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碧桂园服务
COUNTRY GARDEN SERVICES

COUNTRY GARDEN SERVICES HOLDINGS COMPANY LIMITED

碧桂园服务控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6098)

**CONTINUING CONNECTED TRANSACTIONS
AMENDMENTS TO THE EXISTING PROPERTY
LEASE FRAMEWORK AGREEMENT AND
THE EXISTING BUSINESS MANAGEMENT
SERVICE FRAMEWORK AGREEMENT**

AMENDMENTS TO THE EXISTING FRAMEWORK AGREEMENTS

Reference is made to the Announcement of the Company dated 13 April 2021 in relation to the entering into of the Existing Property Lease Framework Agreement and the Existing Business Management Service Framework Agreement between the Company and CG Holdings.

Pursuant to the Existing Property Lease Framework Agreement, during its term, among other things, (i) members of the CGH Group (as lessor) may from time to time enter into individual leasing contracts with members of the Group (as lessee) for the lease of properties to the Group in accordance with the principal terms of the Existing Property Lease Framework Agreement, (ii) the Individual Lease Term shall not exceed 10 years from the starting date of the corresponding lease, (iii) the rent shall be payable by the lessee to the corresponding lessor in the form of Fixed Lease Payment. To better accommodate the actual business development, to avoid unnecessary business interruption, and to ensure long-term and stable business development and the continuity of market recognition, the Company and CG Holdings entered into the Property Lease Supplemental Agreement on 12 July 2022 (after trading hours) to amend the Existing Property Lease Framework Agreement, pursuant to which (i) the scope of the subject matter under individual leasing contracts was expanded, (ii) the Individual Lease Term was extended to no more than 20 years from the starting date of the corresponding lease, (iii) the rental mechanism was revised, (iv) the rent adjustment mechanism was added, and (v) the annual caps under the Existing Property Lease Framework Agreement for each of the two years ending 31 December 2023 were revised.

Pursuant to the terms of the Existing Business Management Service Framework Agreement, the Individual Contract Service Term shall end on dates not later than 31 December 2023. To ensure long-term and stable business development and the continuity of market recognition, the Company and CG Holdings entered into the Business Management Service Supplemental Agreement on 12 July 2022 (after trading hours) to amend the Existing Business Management Service Framework Agreement, whereby the Individual Contract Service Term was extended to no more than 10 years from the date on which the services under the relevant individual service contracts commence.

Save for the amendments as mentioned above, other terms of the Existing Framework Agreements (including the annual caps under the Existing Business Management Service Framework Agreement) remain unchanged.

For the avoidance of doubt, the Amended Right-of-Use Assets Annual Caps under the Property Lease Supplemental Agreement will not constitute an obligation to acquire the relevant leased commercial properties. In addition, the maximum total rent exclusive of tax to be charged by the CGH Group to the Group for the specific lease contracts under the Amended Property Lease Framework Agreement for the years 2022 and 2023 and the arrangements for rent collection on schedule remain unchanged.

LISTING RULES IMPLICATIONS

Since CG Holdings is a majority-controlled company indirectly held by Ms. YANG Huiyan, a non-executive Director and a substantial Shareholder of the Company, CG Holdings and other members of the CGH Group are associates of Ms. YANG Huiyan and thus connected persons of the Company. The transactions contemplated under the Amended Framework Agreements therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the applicable requirements under Chapter 14A of the Listing Rules before it proposes to effect a material change to the terms of the Existing Framework Agreements.

In respect of the Amended Property Lease Framework Agreement, as disclosed above, the annual caps under the Existing Property Lease Framework Agreement for each of the two years ending 31 December 2023 were revised pursuant to the Property Lease Supplemental Agreement. As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the highest Amended Right-of-Use Assets Annual Caps and the highest Variable Payment Annual Caps respectively exceed 0.1% but all of them are less than 5%, the transactions contemplated under the Amended Property Lease Framework Agreement are subject to the reporting, annual review and announcement requirements but exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the Amended Business Management Service Framework Agreement, as disclosed above, the existing annual caps under the Existing Business Management Service Framework Agreement as disclosed in the Announcement remain unchanged. As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the highest annual cap remain to exceed 0.1% but all of them remain to be less than 5%, the transactions contemplated under the Amended Business Management Service Framework Agreement remain subject to the reporting, annual review and announcement requirements but exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, pursuant to Rule 14A.52 of the Listing Rules, as the Individual Lease Term under the Amended Property Lease Framework Agreement and the Individual Contract Service Term under the Amended Business Management Service Framework Agreement may exceed 3 years respectively, the Company has appointed Red Sun Capital as the independent financial adviser to review the Amended Framework Agreements, to explain the reasons for the Individual Lease Term and the Individual Contract Service Term to be of a longer term and to confirm that it is a normal business practice for contract(s) of these types to be of such duration. For details, please refer to the section headed "Opinions of Red Sun Capital" in this announcement.

