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CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN A MECHATRONIC COMPANY IN THE PRC

THE ACQUISITION

On 24 February 2023, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor (a wholly-owned subsidiary of Sino-Ocean Group) entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire equity interests in the Target Company at a consideration of RMB54,000,000.

The Target Company is a comprehensive mechatronic solution provider focusing on the real estate industry in the PRC. It is principally engaged in mechatronic businesses including mechanical and electrical construction, contracting, technology development and consultation. It is also actively participating in areas such as smart home, energy conservation and environmental protection as well as system integration.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company, and its financial results will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

The Vendor is a wholly-owned subsidiary of Sino-Ocean Group, a controlling Shareholder, and thus a connected person of the Company. Accordingly, the Acquisition constitutes 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 exceed(s) 0.1% but are all less than 5%, the Acquisition as contemplated under the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Details of the Equity Transfer Agreement are set out below.

THE EQUITY TRANSFER AGREEMENT

Date

24 February 2023

Parties

- (1) The Purchaser, a wholly-owned subsidiary of the Company, as purchaser; and
- (2) the Vendor, a wholly-owned subsidiary of Sino-Ocean Group, as vendor.

Subject matter

The Purchaser has conditionally agreed to acquire from the Vendor the entire equity interests in the Target Company.

The Target Company is a comprehensive mechatronic solution provider focusing on the real estate industry in the PRC. For further details of the Target Company, please refer to the section headed "INFORMATION ON THE TARGET COMPANY" in this announcement.

Consideration and payment terms

The consideration for the Acquisition is RMB54,000,000, which shall be paid by the Purchaser in cash in full within three business days after the date of Completion where the industrial and commercial registration in relation to the Acquisition having been completed and the Purchaser having become the shareholder of the Target Company.

The consideration for the Acquisition was determined after arm's length negotiations between the parties to the Equity Transfer Agreement with reference to, among others, (i) the valuation of the entire equity interests of the Target Company as at 31 January 2023 of approximately RMB59,000,000, conducted by an independent valuer using asset-based approach; (ii) the undistributed profit of the Target Company as of 31 January 2023 of approximately RMB4,800,000, the entitlement of which belongs to the Vendor; (iii) the current business operation and technical strength of the Target Company; (iv) the business prospects of the Target Company; and (v) the future synergy, costs saving and potential business opportunities arising from the Acquisition.

The consideration of the Acquisition will be settled by the net proceeds from the listing of the shares of the Company on the Stock Exchange.

Conditions precedent

Completion is conditional on the satisfaction (or waiver by the Purchaser, if applicable) of the following conditions precedent as set out in the Equity Transfer Agreement:

- (a) the passing of resolutions of shareholder(s) of the Target Company, approving the Acquisition;
- (b) the industrial and commercial registration in relation to the Acquisition and procedures regarding handover of the Target Company having been completed, and the new business license of the Target Company reflecting the change having been obtained;
- (c) the register of shareholders of the Target Company having been updated with details of the Purchaser; and
- (d) there being no breach of the representations and warranties provided by the parties under the Equity Transfer Agreement, and such representations and warranties remain true, accurate and complete as of the date of Completion.

The parties shall procure the above conditions precedent be fulfilled on or before 10 March 2023 (or such later date to be agreed between the parties to the Equity Transfer Agreement in writing). Conditions precedent as set out in paragraphs (a) to (c) above are not waivable.

Completion

Completion shall take place on the date on which all conditions precedent under the Equity Transfer Agreement are satisfied (or waived by the Purchaser, as the case may be).

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company, and its financial results will be consolidated into the financial statements of the Group.

INFORMATION ON THE TARGET COMPANY

The Target Company is a comprehensive mechatronic solution provider focusing on the real estate industry in the PRC, and is wholly-owned by the Vendor as at the date of this announcement. It is principally engaged in mechatronic businesses including mechanical and electrical construction, contracting, technology development and consultation. It is also actively participating in areas such as smart home, energy conservation and environmental protection as well as system integration.

