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Jiayuan Services Holdings Limited

佳源服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1153)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF UNAUTHORISED GUARANTEES TO THE THEN ULTIMATE CONTROLLING SHAREHOLDER

Based on the information available to the Company, each of Jiayuan Chuangsheng (a company beneficially wholly-owned by Mr. Shum), Zhejiang Heyuan and Zhejiang Zhixiang Dacheng (both being indirect wholly-owned subsidiaries of the Company) entered into the Guarantee Agreements dated 27 July 2023, respectively, with Shanghai Jinyuan and Shanghai Zhijin, pursuant to which, among others, each of Jiayuan Chuangsheng, Zhejiang Heyuan and Zhejiang Zhixiang Dacheng has agreed to provide joint liability guarantees for the payment obligations of Chaohu Xutong (a company indirectly owned by Mr. Shum) under the Equity Transfer Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Guarantee exceeds 25% but all are less than 100%, the provision of the Guarantee (if authorised) would have constituted a major transaction of the Company at the material time and be subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, given that (1) Chaohu Xutong is ultimately controlled by Mr. Shum; and (2) Mr. Shum was the then controlling shareholder of the Company, Mr. Shum and Chaohu Xutong at the material time were connected persons of the Company under the Listing Rules, and the provision of the Guarantee (if authorised) would have constituted non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules at the material time and be subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, as the asset ratio defined under Rule 14.07(1) of the Listing Rules in respect of the Guarantee exceeds 8%, the provision of the Guarantee would have constituted an advance to an entity under Rule 13.13 of the Listing Rules and is subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

The purpose of this announcement is to disclose the required information for the re-compliance with the Listing Rules.

BACKGROUND

Based on the information available to the Company, Shanghai Jinyuan, Shanghai Zhijin and Chaohu Xutong entered into the Equity Transfer Agreement dated 27 July 2023, pursuant to which, among others, Shanghai Jinyuan and Shanghai Zhijin have agreed to transfer, and Chaohu Xutong has agreed to acquire, the entire equity interest in Hefei Hongguo at a consideration of RMB123 million.

Each of Jiayuan Chuangsheng, Zhejiang Heyuan and Zhejiang Zhixiang Dacheng has entered into the Guarantee Agreements dated 27 July 2023 with Shanghai Jinyuan and Shanghai Zhijin, pursuant to which, among others, each of Jiayuan Chuangsheng, Zhejiang Heyuan and Zhejiang Zhixiang Dacheng has agreed to provide joint liability guarantees for the payment obligations of Chaohu Xutong under the Equity Transfer Agreement.

The Equity Transfer Agreement

Principal terms of the Equity Transfer Agreement are as follows:

Date: 27 July 2023

Parties: (i) Chaohu Xutong as the transferee; and
(ii) Shanghai Jinyuan and Shanghai Zhijin, as the transferors

To the best knowledge, information and belief of the Directors having made reasonable enquiries, each of Shanghai Jinyuan and Shanghai Zhijin is an Independent Third Party.

Subject matter: Shanghai Jinyuan and Shanghai Zhijin have agreed to transfer, and Chaohu Xutong has agreed to acquire, the entire equity interest in Hefei Hongguo.

Consideration: The consideration of the Equity Transfer is RMB123 million (the “**Consideration**”), which shall be paid in one lump sum in cash by Chaohu Xutong to Shanghai Jinyuan and Shanghai Zhijin within 60 days from the effective date of the Equity Transfer Agreement.

The Guarantee Agreements

Save for the identity of the guarantor, the principal terms of the Guarantee Agreements are identical and as follows:

Date: 27 July 2023

Parties: (i) Jiayuan Chuangsheng, Zhejiang Heyuan or Zhejiang Zhixiang Dacheng, as the guarantor; and
(ii) Shanghai Jinyuan and Shanghai Zhijin, as the creditors

Subject matter: Pursuant to the Guarantee Agreements, each of Jiayuan Chuangsheng, Zhejiang Heyuan and Zhejiang Zhixiang Dacheng has agreed to be jointly liable for all creditors' right (including primary creditor's right, interest, liquidated damages and damages etc.) and other costs for realising the creditors' right and security rights (including but not limited to legal fees, arbitration fees, attorney fees, travel expenses, preservation fees, enforcement fees, announcement fees, assessment fees, auction fees, custodian fees and appraisal fees and all other reasonable fees payable) under the Equity Transfer Agreement for a period of 3 years from the expiry date of the period for fulfilment of obligations under the Equity Transfer Agreement

INFORMATION ON THE PARTIES

The Group is principally engaged in the provision of property management services, value-added services to property developers and community value-added services in the PRC.

