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Greentown Service Group Co. Ltd.

綠城服務集團有限公司

(a company incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 2869)

**CONNECTED TRANSACTION
ACQUISITION OF 100% EQUITY INTERESTS IN
HANGZHOU GREENTOWN AIR-CONDITIONING EQUIPMENT
MAINTENANCE SERVICES COMPANY LIMITED**

ACQUISITION OF 100% EQUITY INTERESTS IN GREENTOWN AIR-CONDITIONER M&S

The Board wishes to announce that on 14 December 2018, the Purchaser and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, 100% of the equity interest in Greentown Air-conditioner M&S for Consideration of RMB8,971,700.

As at the date of this announcement, the equity interest of Greentown Air-conditioner M&S is wholly-owned by the Vendor. Upon Completion, Greentown Air-conditioner M&S will be wholly owned by the Purchaser, and Greentown Air-conditioner M&S will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the equity interest of Greentown Air-conditioner M&S is held by the Vendor as to 100%. The Vendor is in turn held as to 51% by Greentown Holdings (which is indirectly owned by Mr. Song Weiping (spouse of Ms. Xia Yibo), Mr. Shou Bainian (a non-executive Director) and Ms. Xia Yibo (a non-executive Director) as to 40%, 39% and 21% respectively) and the remaining 49% owned by Ningbo Ronghua Investment LLP (寧波榮華投資合夥企業(有限合夥)) (which is held as to 80% and 20% by Ms. Ju Yao and Ms. Li Haizhi (both are family members of Ms. Li Hairong, an executive Director) respectively. Therefore, Greentown Air-conditioner M&S is an associate of Mr. Song Weiping, Mr. Shou Bainian, Ms. Xia Yibo and Ms. Li Hairong and hence a connected person of the Company. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitutes connected transaction for the Company under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 0.1% but less than 5%, the Acquisition is subject to the reporting, annual review and announcement requirements, but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As all applicable percentage ratios calculated in accordance with the Listing Rules fall below 5%, the Acquisition does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 14 December 2018, the Purchaser and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, 100% of the equity interest in Greentown Air-conditioner M&S for Consideration of RMB8,971,700.

As at the date of this announcement, the equity interest of Greentown Air-conditioner M&S is wholly owned by the Vendor. Upon Completion, Greentown Air-conditioner M&S will be wholly-owned by the Purchaser, and Greentown Air-conditioner M&S will become a wholly-owned subsidiary of the Company.

THE EQUITY TRANSFER AGREEMENT

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

Date

14 December 2018 (after trading hours)

Parties

- (a) Purchaser; and
- (b) Vendor.

Subject matter

The Purchaser agreed to purchase, and the Vendor agreed to sell 100% of the equity interest in Greentown Air-conditioner M&S in accordance with the terms and conditions of the Equity Transfer Agreement.

Consideration and Payment

The aggregate consideration payable by the Purchaser to the Vendor for the Acquisition under the Equity Transfer Agreement is RMB8,971,700. The Consideration shall be payable by the Purchaser in two installments to the Vendor in accordance with the requirements under the Equity Transfer Agreement as follows:

- (1) RMB4,485,850 shall be payable by the Purchaser to the Vendor within 15 business days from the date of the Equity Transfer Agreement; and
- (2) RMB4,485,850 shall be payable by the Purchaser to the Vendor within 15 working days upon completion of the procedural requirements in relation to the transfer of the equity interest as stipulated under the Equity Transfer Agreement, details of which are set out in the paragraph headed “Completion” below.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor with reference to (i) the net asset value of Greentown Air-conditioner M&S as shown in the audited report of Greentown Air-conditioner M&S as at 31 October 2018, (ii) equity value of Greentown Air-conditioner M&S as shown in the evaluation report of Greentown Air-conditioner M&S as at 31 March 2018 and (iii) the principle of provision of the bad debt.

The Acquisition will be funded by the internal resources of the Group.