Financial information of the Target Company

The financial information of the Target Company for the two financial years ended 31 December 2021 and 2022 prepared in accordance with the PRC Accounting Standards for Business Enterprises is as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2022
	(audited)	(unaudited)
	<i>(RMB '000)</i>	<i>(RMB '000)</i>
Profit before taxation	2,082	440
Profit after taxation	1,562	330

As at 31 December 2022, the unaudited net assets of the Target Company amounted to approximately RMB55,399,000. The registered capital of the Target Company is RMB50,000,000, all of which had been fully paid up as at the date of the Equity Transfer Agreement. As the Target Company was established by Sino-Ocean Group and was not acquired from a third party, there is no original acquisition cost for the equity interests of the Target Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a comprehensive property management service provider with extensive geographic coverage in the PRC and is primarily engaged in the provision of (i) property management and commercial operational services; (ii) community value-added services; and (iii) value-added services to non-property owners.

As a comprehensive property management service provider, the Group has been providing high-quality property management services to customers through standardization, automation, smart management and upgrades of IT systems, with the aim to optimize operational procedures and improve efficiency and customers' experience. The Group has been actively exploring investment opportunities in the property engineering and mechatronic service markets with the view of further advancing its scope of services including intelligent conversion and mechanical and electrical installation etc. to form a complete service chain that would enhance customer reliance. In 2021, the Group jointly invested in and established a technology service company with a smart building service provider to build a smart technology and property platform and to enhance operation capacity of urban spaces, promoting the construction of smart cities and full development of comprehensive urban services. The Group has also been putting efforts into expanding the scope of its provision of value-added services and other property-management-related services.

The Target Company is a comprehensive mechatronic solution provider focusing on the real estate industry in the PRC and is the platform of Sino-Ocean Group that engages in mechatronic businesses. The Group believes that the expertise and extensive experience of the Target Company in mechatronic businesses as well as smart home, energy conservation and environmental protection as well as system integration will complement the existing services provided by the Group and can further enhance the Group's standardized and automated operations with upgraded information technology and smart management so as to maximize cost efficiency and enhance service standards. The Acquisition will also extend the scope of value-added services to be provided by the Group as a comprehensive property management provider, broaden the Group's property engineering and technology product line which is expected to enhance the quality of the Group's services as a whole and improve economies of scale. The Acquisition is in line with the Group's strategic development needs and is expected to further strengthen the competitiveness of the Group in the property management market.

Taking into consideration of the aforesaid, the Board (including all the independent non-executive Directors but excluding the Abstained Directors) is of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder (including the Acquisition), which were determined after arm's length negotiations between the parties thereto, are on normal commercial terms, and are fair and reasonable, and although the entering into of the Equity Transfer Agreement was not made in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

POTENTIAL CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION

The Target Company is a comprehensive mechatronic solution provider focusing on the real estate industry in the PRC and has been providing services relating to mechatronic solutions to the Sino-Ocean Connected Persons. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company, and the continuation of the provision of services by the Target Company to the Sino-Ocean Connected Persons will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The provision of services relating to mechatronic solutions to the Sino-Ocean Connected Persons shall form part of the continuing connected transactions pursuant to the 2023–2025 Master Consultancy and Other Value-added Services Agreement and shall be governed by the terms thereof, and the fees payable by the Sino-Ocean Connected Persons to the Group in this regard shall be subject to the existing annual caps under the 2023–2025 Master Consultancy and Other Value-added Services Agreement.

The Group will assess if there is any need to revise the existing annual caps under the 2023–2025 Master Consultancy and Other Value-added Services Agreement according to the relevant business progress and will make further announcement(s) where applicable in compliance with the Listing Rules.

INFORMATION ON THE COMPANY, THE GROUP AND THE PURCHASER

The Company is an investment holding company and the Group is a comprehensive property management service provider with extensive geographic coverage in the PRC. The Group's property management services cover a wide range of property types, including residential communities, commercial properties (such as shopping malls and office buildings) and public and other properties (such as hospitals, schools, government buildings and public service facilities). The Group also provides commercial operational services to shopping malls and office buildings, including pre-opening management services and operation management services. In addition to property management and commercial operational services, the Group provides a variety of community value-added services to property owners and residents of the properties under its management, including community asset value-added services, community living services and property brokerage services, and value-added services to non-property owners, including pre-delivery services, consultancy services and property engineering services to property developers and other property management companies.