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

Zhejiang Heyuan is an indirect wholly-owned subsidiary of the Company and a wholly foreign owned enterprise established and registered in the PRC and is principally engaged in investment holding in the PRC.

Shanghai Jinyuan is a limited partnership established in the PRC and an Independent Third Party. To the best knowledge, information and belief of the Directors having made reasonable enquiries, Shanghai Jinyuan is principally engaged in industry investment, investment management and investment consultancy. As at the date of this announcement, Shanghai Jinyuan is owned as to (i) approximately 37.5% by Zhejiang Heyuan Industry Investment Co., Ltd.* (浙江和韻實業投資有限公司), a company established in the PRC with limited liability which is indirectly owned by Renhe Zhiben Corporate Management Corporate Co., Ltd.* (仁和智本企業管理集團有限公司) (“**Renhe Zhiben**”) and the single largest shareholder holding approximately 53% of which is Mr. Zheng Lei* (鄭磊) (“**Mr. Zheng**”), an Independent Third Party; (ii) approximately 37.5% by Shanghai Jinfeng Investment Co., Ltd.* (上海金豐投資有限公司), a company established in the PRC with limited liability which is in turn wholly-owned by Shanghai Land (Group) Co., Ltd., the ultimate beneficial owner of which is the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市國有資產監督管理委員會); and (iii) 25% by Shanghai Zhijin, respectively.

Shanghai Zhijin is a company established in the PRC with limited liability and an Independent Third Party. To the best knowledge, information and belief of the Directors having made reasonable enquiries, Shanghai Zhijin is principally engaged in asset management, industry investment, investment management, investment consultancy and corporate management consultancy. As at the date of this announcement, Shanghai Zhijin is wholly-owned by Renhe Zhiben, and the single largest shareholder holding approximately 53% of which is Mr. Zheng, an Independent Third Party.

To the best knowledge, information and belief of the Directors having made reasonable enquiries, (1) Chaohu Xutong is a company established in the PRC with limited liability and indirectly and beneficially owned by Mr. Shum. Chaohu Xutong is principally engaged in business and hotel management, corporate management; (2) Jiayuan Chuangsheng is a company established in the PRC with limited liability and beneficially wholly-owned by Mr. Shum, and is principally engaged in investment holding; and (3) Mr. Shum is a PRC resident and the founder of the Company. At the material time of entering into the Guarantee Agreements, Mr. Shum was the then ultimate controlling shareholder of the Company through his indirect interest in the Company. Accordingly, Mr. Shum, Chaohu Xutong and Jiayuan Chuangsheng were then connected persons of the Company.

BACKGROUND AND REASONS FOR THE PROVISION OF GUARANTEE AND THE LATEST DEVELOPMENTS

The Board would like to stress that the provision of the Guarantee was mainly caused by China Jiayuan's wrongdoing in bypassing the Group's then existing corporate governance and internal controls which had led to the provision of the Guarantee which were not approved by the Shareholders or the Board. As the Company was unable to locate the complete corroborating documents to substantiate the reasons for and the commercial substance and business rationale, if any, of the provision of the Guarantee and the entering into of the Zhejiang Heyuan Guarantee Agreement and the Zhejiang Zhixiang Dacheng Guarantee Agreement, the Directors (including the independent non-executive Directors) are unable to opine on whether the Guarantee and the Zhejiang Heyuan Guarantee Agreement and the Zhejiang Zhixiang Dacheng Guarantee Agreement were (i) on normal commercial terms after arm's length negotiation, (ii) fair and reasonable; and (iii) were in the interests of the Company and the Shareholders as a whole.

