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**中海物業**

CHINA OVERSEAS PROPERTY

**CHINA OVERSEAS PROPERTY HOLDINGS LIMITED**

**中海物業集團有限公司**

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

**(Stock Code: 2669)**

## **CONNECTED TRANSACTION**

### **ACQUISITION OF EQUITY INTEREST IN A PROPERTY MANAGEMENT COMPANY**

#### **THE EQUITY TRANSFER AGREEMENT**

The Board is pleased to announce that on 9 December 2022 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor (an indirect non-wholly-owned subsidiary of COLI) entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Interest (representing 100% of the equity interest in the Target Company) at the Consideration of approximately RMB76.1 million (equivalent to approximately HK\$83.9 million).

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CSCEC is the ultimate holding company of the Company. COHL, a subsidiary of CSCEC, is the controlling shareholder of each of the Company and COLI by virtue of it being interested in approximately 61.18% and 56.09% of their respective issued share capital. The Vendor, being a subsidiary of COLI, is a connected person of the Company. Accordingly, the entering into of the Equity Transfer Agreement and the Acquisition constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 0.1% but all are less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE EQUITY TRANSFER AGREEMENT**

The Board is pleased to announce that on 9 December 2022 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor (an indirect non-wholly-owned subsidiary of COLI) entered into the Equity Transfer Agreement for the sale and purchase of the Sale Interest. The principal terms of the Equity Transfer Agreement are summarised as follows:

### **Date**

9 December 2022

### **Parties**

- (1) The Vendor;
- (2) the Purchaser; and
- (3) the Target Company.

### **Subject matter**

Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Interest, representing 100% of the equity interest in the Target Company, together with all the shareholder's rights and benefits attached to the Sale Interest and the Target Company's profits from 30 June 2022.

### **Consideration and payment terms**

The Consideration for the Sale Interest is approximately RMB76.1 million (equivalent to approximately HK\$83.9 million), which shall be paid by the Purchaser to the Vendor in cash in full within 3 days following the date of the Equity Transfer Agreement.

The Purchaser will pay the Consideration from the internal resources of the Group.

### ***Basis for determination of the Consideration***

The Consideration was determined with reference to (1) internal feasibility studies report with reference to the property management portfolio undertaken and to be taken by the Target Company; (2) historical earning records of the Target Company; and (3) the value of the Sale Interest as at 30 September 2022 in the amount of RMB82.0 million (equivalent to approximately HK\$90.4 million) as stated in a valuation report prepared by an independent valuer adopting the market approach.

## **Completion**

Within 5 working days after payment of the Consideration by the Purchaser, the Vendor and the Target Company shall attend to:

- (1) the filing of the list of newly-appointed directors, supervisors and senior management and the new constitutional documents of the Target Company to the relevant government authorities for the change of business registration, and the obtaining of the new business licence of the Target Company issued by the relevant government authorities; and
- (2) completion of the Acquisition (“**Completion**”) whereby the business licence, company stamps and seals, online banking details, particulars of employees, outstanding contracts, etc. of the Target Company will be delivered by the Vendor to the Purchaser.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

## **Potential continuing connected transactions upon Completion**

There are existing services agreements entered into between the Target Company and the Vendor, which are expected to continue following Completion. The transactions contemplated under such existing services agreements will constitute continuing connected transactions of the Group upon Completion and will be covered by the COLI Services Agreement (the entering into of which was announced by the Company on 28 April 2020) and the corresponding annual caps until 30 June 2023. The Company will comply with applicable Listing Rules requirements for such transactions as and when appropriate.

Furthermore, the Vendor agreed to engage the Target Company to provide property management services to any future properties developed by the Vendor if the terms offered by the Target Company are comparable to those offered by third party providers, subject to compliance with applicable laws, regulations and internal control measures of the Vendor. Any such services agreement will constitute a continuing connected transaction of the Group and is likely to also be covered by the COLI Services Agreement and the corresponding annual caps until 30 June 2023. The Company will comply with applicable Listing Rules requirements for such transactions as and when appropriate.

## **Remedies for breach of the Equity Transfer Agreement**

Any party in default of the Equity Transfer Agreement shall pay 10% of the Consideration as liquidated damages to the non-defaulting party, who will also be entitled to claim for any further loss incurred.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is originally established by the Vendor in 2010 in the PRC with a registered capital of RMB5.0 million (equivalent to approximately HK\$5.5 million) fully paid-up. The Target Company is principally engaged in the business of property management in Guangzhou of the PRC.

