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First Service Holding Limited

第一服务控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2107)

DISCLOSEABLE TRANSACTION ACQUISITION OF 80% EQUITY INTEREST IN THE TARGET COMPANY

The Acquisition

The Board is pleased to announce that on March 10, 2021, First Property Beijing, an indirect wholly-owned subsidiary of the Company, as the Purchaser, the Target Company, Mr. Bai Ding, Dalian Chunhui and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Purchaser has agreed to acquire 80% equity interest in the Target Company from the Vendor at a total consideration of RMB93,200,160.

Upon the Completion, the Company will indirectly hold 80% of the equity interest in the Target Company. The Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's financial statements.

Jiuhuashan Acquisition

On December 8, 2020, First Property Anhui, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with the Vendor, pursuant to which First Property Anhui agreed to acquire and the Vendor agreed to sell 49% equity interest in Jiuhuashan Shenlv at nil consideration. Prior to the Jiuhuashan Acquisition, Junhuashan Shenlv was owned as to 51% by the Group and 49% by the Vendor, respectively. Upon completion of the Jiuhuashan Acquisition, Jiuhuashan Shenlv will become an indirect wholly-owned subsidiary of the Company.

Listing Rules Implications

Jiuhuashan Acquisition

The Vendor is a substantial shareholder of Jiuhuashan Shenlv. As the respective assets, profits and revenue size test ratios of Jiuhuashan Shenlv represent less than 5% for the latest financial year, Jiuhuashan Shenlv shall be considered as an insignificant subsidiary of the Company pursuant to Rule 14A.09(1)(b) of the Listing Rules. As such the Vendor is not regarded as a connected person of the Company and hence the Jiuhuashan Acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Jiuhuashan Acquisition are less than 5%, the Jiuhuashan Acquisition, on its own account, does not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Acquisition

Given that the Vendor is a substantial shareholder of Jiuhuashan Shenlv, an insignificant subsidiary of the Company, the Vendor is not regarded as a connected person of the Company and hence the Acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Jiuhuashan Acquisition and the Acquisition are both entered into by the Group with, among others, the Vendor, which form a series of transactions conducted within a 12-month period, the Acquisition is required to be aggregated with the Jiuhuashan Acquisition for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratio(s) calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition (after aggregation with the Jiuhuashan Acquisition) are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

THE ACQUISITION

On March 10, 2021, First Property Beijing, an indirect wholly-owned subsidiary of the Company, as the Purchaser, the Target Company, Mr. Bai Ding, Dalian Chunhui and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Purchaser has agreed to acquire 80% equity interest in the Target Company from the Vendor at a total consideration of RMB93,200,160.

THE EQUITY TRANSFER AGREEMENT AND THE PREVIOUS TRANSACTION DOCUMENTS

Date

March 10, 2021

Parties

- (1) the Purchaser;
- (2) the Target Company;
- (3) Mr. Bai Ding;
- (4) Dalian Chunhui; and
- (5) the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Target Company, the Vendor, Mr. Bai Ding, Dalian Chunhui, and their respective ultimate beneficial owners, if applicable, are Independent Third Parties.

Subject Matter

Prior to entering into the Equity Transfer Agreement, the Vendor, Mr. Bai Ding and Dalian Chunhui entered into an equity transfer agreement and a supplemental agreement to such equity transfer agreement on September 29, 2020 (collectively, the "**Previous Transaction Documents**"), pursuant to which the Vendor acquired 80% equity interest in the Target Company from Dalian Chunhui at a total consideration of RMB88 million (the "**Previous Transaction**"). The transfer of 80% equity interest in the Target Company from Dalian Chunhui to the Vendor was completed and registered with the relevant government authorities on November 13, 2020. As at the date of this announcement, Mr. Bai Ding and the Vendor held 20% and 80% equity interest in the Target Company, respectively. The Vendor had paid RMB70.4 million to Dalian Chunhui, with an outstanding sum of RMB17.6 million remains to be paid under the Previous Transaction Documents (the "**Outstanding Sum**").

Pursuant to the Equity Transfer Agreement, the Purchaser has agreed to acquire, and the Vendor has agreed to sell, 80% equity interest in the Target Company, representing RMB40 million of its registered capital at a total consideration of RMB93,200,160. The Purchaser has also agreed to accept and assume all rights and obligations of the Vendor under the Previous Transaction Documents, including but not limited to performance undertaking, performance incentives and the payment of unpaid amounts since the date of the Equity Transfer Agreement. The Purchaser, Mr. Bai Ding and Dalian Chunhui have agreed to perform their respective rights and obligations in accordance with the Previous Transaction Documents.