Completion

After the execution of the Equity Transfer Agreement, Greentown Air-conditioner M&S and the Vendor shall proceed with the legal and contractual procedural requirements for the Completion with the demands of the Purchaser, which include but are not limited to the completion of industrial and commercial registration for the change of the shareholder with the relevant local bureau of the Administration for Industry and Commerce.

The date of the Completion will be (i) on 14 December 2018 or (ii) the execution of the Equity Transfer Agreement, and the completion of the Vendor’s transferring all licences, financial documents and necessary documents for management of Greentown Air-conditioner M&S to the Purchaser, whichever is later.

THE PREVIOUS TRANSACTION

Greentown Property Service was originally one of the shareholders of Greentown Air-conditioner M&S. In 2014, pursuant to the requirements for the business reorganization of the Company, Greentown Property Service disposed of its entire equity interest, being a total of 30% of equity interests in Greentown Air-conditioner M&S to the Vendor at a consideration of RMB1,205,776. That consideration was determined after arm’s length negotiations between both parties, with reference to the net assets value of Greentown Air-conditioner M&S as shown in the unaudited financial statements of Greentown Air-Conditioner M&S as at 30 November 2014.

INFORMATION ON GREENTOWN AIR-CONDITIONER M&S

Greentown Air-conditioner M&S is a limited liability company established under the laws of the PRC and is principally engaged in the business of the sale and the provision of repair services for air-conditioning systems and equipment as well as regular maintenance services of air-conditioning systems and equipment.

Based on the audited financial statements of Greentown Air-conditioner M&S, the financial information of Greentown Air-conditioner M&S for the year ended 31 December 2016, the year ended 31 December 2017 and the ten months ended 31 October 2018 was approximately as follows:

	For the year ended 31 December 2016 (RMB)	For the year ended 31 December 2017 (RMB)	For the ten months ended 31 October 2018 (RMB)
Net profit for the period before taxation	447,807	1,936,662	342,974
Net profit for the period after taxation	447,807	1,462,068	248,323

The audited net asset value and the audited total asset value of Greentown Air-conditioner M&S as at 31 October 2018 were approximately RMB13,762,700 and RMB17,571,000 respectively. The Consideration of RMB8,971,700 of obtaining the 100% equity interest in Greentown Air-conditioner M&S, being the subject of the Equity Transfer Agreement, is equivalent to 65% of the net asset value of Greentown Air-conditioner M&S in the amount of approximately RMB13,762,700. For details of the basis of the Consideration, please refer to the paragraph headed “The Equity Transfer Agreement — Consideration and Payment” of this announcement.

FINANCIAL IMPACT OF THE TRANSACTION ON THE GROUP

Immediately following the Acquisition, Greentown Air-conditioner M&S will become a wholly-owned subsidiary of the Company, accordingly, Greentown Air-conditioner M&S’s financial results, assets, liabilities and cash flows will be consolidated into the Company’s consolidated financial statements.

The actual financial impact arising from the Acquisition to be recognised by the Group will be subject to final audit by the Company’s auditors.

INFORMATION ON THE GROUP

The Group is a leading happy living service provider in the PRC, and provide a wide range of services which contains property service, community living service and consulting service.

INFORMATION ON THE VENDOR

The Vendor is a limited liability company established under the laws of the PRC and is principally engaged in investment holding.

REASONS AND BENEFITS OF THE ACQUISITION

In order to strengthen the comprehensive competitiveness of Group's home living service, the Group plans to build an integrated home living service platform which incorporates its property repair and maintenance and housekeeping services and so on. Air-conditioning cleaning and maintenance service is an important aspect of improving a home living service platform and is able to supplement the Group's existing housekeeping service. The Directors believe that Greentown Air-conditioner M&S has completed the stage of a startup company which typically needs substantial capital support. It can currently be self-sufficient and profitable. Also, Greentown Air-conditioner M&S has formed a stable business model and does not require the Group to establish similar business. Therefore, the Acquisition will be beneficial to the strengthening of the Group's business.