The audited net profit before and after taxation of the Target Company for each of the two financial years ended 31 December 2021 (prepared in accordance with generally accepted accounting principles in the PRC) are set out below:

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2021</b>
	<i>RMB million</i>	<i>RMB million</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Net profit before taxation	4.07	8.83
Net profit after taxation	3.05	6.82

As at 31 October 2022, the unaudited net asset value of the Target Company was approximately RMB10.4 million.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE EQUITY TRANSFER AGREEMENT**

The Vendor owns a mixed-use residential and commercial complex known as “廣州亞運城” (Guangzhou Asian Games City) situated at Guangzhou Asian Games City, Shilou Town, Panyu District, Guangzhou City, Guangdong Province of the PRC, and the construction of a substantial part of the land has been completed with residential and commercial units and carpark spaces built. Pursuant to the Equity Transfer Agreement, subject to the fulfillment of certain conditions, the Vendor shall continue to engage the Target Company to provide property management services to the existing and future properties developed by the Vendor, which is considered a good opportunity to expand the business in Guangzhou by the Board. In addition, ownership of the Target Company will also strengthen the Group’s presence in Guangzhou with better economies of scale. The acquisition of the Sale Interest at the Consideration is considered a good investment at a reasonable price.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Equity Transfer Agreement and the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CSCEC is the ultimate holding company of the Company. COHL, a subsidiary of CSCEC, is the controlling shareholder of each of the Company and COLI by virtue of it being interested in approximately 61.18% and 56.09% of their respective issued share capital. The Vendor, being a subsidiary of COLI, is a connected person of the Company. Accordingly, the entering into of the Equity Transfer Agreement and the Acquisition constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 0.1% but all are less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhang Guiqing, being the chairman and executive Director of the Company and a director of COHL, and Mr. Ma Fujun, being a non-executive Director of the Company and a director of COHL, although not considered having any material interest in the entering into of the Equity Transfer Agreement and the Acquisition, have voluntarily abstained from voting on such board resolutions. None of the other Directors have any material interest in the entering into of the Equity Transfer Agreement and the Acquisition and none of them have abstained from voting on such board resolutions.

## **INFORMATION ON THE PARTIES**

The Group is one of the leading property management companies in the PRC with operations also covering Hong Kong and Macau and is principally engaged in the provision of property management services, value-added services and car parking spaces trading business.

The Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in property management in the PRC.

COLI and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) is principally engaged in the business of property development and investment, and other operations.

The Vendor is a joint venture company incorporated in the PRC with limited liability, and its equity interest is owned as to approximately 73.33% by 廣東中海地產有限公司 (Guangdong Zhonghai Property Co., Ltd.\*) (an indirect wholly-owned subsidiary of COLI) and approximately 26.67% by 廣州市鴻盈綠化工程有限公司 (Guangzhou City Hongying Lvhua Engineering Co., Ltd.\*), an independent third party. The principal business of the Vendor is property development in the PRC.

CSCEC (a state-owned corporation in the PRC) is the ultimate controlling shareholder of the Company and COLI respectively. CSCEC, together with its subsidiaries (excluding those listed on any stock exchange), is a conglomerate principally engaged in building construction, international contracting, real estate development and investment, infrastructure construction and investment and design and prospecting.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interest by the Purchaser from the Vendor as contemplated under the Equity Transfer Agreement
“Board”	the board of Directors
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, the controlling shareholder of each of the Company and COLI
“COLI”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 688)
“COLI Group”	COLI and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
“COLI Services Agreement”	the framework agreement dated 28 April 2020 entered into between COLI and the Company in respect of the provision of property management services and value-added services by the Group to COLI Group in respect of the property development projects or properties (including residential communities, commercial properties and other properties) in the PRC, Hong Kong, Macau and other locations owned by COLI Group
“Company”	China Overseas Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2669)
“Completion”	has the meaning ascribed to it under the section headed “THE EQUITY TRANSFER AGREEMENT – Completion” of this announcement
“connected person(s)”, “controlling shareholder(s)”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration for the Sale Interest in the amount of approximately RMB76.1 million (equivalent to approximately HK\$83.9 million) payable by the Purchaser to the Vendor pursuant to the Equity Transfer Agreement
“CSCEC”	中國建築集團有限公司 (China State Construction Engineering Corporation*), a state-owned corporation organised and existing under the laws of the PRC, and the ultimate holding company of each of the Company and COLI
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 9 December 2022 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, 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
“Macau”	the Macao Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“Purchaser”	中海物業管理廣州有限公司 (China Overseas Property Management Guangzhou Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	100% of the equity interest in the Target Company which is held by the Vendor as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	廣州利合物業管理有限公司 (Guangzhou Lihe Property Management Co., Ltd.*), a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of the Vendor as at the date of this announcement

“Vendor” 廣州利合房地產開發有限公司 (Guangzhou Lihe Real Estate Development Co., Ltd.\*), a company incorporated in the PRC with limited liability and an indirect non-wholly-owned subsidiary of COLI

“%” per cent

*For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB0.90687 to HK\$1. No representation is made that any amounts in RMB has been or could be converted at the above rate or at any other rate.*

\* *For identification purpose only.*

By order of the Board  
**China Overseas Property Holdings Limited**  
**Zhang Guiqing**  
*Chairman and Executive Director*

Hong Kong, 9 December 2022

*As at the date of this announcement, the Board comprises nine Directors, of which four are Executive Directors, namely Mr. Zhang Guiqing (Chairman), Dr. Yang Ou (Chief Executive Officer), Mr. Pang Jinying (Vice President) and Mr. Kam Yuk Fai (Chief Financial Officer); two are Non-executive Directors, namely Mr. Ma Fujun and Mr. Guo Lei; and three are Independent Non-executive Directors, namely, Mr. Yung, Wing Ki Samuel, Mr. So, Gregory Kam Leung and Mr. Lim, Wan Fung Bernard Vincent.*