To the best of the knowledge, information and belief of the Directors, after having made reasonable enquiries:

- (a) in December 2023, Chaohu Xutong failed to pay the Consideration and subsequently, Shanghai Jinyuan and Shanghai Zhijin filed a request for arbitration to the Shanghai Arbitration Commission (the "**SAC**") and requested, among others, (a) Chaohu Xutong to pay the Consideration; and (b) Jiayuan Chuangsheng, Zhejiang Heyuan and Zhejiang Zhixiang Dacheng to be jointly liable for the liability of Chaohu Xutong under the Equity Transfer Agreement (the "**Request**");
- (b) in April 2024, the legal adviser of Zhejiang Heyuan and Zhejiang Zhixiang Dacheng (the "**Legal Adviser**"), without being properly authorised, attended the arbitration hearing and entered into a settlement agreement (the "**Settlement Agreement**") with the legal advisers of Shanghai Jinyuan and Shanghai Zhijin. According to the records of the Company, the Legal Adviser was only authorised to conduct settlement and request for mediation, and hence, the Company is of the view that the Legal Adviser was acting ultra vires. According to the Settlement Agreement, Chaohu Xutong, Jiayuan Chuangsheng, Zhejiang Heyuan and Zhejiang Zhixiang Dacheng shall collectively, *inter alia*, compensate Shanghai Jinyuan and Shanghai Zhijin a total amount of approximately RMB124 million, being the Consideration and the arbitration fee, by instalments. Subsequently, the SAC issued the Arbitration Mediation Statement (仲裁調解書) ((2024) Huzhonganzi No. 0279 ((2024)滬仲案字第0279號)) to confirm the terms of the Settlement Agreement (the "**Arbitration Mediation Statement**"). Although the Arbitration Mediation Statement has been received by the Legal Adviser, the Company has yet to receive the original Arbitration Mediation Statement as at the date of this announcement;
- (c) on 8 October 2024, based on the Arbitration Mediation Statement, the Shanghai No. 2 Intermediate People's Court accepted the Request and issued an enforcement notice to Zhejiang Heyuan and Zhejiang Zhixiang Dacheng ordering the compulsory enforcement of the Arbitration Mediation Statement, and certain bank accounts of Zhejiang Heyuan and Zhejiang Zhixiang Dacheng (the "**Bank Accounts**") of up to the amount of approximately RMB124 million be frozen. On 14 October 2024, the Shanghai No. 2 Intermediate People's Court named each of Zhejiang Heyuan and Zhejiang Zhixiang Dacheng as "a dishonest person subject to enforcement" (失信被執行人) and imposed consumption restriction orders on the legal representatives of each of Zhejiang Heyuan and Zhejiang Zhixiang to refrain from certain specified consumption activities (the "**Enforcement Orders**").

The Company only became aware of the Arbitration Mediation Statement and the Enforcement Orders upon discovering that the Bank Accounts have been frozen. In addition, based on the statement of the relevant staff of the Group and the record of the Group, the actual date of using the company chop for the Zhejiang Heyuan Guarantee Agreement and the Zhejiang Zhixiang Dacheng Guarantee Agreement should be 1 November 2023.

According to the PRC legal advisers of the Company, pursuant to the Settlement Agreement, Shanghai Jinyuan and Shanghai Zhijin are entitled to request for payment of the Consideration, the arbitration fee, the liquidated damages and the related enforcement costs as each of Jiayuan Chuangsheng, Zhejiang Heyuan and Zhejiang Zhixiang Dacheng has assumed joint liability for the payment obligations of Chaohu Xutong under the Equity Transfer Agreement. In the event that all payment obligations are assumed by Zhejiang Heyuan and Zhejiang Zhixiang Dacheng in accordance with the Settlement Agreement, Zhejiang Heyuan and Zhejiang Zhixiang Dacheng may (i) recover and claim the entire amount from Chaohu Xutong; and (ii) recover and claim Jiayuan Chuangsheng for the excess amount that Zhejiang Heyuan and Zhejiang Zhixiang Dacheng have assumed as under the Civil Code of the PRC, all guarantors would bear joint liabilities in equal proportion (namely one-third of the guaranteed amount) unless otherwise determined.