BACKGROUND

Reference is made to the Announcement of the Company dated 13 April 2021 in relation to the entering into of the Existing Property Lease Framework Agreement and the Existing Business Management Service Framework Agreement between the Company and CG Holdings.

THE PROPERTY LEASE SUPPLEMENTAL AGREEMENT

As disclosed in the Announcement, pursuant to the Existing Property Lease Framework Agreement, during its term, among other things,

- (i) members of the CGH Group (as lessor) may from time to time enter into individual leasing contracts with members of the Group (as lessee) for the lease of properties including office spaces, shops, parking lots, etc to the Group in accordance with the principal terms of the Existing Property Lease Framework Agreement;
- (ii) the Individual Lease Term shall not exceed 10 years from the starting date of the corresponding individual lease contract;
- (iii) the rent shall be payable by the lessee to the corresponding lessor in the form of Fixed Lease Payment (with a rent-free period ranging from one month to six months determined according to the situation of the specific leased property at the time of entering into of the leasing contract); and
- (iv) the Existing Right-of-Use Assets Annual Caps for each of the three years ending 31 December 2023 were RMB1,500 million, RMB1,400 million and RMB700 million respectively.

The Company and CG Holdings entered into the Property Lease Supplemental Agreement on 12 July 2022 (after trading hours) to amend the Existing Property Lease Framework Agreement, pursuant to which,

- (a) members of the CGH Group (as lessor) may from time to time enter into individual leasing contracts with members of the Group (as lessee) for the lease of assets including but not limited to office spaces, shops, parking lots, apartments etc to the Group in accordance with the principal terms of the Amended Property Lease Framework Agreement;
- (b) the Individual Lease Term shall not exceed 20 years from the starting date of the corresponding individual lease contract;
- (c) the rent shall be payable by the lessee to the corresponding lessor and shall be determined under the following three mechanisms: (i) Fixed Lease Payment mechanism (with a rent-free period ranging from one month to six months determined according to the situation of the specific leased asset at the time of entering into of the leasing contract), (ii) Variable Lease Payment mechanism (including expenses, if any), and (iii) Fixed Lease Payment and Variable Lease Payment mechanism (including expenses, if any);

- (d) the Company and CG Holdings shall issue a rent assessment report every five years and adjust the rent level based on the changes in market rent of the assets stated in the report, such rent change range shall not exceed 10% of the rent for the previous year. If the rent increases by more than 10% of the rent for the previous year, the lessee may unconditionally terminate the lease; if the rent decreases by more than 10% of the rent for the previous year, the lessor may unconditionally terminate the lease; and
- (e) the Existing Right-of-Use Assets Annual Caps for each of the two years ending 31 December 2023 shall be revised to RMB2,300 million and RMB2,500 million respectively, and the Variable Payment Annual Caps for each of the two years ending 31 December 2023 shall be RMB68 million and RMB80 million respectively.

Save for the amendments to the Existing Property Lease Framework Agreement as mentioned above, other terms of the Existing Property Lease Framework Agreement remain unchanged. The other principal terms of the Existing Property Lease Framework Agreement and other relevant information are set out in the Announcement.

Revision of the Annual Caps and Basis of Determination

Under HKFRS 16, (i) the Fixed Lease Payment (except for short-term lease payment) payable by the Group as lessee pursuant to the individual lease contracts under the Amended Property Lease Framework Agreement is in capital nature and shall be recognized as the right-of-use assets of the Group on the date of commencement of the lease term and (ii) the Variable Lease Payments and short-term lease payment payable by the Group as lessee pursuant to the individual lease contracts under the Amended Property Lease Framework Agreement shall be recognized as expenses incurred by the Group.

The historical transaction amounts recognized as right-of-use assets of the Group under the Existing Property Lease Framework Agreement for the year ended 31 December 2021 and for the period from 1 January 2022 to 31 May 2022 were RMB919.447 million and RMB430.40 million respectively.