Consideration

The consideration for the Acquisition shall be RMB93,200,160 which was determined after arm's length negotiations between the parties based on the value of the Target Company of RMB116,500,200 with reference to the valuation conducted by an independent valuer based on equity method.

The consideration for the Acquisition will be settled in cash which will be financed by the proceeds from the Global Offering.

Completion

The parties shall use their best efforts to complete all registrations and filings with relevant governmental authorities in connection with the Acquisition within three (3) months from the date of the Equity Transfer Agreement. The Completion shall take place on the next day after the completion of the relevant registrations and filings.

Payment Terms

Pursuant to the Equity Transfer Agreement, the consideration shall be payable in the following manner:

- (1) The Purchaser to pay the Outstanding Sum to Dalian Chunhui by March 31, 2024 in accordance with the terms of the Previous Transaction Documents;
- (2) The Purchaser to pay the Vendor the remaining consideration of the Acquisition (after deducting the Outstanding Sum) as follows:
 - (a) First installment: within 15 business days after the effective date of the Equity Transfer Agreement, the Purchaser shall pay to the Vendor RMB30,240,064; and
 - (b) Second installment: within 10 business days after the date of Completion, the Purchaser shall pay the remaining balance of RMB45,360,096 to the Vendor.

Performance Undertaking

Performance Undertaking during the First Performance Undertaking Period

Pursuant to the Previous Transaction Documents, Mr. Bai Ding and Dalian Chunhui covenant that:

- (1) during the First Performance Undertaking Period, the net profit of the Target Company in each year shall be no less than RMB10 million (the “**Guaranteed Profit**”);
- (2) the revenue of the Target Company in the years during First Performance Undertaking Period shall exceed the following revenues (“**Guaranteed Revenues**”):

Year	Guaranteed Revenue
2021	RMB94,500,000
2022	RMB99,220,000
2023	RMB104,180,000

- (3) during the First Performance Undertaking Period, if the net profit of the Target Company in any year fails to reach RMB8 million, or the revenue of the Target Company in any year fails to reach RMB76.5 million, the Purchaser has the rights to:
 - (a) refuse to pay the Outstanding Sum to Dalian Chunhui; and
 - (b) request Mr. Bai Ding to transfer the management rights of the property projects that are managed by the Target Company to the Purchaser;
- (4) during the First Performance Undertaking Period, in the event that net profit of the Target Company in each year exceeds RMB8 million and revenue of the Target Company in each year exceeds RMB76.5 million, but the net profit of the Target Company in any year fails to reach the Guaranteed Profit or the revenue of the Target Company in any year fails to reach the relevant Guaranteed Revenue for the year, the Purchaser can deduct certain amounts for the relevant year from the Outstanding Sum which equal the higher of:
 - (a) the difference between RMB10 million and the actual net profit of the Target Company for the year; and
 - (b) 12% of the difference between the Guaranteed Revenue and the actual revenue of the Target Company for the year.

Performance Undertaking during the Second Performance Undertaking Period

Pursuant to the Previous Transaction Documents, Mr. Bai Ding and Dalian Chunhui covenant that, revenue of the Target Company in each year during the Second Performance Undertaking Period shall reach RMB90 million, otherwise Mr. Bai Ding has no right to participate in the distribution of the net profits of the Target Company for the relevant year.

Performance Incentives

Pursuant to the Previous Transaction Documents, the Purchaser shall pay bonuses to Mr. Bai Ding (on behalf of the members of his team) if the Guaranteed Profit and the relevant Guaranteed Revenue are reached in each year during the First Performance Undertaking Period in the following manner:

Year	Amount	Date of Payment
2021	(Actual revenue of that year – RMB94,500,000)×5%	March 31, 2022
2022	(Actual revenue of that year – RMB99,225,000)×5%	March 31, 2023
2023	(Actual revenue of that year – RMB104,186,250)×5%	March 31, 2024

Management of the Target Company

Pursuant to the Equity Transfer Agreement, the board of director of the Target Company shall comprise three (3) directors and the Purchaser shall have the right to appoint two (2) directors, one of them shall be the chairman of the board. Mr. Bai Ding has the right to appoint one (1) director. The Purchaser shall also have the right to designate the sole supervisor of the Target Company. Mr. Bai Ding is appointed as the chief executive officer of the Target Company who shall be responsible for overseeing the daily operation of the Target Company and other members of the senior management shall be appointed by the board of directors of the Target Company.