The Directors (including the independent non-executive Directors) are of the view that, for the reasons set out above and given the basis of determination of the Consideration as disclosed in the paragraph headed "The Equity Transfer Agreement — Consideration and Payment" of this announcement, the terms of the Equity Transfer Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group that are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholder as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the equity interest of Greentown Air-conditioner M&S is wholly-owned by the Vendor. The Vendor is in turn held as to 51% by Greentown Holdings (which is indirectly owned by Mr. Song Weiping (spouse of Ms. Xia Yibo), Mr. Shou Bainian (a non-executive Director) and Ms. Xia Yibo (a non-executive Director) as to 40%, 39% and 21% respectively) and the remaining 49% by Ningbo Ronghua Investment LLP (寧波榮華投資合夥企業(有限合夥)) (which is held as to 80% and 20% by Ms. Ju Yao and Ms. Li Haizhi (both are family members of Ms. Li Hairong, an executive Director)) respectively. Therefore, Greentown Air-conditioner M&S is an associate of Mr. Song Weiping, Mr. Shou Bainian, Ms. Xia Yibo and Ms. Li Hairong and hence a connected person of the Company. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitutes connected transaction for the Company under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 0.1% but less than 5%, the Acquisition is subject to the reporting, annual review and announcement requirements, but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As all applicable percentage ratios calculated in accordance with the Listing Rules fall below 5%, the Acquisition does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

The Board has resolved and approved the Equity Transfer Agreement and the transactions contemplated thereunder. As Mr. Song Weiping who has material interest in the Equity Transfer Agreement, is a close associate of Ms. Xia Yibo, Ms. Xia Yibo has abstained from voting on the Board resolution to approve the Acquisition. As Ms. Li Hairong and Mr. Shou Bainian have material interest in the Equity Transfer Agreement, both of them abstained from voting on the Board resolution to approve the Acquisition. Save as disclosed, none of the Directors has any material interest in the Equity Transfer Agreement and the transactions contemplated thereunder or is required to abstain from voting on the relevant Board resolution to approve the same.

DEFINITIONS

Unless the context requires otherwise, capitalized terms used in this announcement shall have the meanings as follow:

“Acquisition”	the proposed acquisition of 100% equity interest in Greentown Air-conditioner M&S by the Purchaser pursuant to the Equity Transfer Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Greentown Services Group Company Limited (綠城服務集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“Completion”	completion of the Equity Transfer Agreement in accordance with the terms and conditions as set out therein
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Acquisition under the Equity Transfer Agreement, being RMB8,971,700
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the Equity Transfer Agreement dated 14 December 2018 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Greentown Air-conditioner M&S”	Hangzhou Greentown Air-conditioning Equipment Maintenance Services Company Limited (杭州綠城空調設備維護服務有限公司), a company established in the PRC with limited liability and is a connected person of the Company

“Greentown Holdings”	Greentown Holdings Group Co., Ltd. (綠城控股集團有限公司), a limited liability company established in the PRC and is indirectly owned as to 40%, 39% and 21% by Mr. Song Weiping, Mr. Shou Bainian and Ms. Xia Yibo, respectively
“Greentown Property Service”	Greentown Property Service Group Company Limited (綠城物業服務集團有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary 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 of Hong Kong Limited
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Zhejiang Four Seasons Life Network Technology Company Limited (浙江四季生活網絡科技有限公司), a company established in the PRC with limited liability and a subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Vendor”	Hangzhou Danguai Investment Company Limited (杭州丹桂投資有限公司), a company established in the PRC with limited liability, with 51% of shares held by Greentown Holdings and 49% of shares held by a company owned by Ms. Li Hairong and her family
“%”	per cent

By Order of the Board
Greentown Service Group Co. Ltd.
Li Hairong
Chairman

Hangzhou, the PRC
14 December 2018

As at the date of this announcement, the executive Directors are Ms. LI Hairong (Chairman), Mr. YANG Zhangfa, Mr. WU Zhihua and Mr. CHEN Hao; the non-executive Directors are Mr. SHOU Bainian and Ms. XIA Yibo; and the independent non-executive Directors are Mr. LI Feng, Mr. POON Chiu Kwok and Mr. WONG Ka Yi.