For the avoidance of doubt, the increase in the Amended Right-of-Use Assets Annual Caps is mainly due to the extension of the lease term of individual lease contracts from no more than 10 years to no more than 20 years from the starting date of the relevant lease in accordance with the accounting measurement requirements of HKFRS for leased properties, reflecting the corresponding increase in total value of the right-of-use assets of the relevant leased commercial properties.

The Group will still pay rent to the CGH Group on schedule as agreed under the Existing Property Lease Framework Agreement. The Amended Right-of-Use Assets Annual Caps will not constitute an obligation to acquire the relevant leased commercial properties, and therefore will not lead to a one-time payment of substantial consideration for acquisition. In addition, the maximum total rent exclusive of tax to be charged by the CGH Group to the Group for the specific lease contracts under the Amended Property Lease Framework Agreement for the years 2022 and 2023 (based on the Fixed Lease Payment mechanism and/or the Variable Lease Payment mechanism) and the arrangements for rent collection on schedule remain unchanged.

The proposed Amended Right-of-Use Assets Annual Caps and Variable Payment Annual Caps under the Amended Property Lease Framework Agreement are set out below:–

	For the year ending 31 December	
	2022	2023
Amended Right-of-Use Assets Annual Caps	RMB2,300 million	RMB2,500 million
Variable Payment Annual Caps	RMB68 million	RMB80 million

The above proposed Amended Right-of-Use Assets Annual Caps and Variable Payment Annual Caps are determined upon taking into account of the followings:

- (i) in respect of the Amended Right-of-Use Assets Annual Caps, the weighted average incremental borrowing rate of the Group applied to lease liabilities;
- (ii) the lease term of the lease contracts expected to be entered into during the two years ending 31 December 2023 and the rent for the relevant leased assets payable by the Group to the CGH Group;
- (iii) the historical amounts of Fixed Lease Payment paid by the Group to the CGH Group;
- (iv) the expansion in the scope of subject matters under the Amended Property Lease Framework Agreement and the estimated lease demand of the Group for the newly-added categories of assets;
- (v) the expected rent level in the relevant market; and
- (vi) the lease demand for properties and/or other assets of the CGH Group and the impact of the changes in the rent level in the relevant market.

THE BUSINESS MANAGEMENT SERVICE SUPPLEMENTAL AGREEMENT

As disclosed in the Announcement, pursuant to the terms of the Existing Business Management Service Framework Agreement, the Individual Contract Service Term shall end on dates not later than 31 December 2023.

To ensure long-term and stable business development and the continuity of market recognition, the Company and CG Holdings entered into the Business Management Service Supplemental Agreement on 12 July 2022 (after trading hours) to amend the Existing Business Management Service Framework Agreement, whereby the Individual Contract Service Term was extended to no more than 10 years from the date on which the services under the relevant individual service contracts commence.

Save for the amendment to the Individual Contract Service Term above, other terms of the Existing Business Management Service Framework Agreement (including the annual caps) remain unchanged. Its principal terms and other relevant information are set out in the Announcement.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENTS

The Company is of the view that the amendments to the Existing Property Lease Framework Agreement provide the Group with a long-term steady cooperation with the CGH Group, enabling the Group to (i) expand the scope of subject lease assets and better meet the actual business development needs of actual commercial asset leasing and operation; (ii) extend the maximum duration of the Individual Lease Term, which can avoid unnecessary business interruption, ensure the continuous operation of the leased assets of the Group without disruptions, and maintain a good level of operation and management. In addition, for the Group's relevant commercial assets subletting business, such extension is in line with industry practice, which can improve the flexibility of the Individual Lease Term, meet the long-term leasing needs of individual tenants, and ensure long-term cooperation with tenants; (iii) the revision of the rent mechanism can improve the flexibility of the business model and better adapt to changes in the market and economic environment; (iv) the rent adjustment mechanism is conducive to the Group's regular review and adjustment of rent level according to market conditions to ensure their fairness in the market; and (v) generate stable rental income through subletting and steady operating revenue from operation, so as to cultivate the Group's commercial operation business, grow and broaden its commercial operation revenue base, which will further strengthen the recognition and track record of the commercial operation of the Group and in turn enhance the market competitiveness of the Group in the field of commercial operation in the future.