Pursuant to the Previous Transaction Documents, Mr. Bai Ding has committed to serve the Target Company and not to carry on the following actions during a period of six (6) years after the Completion (the “**Service Commitment**”):

- (1) resign from the Target Company;
- (2) serve position in other property management company or otherwise assist other company to compete with the Target Company;
- (3) directly or indirectly, as the actual controller or shareholder to establish new company to carry on property management business;

- (4) approach and solicit any management at mid-level or above, customers, supplier and/or agents of the Target Company, or other personnel, enterprises, joint ventures or organizations that have business relationship with the Target Company; solicit or employ any director or management at mid-level or above of the Target Company to compete with the Target Company or leave their employments with the Target Company; and
- (5) other activities that are competing with the Target Company's business or will harm the Target Company's operation.

Mr. Bai Ding covenants to compensate the Purchaser no more than RMB10 million for the breach of his Service Commitment.

Share Charge

Pursuant to the Equity Transfer Agreement, Mr. Bai Ding agrees to charge all of his equity interest in the Target Company to the Purchaser before the Completion to ensure the due performance of his obligations under the Previous Transaction Documents.

INFORMATION ON THE PARTIES

The Company and First Property Beijing

The Company is a company incorporated in the Cayman Islands with limited liability and its Shares have been listed on the Stock Exchange. The Group is principally engaged in provision of property management services to residential and non-residential buildings.

First Property Beijing is a limited liability company established under the laws of the PRC on December 6, 1999. It is an indirect wholly-owned subsidiary of the Company. First Property Beijing is principally engaged in providing property management services.

The Target Company

The Target Company is a company established under the laws of the PRC with limited liability on January 12, 2006. The Target Company is principally engaged in providing property management services. As at the date of this announcement, the Target Company managed approximately 150 property management projects with a total gross floor area under management of approximately 19.0 million sq.m. in Liaoning, Tianjin, Sichuan, Beijing, Shaanxi, Hunan, Hubei, etc.

As at the date of this announcement, the Target Company is held by Mr. Bai Ding as to 20.0% and the Vendor as to 80.0%.

Upon the Completion, the Target Company will be held by First Property Beijing as to 80.0% and Mr. Bai Ding as to 20.0%. The Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's financial statements.

Set out below is the audited financial information of the Target Company as extracted from its audited financial reports for the years ended December 31, 2019 and 2020:

	Year ended December 31,	
	2019	2020
	<i>(RMB in thousands, audited)</i>	
Profit before taxation	10,961	13,290
Profit after taxation	8,221	9,967

The audited net asset value of the Target Company as of December 31, 2020, based on its audited financial statements, was approximately RMB28,238,700.

Vendor

The Vendor is a company established under the laws of the PRC with limited liability on August 12, 2020, which is ultimately owned as to 51% by Deng Zhiyin, 25% by Cao Wei and 24% by Han Xiaoming, each of whom is an Independent Third Party. The Vendor is principally engaged in providing property management services.

Dalian Chunhui

Dalian Chunhui is an individual proprietorship enterprise established under the laws of the PRC on March 20, 2020 by Mr. Bai Ding.

REASONS FOR AND BENEFITS OF THE JIUHUASHAN ACQUISITION AND THE ACQUISITION

The Target Company is a leading industrial park property management service provider in China. It provides property management services to several renowned industrial park real estate companies. Its services comprise security service, cleaning service and parking lot management etc.

The Directors believe that the Target Company has built a strong brand recognition and accumulated considerable experience in the subdivided sector of property management as it mainly provides services to the logistics industry parks and Dalian Port. The Acquisition will be beneficial for the Company's strategy of expanding into public construction projects and urbanization service.

While the Target Company's presence has grown rapidly to major cities in China, it is in accordance with the business coverage of the Company. It will have a strong synergy with the Company's existing property management projects in the relevant regions. Upon completion of the Acquisition, the Company and Target Company will consolidate the operation and management model and further strengthen their leading positions in the PRC property management market and foster the diversified development of the Group in the property market.