The Board is of the view that (i) the validity of the Settlement Agreement is uncertain, given that the entering into of the Settlement Agreement was not approved by the Board and the Shareholders and is of material procedural irregularity; and (ii) although the Enforcement Orders ruled that the Bank Accounts of up to approximately RMB124 million be frozen, as at the date of this announcement and based on the records of the Company, the actual total deposits frozen amounted to approximately RMB900,000 and the financial impact on the Group is therefore minimal. In light of the above, the Company is of the view that the Arbitration Mediation Statement and the Enforcement Orders do not affect the normal business and operations of the Group, and would not affect the progress and expected timeline for fulfilling the Resumption Guidance.

As at the date of this announcement, the Company is still assessing the financial impact of the Arbitration Mediation Statement and the Enforcement Orders on the Group. Further announcement(s) will be made as and when appropriate if there is any material development to keep Shareholders and potential investors of the Company informed of the latest status.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Guarantee exceeds 25% but all are less than 100%, the provision of the Guarantee (if authorised) would have constituted a major transaction of the Company at the material time and be subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, given that (1) Chaohu Xutong is ultimately controlled by Mr. Shum; and (2) Mr. Shum was the then controlling shareholder of the Company, Mr. Shum and Chaohu Xutong at the material time were connected persons of the Company under the Listing Rules, and the provision of the Guarantee (if authorised) would have constituted non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules at the material time and be subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, as the asset ratio defined under Rule 14.07(1) of the Listing Rules in respect of the Guarantee exceeds 8%, the provision of the Guarantee would have constituted an advance to an entity under Rule 13.13 of the Listing Rules and is subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

In light of the fact that (i) the Guarantee has already been made and therefore Shareholders' consideration for the approval of the Guarantee no longer serves its purpose; and (ii) all material information relating to the Guarantee made available to the Company has been set forth in this announcement, no circular (including independent financial advice) will be issued by the Company to the Shareholders and no extraordinary general meeting of the Company will be convened for the purposes of considering, approving and ratifying the provision of the Guarantee. Hence, the Company is not in full compliance with Rules 14.34, 14A.35, 14A.36, 14A.39, 14A.44 and 14A.46 of the Listing Rules in this regard.

REMEDIAL MEASURES

The Company deeply regrets that it had not duly complied with the Listing Rules in these regards. As immediate remedial action, the Group has diligently, sought legal advices from the professional advisers on, among other things, the possible and necessary follow up actions to be taken by the Group, and has taken legal actions such as applying for the withdrawal of the Arbitration Mediation Statement and the non-enforcement of the Arbitration Mediation Statement to rigorously defend the Arbitration Mediation Statement and the Enforcement Orders to protect and safeguard its legitimate interest, and the Company hereby publishes this announcement to disclose all material information in respect of the Guarantee. As discussed in the Key Findings Announcement, the Company has strengthened its internal control system and implemented measures to avoid the recurrence of similar issues.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 April 2023, and will remain suspended until further notice.

DEFINITIONS

“Board”	the board of Directors
“China Jiayuan”	China Jiayuan Group Limited, a limited liability company established in the PRC which is indirectly wholly owned by Mr. Shum and one of the then indirect holding companies of the Company
“Chaohu Xutong”	Chaohu Xutong Business Management Co., Ltd.* (巢湖市旭彤商業管理有限公司), a limited liability company established in the PRC which is indirectly owned by Mr. Shum
“Company”	Jiayuan Services Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1153)