The Company is of the view that the amendments to the Individual Contract Service Term under the Existing Business Management Service Framework Agreement can (i) provide stability for the long-term development of the business management activities of the Group and be conducive to the continuity of market recognition; and (ii) extend the period of revenue generation from the business management activities of the Group and help the Group develop long-term strategies relating to such activities.

The Directors (including the independent non-executive Directors) are of the view that the Amended Framework Agreements and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company has adopted and will continue to adopt the pricing policies as disclosed in the Announcement to govern the pricing for the transactions contemplated under each of the Amended Framework Agreements.

OPINIONS OF RED SUN CAPITAL

Individual Lease Term under the Amended Property Lease Framework Agreement

As the term of the Individual Lease Term under the Amended Property Lease Framework Agreement may exceed 3 years, pursuant to Rule 14A.52 of the Listing Rules, Red Sun Capital has taken into consideration of the following reasons based on its research and analysis, and has discussed with the management of the Company (the "**Management**"):

- (i) CG Holdings is one of the PRC's largest residential property developers that capitalizes on urbanization and the CGH Group primarily operates a range of businesses, including property development, construction, interior decoration, property investment, and the development and management of hotels;

- (ii) the Group is a leading integrated service provider in the PRC covering diversified business forms and is principally engaged in property management services, community value-added services, value-added services to non-property owners, the “Three Supplies and Property Management” businesses, city services and commercial operational services. In addition, under the commercial property leasing business of the Group, it manages and operates commercial properties leased from property owners. In this connection, the Management considered that entering into the leases by the Group pursuant to the Amended Property Lease Framework Agreement are in the ordinary and usual course of business of the Group;
- (iii) it is not uncommon for owners of commercial properties to carry out strategic planning, internally or through engaging relevant professional parties, with a view to improve the overall return of their commercial properties. As advised by the Management, through a flexible operation model and provision of comprehensive property management and other value-added services under the Group’s commercial property leasing business model, the Group manages and operates commercial properties leased from the property owners with a view to enhance the overall value of commercial properties for property owners as well as to increase the subject project revenue over time;
- (iv) the leases under the Amended Property Lease Framework Agreement provide the Company with a long-term steady cooperation with the CGH Group, enabling the Group to (a) extend its value chain services to manage and operate commercial properties leased from the property owners; (b) improve its operation service level; (c) generate synergies between its service lines; and (d) generate stable rental income from tenants through subletting, thereby nurturing further business growth of the Group and broaden the Group’s revenue base;
- (v) given (a) the CGH Group has a strong brand in the PRC market, and that the Management expects the properties to be considered under the Amended Property Lease Framework Agreement to be reputable assets; and (b) the Group is expected to be a lessee for the subject properties of the CGH Group, the Group’s role as the lessee of these properties in the market shall further enhance the Group’s reputation and track record, thereby increasing the Group’s competitiveness in the respective areas going forward;
- (vi) based on the Announcement, the rent shall be determined by the lessor and the lessee after arm’s length negotiations with reference to the previous or ongoing lease contracts of the parties (if any), market rent for similar assets and other factors (such as the gross floor area, the location and the type of the properties to be leased). From the perspective of the Group, the rent shall not be higher than the price paid by the lessee to an independent third party for leasing the same type of assets. The lease contracts shall be carried out on normal commercial terms;
- (vii) Red Sun Capital has identified and reviewed not less than 10 market lease transactions relating to the leasing of commercial/retail/other properties with contract terms ranging from not less than 4 years to no more than 20 years, entered into by the listed companies listed on the Stock Exchange and was effective as at the date of this announcement (the “**Market Lease Transactions**”), and the Individual Lease Term contemplated under the Amended Property Lease Framework Agreement, which is up to 20 years, falls within the range of the Market Lease Transactions; and

- (viii) as advised by the Management, it is the CGH Group’s usual practice to offer long-term leases of over three years. Red Sun Capital has obtained and reviewed samples of lease contract for the leasing of commercial/retail/other properties entered into between members of the CGH Group and independent third parties. Based on its review of the abovementioned sample contracts, Red Sun Capital noted that the lease term of the sampled contracts ranged from not less than 12 years to not more than 20 years, and the proposed lease term for the transactions to be conducted under the Amended Property Lease Framework Agreement falls within such range.

Having considered the above, Red Sun Capital is of the view that the duration of the Individual Lease Term under the Amended Property Lease Framework Agreement in excess of three years is reasonable, and confirms that it is normal business practice for agreements of this type to be of such duration.

