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company dated 27 November 2020
“Sales Shares”	100% equity interests in the Target Company held by the Vendors
“Shanghai Binda”	Shanghai Binda Enterprise Management Center (Limited Partnership)* (上海濱達企業管理中心(有限合夥)), a limited partnership established under the laws of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Baoji Property Management Co., Ltd.* (上海保集物業管理有限公司), a company established in the PRC with limited liability and is owned as to 100% by the Vendors as at the date of this announcement
“Harmonia Capital”	Harmonia Capital Co., Ltd (仁和智本有限公司), a company established in the PRC with limited liability
“Vendors”	Shanghai Binda and Mr. Chen
“RMB”	Renminbi, the lawful currency of the PRC
“Zhejiang Jiayuan”	Zhejiang Jiayuan Property Service Group Co., Ltd.* (浙江佳源物業服務集團有限公司) a company established in the PRC with limited liability and is indirectly wholly-owned as to 100% by the Company as at the date of this announcement
“%”	per cent

* for identification purposes only

By order of the Board
Jiayuan Services Holdings Limited
Zhu Hongge
Chairman

Hong Kong, 16 April 2021

As at the date of this announcement, the executive Directors are Mr. Zhu Hongge and Ms. Mu Liyuan; the non-executive Directors are Mr. Huang Fuqing and Mr. Pang Bo; and the independent non-executive Directors are Ms. Liang Yunxu, Mr. Wang Huimin and Mr. Wong Kwok Yin.