“controlling shareholder”	has meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 27 July 2023 entered into between Chaohu Xutong as transferee and Shanghai Jinyuan and Shanghai Zhijin as the transferors in relation to, among others, the transfer of the entire equity interest in Hefei Hongguo to Chaohu Xutong
“Group”	the Company and its subsidiaries
“Guarantee”	the provision of joint liability guarantees by Zhejiang Heyuan and Zhejiang Zhixiang Dacheng pursuant to the Zhejiang Heyuan Guarantee Agreement and the Zhejiang Zhixiang Dacheng Guarantee Agreement
“Guarantee Agreements”	collectively, the Jiayuan Chuangsheng Guarantee Agreement, the Zhejiang Heyuan Guarantee Agreement and the Zhejiang Zhixiang Dacheng Guarantee Agreements
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hefei Hongguo”	Hefei Hongguo Hotel Management Co., Ltd.* (合肥弘果酒店管理有限公司), a company established in the PRC with limited liability and an Independent Third Party
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected person(s) (as defined in the Listing Rules)
“Jiayuan Chuangsheng”	Jiayuan Chuangsheng Holding Group Co., Ltd.* (佳源創盛控股集團有限公司), a limited liability company established in the PRC which is ultimately and beneficially wholly-owned by Mr. Shum
“Jiayuan Chuangsheng Guarantee Agreement”	the guarantee agreement dated 27 July 2023 entered into between Shanghai Jinyuan and Shanghai Zhijin as creditors and Jiayuan Chuangsheng as guarantor, pursuant to which Jiayuan Chuangsheng has agreed to provide joint liability guarantees in favour of Chaohu Xutong under the Equity Transfer Agreement
“Key Findings Announcement”	the announcement of the Company dated 25 September 2024 in relation to, among other things, the independent investigation in relation to certain abnormal transactions and the independent internal control review on the Company’s and the Group’s internal control systems, procedures and policies
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Shum”	Mr. Shen Yuxing (沈玉興), also known as Mr. Shum Tin Ching (沈天晴), the then ultimate controlling shareholder of the Company as at the material time of entering into of the Share Pledge Agreement
“PRC”	The People’s Republic of China, for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Resumption Guidance”	the guidance for resumption of trading in the Shares on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Jinyuan”	Shanghai Jinyuan Investment Centre (Limited Partnership)* (上海金轅投資中心(有限合夥)), a limited partnership established in the PRC and an Independent Third Party
“Shanghai Zhijin”	Shanghai Zhijin Asset Management Co., Ltd.* (上海智金資產管理有限公司), a company established in the PRC with limited liability and an Independent Third Party
“Share(s)”	Share(s) at par value of HK\$0.01 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
“Zhejiang Heyuan”	Zhejiang Heyuan Property Services Co., Ltd.* (浙江禾源物業服務有限公司), an indirect wholly-owned subsidiary of the Company and a wholly foreign owned enterprise established in the PRC
“Zhejiang Heyuan Guarantee Agreement”	the guarantee agreement dated 27 July 2023 entered into between Shanghai Jinyuan and Shanghai Zhijin as creditors and Zhejiang Heyuan as guarantor, pursuant to which Zhejiang Heyuan has agreed to provide joint liability guarantees in favour of Chaohu Xutong under the Equity Transfer Agreement
“Zhejiang Zhixiang Dacheng”	Zhejiang Zhixiang Dacheng Property Services Group Co., Ltd.* (浙江智想大成物業服務集團有限公司) (formerly known as Zhejiang Jiayuan Property Services Group Co., Ltd.* (浙江佳源物業服務集團有限公司) at the material time), an indirect wholly-owned subsidiary of the Company and a limited liability company established in the PRC

“Zhejiang Zhixiang
Dacheng Guarantee
Agreement”

the guarantee agreement dated 27 July 2023 entered into between Shanghai Jinyuan and Shanghai Zhijin as creditors and Zhejiang Zhixiang Dacheng as guarantor, pursuant to which Zhejiang Zhixiang Dacheng has agreed to provide joint liability guarantees in favour of Chaohu Xutong under the Equity Transfer Agreement

“%”

per cent.

By order of the Board
Jiayuan Services Holdings Limited
Pang Bo
Executive Director

Hong Kong, 13 November 2024

As at the date of this announcement, the Board comprises five Directors, of which Mr. Pang Bo and Mr. Bao Guojun are the executive Directors, and Ms. Liang Yunxu, Mr. Wang Huimin and Mr. Wong Kwok Yin are the independent non-executive Directors.

* *For identification purposes only*