Individual Contract Service Term under the Amended Business Management Service Framework Agreement

As the Individual Contract Service Term under the Amended Business Management Service Framework Agreement may exceed three years, pursuant to Rule 14A.52 of the Listing Rules, Red Sun Capital has taken into consideration the following reasons based on its research and analysis, and has discussed with the Management:

- (i) the CGH Group primarily operates a range of businesses, including property development, construction, interior decoration, property investment, and the development and management of hotels. The CGH Group is one of the PRC’s largest residential property developers that capitalizes on urbanization;
- (ii) the Group is a leading integrated service provider in the PRC covering diversified business forms and is principally engaged in property management services, community value-added services, value-added services to non-property owners, the “Three Supplies and Property Management” businesses, city services and commercial operational services. The business management service model expands the Group’s whole value chain services and enables the Group to have a higher degree of autonomy in project management. With the Group’s professional operation capability and high-quality services, as well as the long-term and stable cooperation between the Group and the CGH Group established through previous transactions, the Company believes that the entering into of the Amended Business Management Service Framework Agreement will help to improve the Group’s overall value chain operation service level, generate synergies, broaden its source of revenue, and thereby generate stable income, increase total revenue and enhance profitability of the Group, which is in line with the strategic development needs of the Group. In this connection, the Management is of the view and Red Sun Capital concurs, that the terms of the Amended Business Management Service Framework Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company and on normal commercial terms;

- (iii) with reference to the Amended Business Management Service Framework Agreement, the service fee shall be determined following arm's length negotiations with reference to the previous or ongoing similar service contracts of the parties, if any, and the market service fees of the relevant projects. From the perspective of the Group, the service fee shall not be lower than the price at which the Group provides similar business management services to independent third parties under the same conditions. From the perspective of the CGH Group, the service fee shall not be higher than the price paid by the CGH Group for the appointment of independent third parties to provide business management services under the same conditions. Individual service contracts shall be carried out on normal commercial terms;
- (iv) according to the Announcement, before entering into individual service contracts, the investment department is responsible for collecting the following information: (a) the service fees charged by the Group to the CGH Group for the provision of similar business management services (if any); (b) the service fees per unit area charged by the Group to independent third parties for the provision of similar business management services under the same conditions (at least two, if any); and (c) the service fees charged for the provision of similar business management services in the market (at least two, if any), and comparing such information to ensure that the prices and terms of individual service contracts are fair and reasonable and that the service fees are not lower than the prices charged by the Group to independent third parties for the provision of similar business management services under the same conditions;
- (v) internal control measures have been implemented to ensure that the individual transactions will be carried out in accordance with the Amended Business Management Service Framework Agreement and the relevant pricing policy;
- (vi) it is considered that strict compliance with the three-year requirements in respect of the Individual Contract Service Term under the Existing Business Management Service Framework Agreement will be unduly burdensome to the Group, taking into account the potential disruption to the business operations caused by discontinuance of contract arrangement, and any unnecessary administration costs to the Company for the renewal of the Existing Business Management Service Framework Agreement due to the limitation of the Individual Contract Service Term to three years or less and/or any potential delay in renewal of the services under the Existing Business Management Service Framework Agreement as a result of further negotiation between the parties during the agreement renewal process;
- (vii) based on Red Sun Capital's research conducted on, among others, information related to, announcements and publications issued by, other companies listed on the Stock Exchange, Red Sun Capital has identified not less than 10 comparable cases in relation to the provision of commercial operation and management services entered into by the listed companies listed on the Stock Exchange and effective as at the date of this announcement (the "**Market BM Precedents**"), and noted that the term of the relevant agreements in connection with the Market BM Precedents ranged from not less than 5 years to no more than 20 years. As such, the proposed Individual Contract Service Term of 10 years under the Amended Business Management Service Framework Agreement falls within such range; and

(viii) as advised by the Management, the Group have entered into agreements with a similar nature of over three years. Red Sun Capital has obtained and reviewed samples of contract for the business management services entered into between members of the Group and independent third parties. Based on its review of the abovementioned sample contacts, Red Sun Capital noted that the term of the sampled contracts ranged from not less than five years to not more than 20 years, and the proposed Individual Contract Service Term of 10 years under the Amended Business Management Service Framework Agreement falls within such range.