Jiuhuashan Shenlv is principally engaged in property management in China. Prior to the Jiuhuashan Acquisition, Junhuashan Shenlv was owned as to 51% by the Group and 49% by the Vendor, respectively. Upon completion of the Jiuhuashan Acquisition, Jiuhuashan Shenlv will become an indirect wholly-owned subsidiary of the Company. The Directors believe that the Jiuhuashan Acquisition allows the Company to strengthen its management control over the property management projects of Jiuhuashan Shenlv and to enjoy the full economic benefits that Jiuhuashan Shenlv brings to the Group.

The Directors are of the view that the terms of the Equity Transfer Agreement, the Acquisition and the Jiuhuashan Acquisition were arrived at after arm's length negotiations among the parties, and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Jiuhuashan Acquisition

The Vendor is a substantial shareholder of Jiuhuashan Shenlv. As the respective assets, profits and revenue size test ratios of Jiuhuashan Shenlv represent less than 5% for the latest financial year, Jiuhuashan Shenlv shall be considered as an insignificant subsidiary of the Company pursuant to Rule 14A.09(1)(b) of the Listing Rules. As such the Vendor is not regarded as a connected person of the Company and hence the Jiuhuashan Acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

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DEFINITIONS

“Acquisition”	the proposed acquisition of 80% equity interest in the Target Company pursuant to the terms and conditions of the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	First Service Holding Limited (第一服务控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition
“Dalian Chunhui”	Dalian Chunhui Enterprise Management Service Centre (大連春暉企業管理服務中心), an individual proprietorship enterprise established under the laws of the PRC on March 20, 2020 by Mr. Bai Ding
“Director(s)”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated March 10, 2021 entered into among First Property Beijing as the Purchaser, the Target Company, the Vendor, Mr. Bai Ding and Dalian Chunhui relating to the Acquisition
“First Performance Undertaking Period”	the years ended December 31, 2021, 2022 and 2023
“First Property Anhui”	First Property Service (Beijing) Co., Ltd. (第一物業服務安徽有限公司), a limited liability company established under the laws of the PRC on September 9, 2014 and an indirect wholly-owned subsidiary of the Company

“First Property Beijing”	First Property Service (Beijing) Co., Ltd. (第一物業服務(北京) 有限公司), a limited liability company established under the laws of the PRC on December 6, 1999 and an indirect wholly-owned subsidiary of the Company
“Global Offering”	the global offering of the Company’s Shares in connection with the listing of its Shares on the Main Board of the Stock Exchange on October 22, 2020
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected persons of the Company
“Jiuhuashan Shenlv”	Chizhou Jiuhuashan Scenic Area Shenlv Property Management Services Co., Ltd. (池州市九華山風景區深綠物業管理服務有限公司), a limited liability company established under the laws of the PRC on September 26, 2018 and an indirect non-wholly owned subsidiary of the Company
“Jiuhuashan Acquisition”	the acquisition of 49% equity interest in Jiuhuashan Shenlv pursuant to the terms and conditions of the Jiuhuashan Acquisition Agreement
“Jiuhuashan Acquisition Agreement”	the equity transfer agreement dated December 8, 2020, entered into by First Property Anhui and the Vendor in relation to Jiuhuashan Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	First Property Beijing
“RMB”	Renminbi, the lawful currency of the PRC
“Second Performance Undertaking Period”	the period from January 1, 2024 to December 31, 2033

“Shareholder(s)”	holders(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Dalian Yahang Property Management Co., Ltd. (大連亞航物業管理有限公司), a company established under the laws of the PRC with limited liability on January 12, 2006
“Vendor”	Beijing Tonghe Property Management Co., Ltd. (北京同合物業管理有限公司), a company established under the laws of the PRC with limited liability on August 12, 2020
“%”	per cent

By order of the Board
First Service Holding Limited
ZHANG Peng
Chairman

Hong Kong, March 10, 2021

As at the date of this announcement, our executive Directors are Mr. Liu Peiqing, Mr. Jia Yan, Mr. Jin Chungang and Ms. Zhu Li, our non-executive Directors are Mr. Zhang Peng and Mr. Long Han, and our independent non-executive Directors are Ms. Sun Jing, Ms. Zhu Caiqing and Mr. Cheng Peng.