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

INFORMATION ON SINO-OCEAN GROUP AND THE VENDOR

Sino-Ocean Group, a controlling Shareholder, is a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. It is an investment holding company and a leading large-scale property developer with developments in key economic regions in the PRC, including the Beijing Region, the Bohai Rim Region, the Eastern Region, the Southern Region, the Central Region and the Western Region. The core businesses of Sino-Ocean Group are development of residential property, investment property development and operation, property services and whole-industrial chain construction services, with its scope of businesses also covering senior living service, internet data center, logistics real estate, real estate financing, etc.

The Vendor is a company established in the PRC with limited liability and a wholly-owned subsidiary of Sino-Ocean Group. The Vendor is principally engaged in investment holding in the PRC.

LISTING RULES IMPLICATIONS

The Vendor is a wholly-owned subsidiary of Sino-Ocean Group, a controlling Shareholder, and thus a connected person of the Company. Accordingly, the Acquisition constitutes 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 exceed(s) 0.1% but are all less than 5%, the Acquisition as contemplated under the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors was in any way materially interested in the Acquisition. Nevertheless, the Abstained Directors have abstained from voting on the Board resolutions approving the Acquisition by virtue of their directorship and/or senior positions in Sino-Ocean Group and/or its associates (other than the Group).

DEFINITIONS

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

"2023–2025 Master Consultancy and Other Value-added Services Agreement"	an agreement dated 11 November 2022 entered into between the Company (on behalf of each member of the Group) and Sino-Ocean Group (on behalf of each Sino-Ocean Connected Person) in relation to the provision of consultancy and other value-added services by the Group to the Sino-Ocean Connected Persons (as amended and supplemented from time to time), details of which are set out in the announcement and circular of the Company dated 11 November 2022 and 13 January 2023, respectively
"Abstained Directors"	Mr. Cui Hongjie and Mr. Zhu Xiaoxing, each being a non-executive Director
"Acquisition"	the acquisition by the Purchaser of the entire equity interests in the Target Company from the Vendor pursuant to the Equity Transfer Agreement
"Board"	the board of Directors
"Company"	Sino-Ocean Service Holding Limited (遠洋服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 06677)
"Completion"	completion of the Acquisition
"Director(s)"	the director(s) of the Company
"Equity Transfer Agreement"	the equity transfer agreement dated 24 February 2023 entered into between the Purchaser and the Vendor in relation to the Acquisition
"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, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan for the purpose of this announcement

Sino-Ocean Service Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 06677

“Purchaser”	Ocean Homeplus Property Service Corporation Limited* (遠洋億家物業服務股份有限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Sino-Ocean Connected Persons”	Sino-Ocean Group and its associates, excluding, for the avoidance of doubt, the Group
“Sino-Ocean Group”	Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03377), which is a controlling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Sino-Ocean Mechatronics Equipment Technology Development Co., Ltd.* (遠洋機電設備技術發展有限公司), a company established in the PRC with limited liability
“Vendor”	Beijing Qianyuan Property Co., Ltd.* (北京乾遠置業有限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of Sino-Ocean Group
“%”	per cent

In this announcement, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “continuing connected transaction(s)”, “controlling shareholder(s)”, “percentage ratio(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

By order of the Board
Sino-Ocean Service Holding Limited
YANG Deyong
Joint Chairman

Hong Kong, 24 February 2023

As at the date of this announcement, the Board comprises Mr. Yang Deyong and Ms. Zhu Geying as executive Directors; Mr. Cui Hongjie and Mr. Zhu Xiaoxing as non-executive Directors; and Dr. Guo Jie, Mr. Ho Chi Kin Sammy and Mr. Leung Wai Hung as independent non-executive Directors.

* For identification purposes only

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