Having considered the above factors, Red Sun Capital is of the view that the duration of the Individual Contract Service Term under the Amended Business Management Service Framework Agreement in excess of three years is reasonable, and confirms that it is normal business practice for agreements of this type to be of such duration.

LISTING RULES IMPLICATIONS

Since CG Holdings is a majority-controlled company indirectly held by Ms. YANG Huiyan, a non-executive Director and a substantial Shareholder of the Company, CG Holdings and other members of the CGH Group are associates of Ms. YANG Huiyan and thus connected persons of the Company. The transactions contemplated under the Amended Framework Agreements therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the applicable requirements under Chapter 14A of the Listing Rules before it proposes to effect a material change to the terms of the Existing Framework Agreements.

In respect of the Amended Property Lease Framework Agreement, as disclosed above, the annual caps under the Existing Property Lease Framework Agreement for each of the two years ending 31 December 2023 were revised pursuant to the Property Lease Supplemental Agreement. As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the highest Amended Right-of-Use Assets Annual Caps and the highest Variable Payment Annual Caps respectively exceed 0.1% but all of them are less than 5%, the transactions contemplated under the Amended Property Lease Framework Agreement are subject to the reporting, annual review and announcement requirements but exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the Amended Business Management Service Framework Agreement, as disclosed above, the existing annual caps under the Existing Business Management Service Framework Agreement as disclosed in the Announcement remain unchanged. As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the highest annual cap remain to exceed 0.1% but all of them remain to be less than 5%, the transactions contemplated under the Amended Business Management Service Framework Agreement remain subject to the reporting, annual review and announcement requirements but exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, pursuant to Rule 14A.52 of the Listing Rules, as the Individual Lease Term under the Amended Property Lease Framework Agreement and the Individual Contract Service Term under the Amended Business Management Service Framework Agreement may exceed 3 years respectively, the Company has appointed Red Sun Capital as the independent financial adviser to review the Amended Framework Agreements, to explain the reasons for the Individual Lease Term and the Individual Contract Service Term to be of a longer term, and to confirm that it is a normal business practice for contract(s) of these types to be of such a duration. For details, please refer to the section headed “Opinions of Red Sun Capital” in this announcement.

Since (i) Ms. YANG Huiyan is the controlling shareholder, the Co-Chairman and an executive director of CG Holdings, (ii) Mr. YANG Zhicheng is a regional President and an executive director of CG Holdings and a cousin of Ms. YANG Huiyan, and (iii) Ms. WU Bijun is the Vice President and the Chief Financial Officer of CG Holdings, all of them as Directors have abstained from voting at the Board meeting on the resolution approving the Supplemental Agreements and the transactions contemplated under the Amended Framework Agreements to avoid any conflicts of interest.

GENERAL

The Company is an investment holding company and a leading integrated service provider in the PRC covering diversified business forms. Its subsidiaries are principally engaged in property management services, community value-added services, value-added services to non-property owners, “Three Supplies and Property Management” businesses, city services and commercial operational services, which together constitute the comprehensive services provided by the Group to its customers that cover the full range of property management value chain. As at the date of this announcement, Ms. YANG Huiyan is indirectly interested in approximately 43.07% of the total issued share capital of the Company.

CG Holdings is one of the PRC’s largest residential property developers that capitalizes on urbanization. With centralized management and standardization, the CGH Group runs the businesses of property development, construction, interior decoration, property investment, and the development and management of hotels. The CGH Group offers a broad range of products to cater for diverse demands, namely residential projects such as townhouses, condominiums, car parks and retail shop spaces. The CGH Group also develops and manages hotels at some of its property projects with the aim of enhancing the properties’ marketability. The CGH Group’s other businesses are robotics and modern agriculture. As at the date of this announcement, Ms. YANG Huiyan, the Co-Chairman and an executive director of CG Holdings, holds approximately 61.23% of the total issued share capital of CG Holdings through an investment holding company which she entirely owns.

DEFINITIONS

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

“30%-controlled company(ies)”	has the meaning ascribed to it under the Listing Rules
“Amended Business Management Service Framework Agreement”	the Existing Business Management Service Framework Agreement as amended by the Business Management Service Supplemental Agreement
“Amended Framework Agreements”	collectively, the Amended Property Lease Framework Agreement and the Amended Business Management Service Framework Agreement
“Amended Property Lease Framework Agreement”	the Existing Property Lease Framework Agreement as amended by the Property Lease Supplemental Agreement
“Amended Right-of-Use Assets Annual Caps”	the annual caps in respect of the Fixed Lease Payment (except for short-term lease payment) paid or payable by the Group to the CGH Group under the individual leasing contracts entered into pursuant to the Existing Property Lease Framework Agreement or the Amended Property Lease Framework Agreement (as the case may be) which constitute connected transactions of the Company under Chapter 14A of the Listing Rules and which are recognized as the right-of-use assets of the Group under HKFRS 16 for the two years ending 31 December 2023
“Announcement”	the announcement of the Company dated 13 April 2021 in relation to the entering into of the Existing Framework Agreements between the Company and CG Holdings
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Management Service Supplemental Agreement”	the supplemental agreement entered into between the Company and CG Holdings on 12 July 2022 to amend the Existing Business Management Service Framework Agreement
“CG Holdings”	Country Garden Holdings Company Limited (碧桂園控股有限公司), an exempted 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: 2007)
“CGH Group”	CG Holdings and its subsidiaries and, for the purpose of this announcement, their 30%-controlled companies

“Company”	Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司), an exempted 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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Business Management Service Framework Agreement”	the business management service framework agreement entered into between the Company and CG Holdings on 13 April 2021, which sets out the principal terms for the provision of business management services by the Group to the CGH Group for a term commencing on 13 April 2021 until 31 December 2023
“Existing Framework Agreements”	collectively, the Existing Property Lease Framework Agreement and the Existing Business Management Service Framework Agreement
“Existing Property Lease Framework Agreement”	the property lease framework agreement entered into between the Company and CG Holdings on 13 April 2021 which sets out the principal terms for the lease of properties by the CGH Group (as lessor) to the Group (as lessee) for a term commencing on 13 April 2021 until 31 December 2023
“Existing Right-of-Use Assets Annual Caps”	the existing annual caps in respect of the Fixed Lease Payment paid or payable by the Group to the CGH Group under the Existing Property Lease Framework Agreement and which are recognized as the right-of-use assets of the Group under HKFRS 16 for the three years ending 31 December 2023
“Fixed Lease Payment”	fixed periodic rent paid or payable by the Group to the CGH Group under the Existing Property Lease Framework Agreement or the Amended Property Lease Framework Agreement (as the case may be)
“Group”	the Company and its subsidiaries and, in the context of the Amended Framework Agreements and the Existing Framework Agreements, their 30%-controlled companies
“HKFRS”	the Hong Kong Financial Reporting Standards issued by The Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Individual Contract Service Term”	the service term of the individual service contracts entered into by the Group under the Existing Business Management Service Framework Agreement or the Amended Business Management Service Framework Agreement (as the case may be)
“Individual Lease Term”	the lease term of the individual lease contracts entered into by the Group under the Existing Property Lease Framework Agreement or the Amended Property Lease Framework Agreement (as the case may be)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“majority-controlled company”	has the meaning ascribed to it under the Listing Rules
“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)
“Property Lease Supplemental Agreement”	the supplemental agreement entered into between the Company and CG Holdings on 12 July 2022 to amend the Existing Property Lease Framework Agreement
“Red Sun Capital”	Red Sun Capital Limited, a licensed corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser appointed to advise in respect of the duration of the Individual Lease Term under the Amended Property Lease Framework Agreement and the Individual Contract Service Term under the Amended Business Management Service Framework Agreement
“Share(s)”	ordinary share(s) with a par value of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	collectively, the Property Lease Supplemental Agreement and the Business Management Service Supplemental Agreement
“Variable Lease Payment”	variable rent and expenses payable by the Group to the CGH Group under the Amended Property Lease Framework Agreement (which may include but not limited to variable amount of payment linked to revenue generated from the leased assets and variable expenses)

“Variable Payment Annual Caps” the annual caps in respect of Variable Lease Payment and other short-term lease payments payable by the Group to the CGH Group under the individual leasing contracts entered into pursuant to the Amended Property Lease Framework Agreement which constitute connected transactions of the Company under Chapter 14A of the Listing Rules and which are recognized as expenses of the Group under HKFRS 16 for the two years ending 31 December 2023

“%” per cent

By order of the Board
Country Garden Services Holdings Company Limited
LI Changjiang
President and Executive Director

Foshan, China, 12 July 2022

As of the date of this announcement, the executive Directors are Mr. LI Changjiang (President), 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.