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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 100% EQUITY INTEREST IN THE TARGET COMPANY

The Acquisition

The Board is pleased to announce that on March 30, 2021, First Property Beijing, an indirect wholly-owned subsidiary of the Company, as the Purchaser, the Vendors, Weihai Shangcheng, Ms. Wang Zhilan, the Target Company, Shangcheng Property, Qingdao Shangcheng and Liaocheng Shangcheng entered into the Equity Transfer Agreements, pursuant to which the Purchaser has agreed to acquire 100% equity interest in the Target Company from the Vendors at a total consideration of RMB135,800,000, which is the sum of RMB113,400,000 representing the transfer price of the Target Equity Interests and RMB22,400,000 representing the transfer price of the net asset of the Target Company as at December 31, 2020.

Upon the Completion, the Company will indirectly hold 100% of the equity interest in the Target Company. The Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's financial statements.

Listing Rules Implications

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the 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 30, 2021, First Property Beijing, an indirect wholly-owned subsidiary of the Company, as the Purchaser, the Vendors, Weihai Shangcheng, Ms. Wang Zhilan, the Target Company, Shangcheng Property, Qingdao Shangcheng and Liaocheng Shangcheng entered into the Equity Transfer Agreements, pursuant to which the Purchaser has agreed to acquire 100% equity interest in the Target Company from the Vendors at a total consideration of RMB135,800,000, which is the sum of RMB113,400,000 representing the transfer price of the Target Equity Interests and RMB22,400,000 representing the transfer price of the net asset of the Target Company as at December 31, 2020.

THE EQUITY TRANSFER AGREEMENTS

Date

March 30, 2021

Parties

- (1) the Purchaser;
- (2) the Vendors;
- (3) Weihai Shangcheng;
- (4) Ms. Wang Zhilan;
- (5) the Target Company;
- (6) Shangcheng Property;
- (7) Qingdao Shangcheng; and
- (8) Liaocheng Shangcheng.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors, Weihai Shangcheng, Ms. Wang Zhilan, the Target Company, Shangcheng Property, Qingdao Shangcheng, Liaocheng Shangcheng, and their respective ultimate beneficial owners, if applicable, are Independent Third Parties.

Subject Matter

Pursuant to the Equity Transfer Agreements, the Purchaser has agreed to acquire, and the Vendors have agreed to sell, in aggregate, 100% equity interest in the Target Company, representing RMB7,000,000 of its registered capital at a total consideration of RMB135,800,000, which is the sum of RMB113,400,000 representing the transfer price of the Target Equity Interests and RMB22,400,000 representing the transfer price of the net asset of the Target Company as at December 31, 2020.

Consideration

The total consideration for the Acquisition shall be RMB135,800,000, which is the sum of RMB113,400,000 representing the transfer price of the Target Equity Interests and RMB22,400,000 representing the transfer price of the net asset of the Target Company as at December 31, 2020. The consideration was determined after arm's length negotiations between the parties based on the value of Shangcheng Property of RMB194,044,100, which is owned as to 70% by the Target Company, 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 and the internal resources of the Group.

Conditions Precedent

Completion is conditional upon satisfaction or waiver by the Purchaser (as the case may be) of, among others, the following conditions:

- (a) the warranties set out in the Equity Transfer Agreements are true, accurate and not misleading in all material aspects as at the date of the Equity Transfer Agreements and the date of Completion, and undertakings contemplated under the transaction documents which shall be performed on or before the date of Completion having been performed;
- (b) the passing of resolutions by the shareholders of the Target Company approving the transfer of the Target Equity Interests; and
- (c) there shall have been no governmental authority that has enacted or implemented any laws or order which would render execution or performance of the Equity Transfer Agreements impossible or illegal.

Completion

The parties shall use their best efforts to complete all registrations and filings with relevant governmental authorities in connection with the Acquisition within thirty (30) business days from the date of the Equity Transfer Agreements. Completion shall take place on the next business day after the completion of the relevant registrations and filings.

Payment Terms

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

- (1) The Purchaser shall pay the Vendors on pro rata basis a total of RMB22,680,000 within ten (10) business days from the date of the Equity Transfer Agreements in the following manner:
 - (a) a sum of RMB13,608,000 shall be paid by the Purchaser to the Vendor I; and
 - (b) a sum of RMB9,072,000 shall be paid by the Purchaser to the Vendor II.
- (2) The Purchaser shall pay the Vendors on pro rata basis a total of RMB90,440,000 within ten (10) business days from the date of Completion in the following manner:
 - (a) a sum of RMB54,264,000 shall be paid by the Purchaser to the Vendor I; and
 - (b) a sum of RMB36,176,000 shall be paid by the Purchaser to the Vendor II.
- (3) Subject to the terms of the Equity Transfer Agreements and conditional upon the Vendors performance undertakings under the Equity Transfer Agreements, the Purchaser shall pay the Vendors on pro rata basis the remaining balance of the consideration in the sum of RMB22,680,000 (the “**Balance of Consideration**”) on March 31, 2024 in the following manner:
 - (a) a sum of RMB13,608,000 shall be paid by the Purchaser to the Vendor I; and
 - (b) a sum of RMB9,072,000 shall be paid by the Purchaser to the Vendor II.

Performance Undertaking

Pursuant to the Equity Transfer Agreements, the Vendors, Weihai Shangcheng and Ms. Wang Zhilan (the “**Existing Shareholders**”) covenant, among others, that:

- (1) the net profit of Shangcheng Property in each year during the Performance Undertaking Period shall be no less than RMB15,000,000 (the “**Guaranteed Profit**”);

- (2) the revenue of Shangcheng Property in each year during the Performance Undertaking Period shall be no less than the following amount (the “**Guaranteed Revenue**”):

Year	Guaranteed Revenue
2021	RMB132,000,000
2022	RMB145,000,000
2023	RMB159,500,000

- (3) during the Performance Undertaking Period, if Shangcheng Property fails to meet the respective Guaranteed Profit and Guaranteed Revenue set out in paragraphs (1) and (2) above, the Purchaser has the rights to deduct from the Balance of Consideration or the profit distributable to Weihai Shangcheng a sum (the “**Adjustment Sum**”) equal to the aggregate of:

- (a) 13% of the difference between the Guaranteed Revenue and the actual revenue of Shangcheng Property for the year (“**Adjustment Sum A**”); and
- (b) the difference between RMB15,000,000 and the actual net profit of Shangcheng Property for the year (“**Adjustment Sum B**”),

provided that (i) Adjustment Sum A shall equal to zero if the aggregate actual revenue of Shangcheng Property during the Performance Undertaking Period is no less than RMB436,500,000 and (ii) Adjustment Sum B shall equal to zero if the aggregate actual net profit of Shangcheng Property during the Performance Undertaking Period is no less than RMB45,000,000. In the event that the Adjustment Sum exceeds the sum of the Balance of Consideration and the profit distributable to Weihai Shangcheng, the Existing Shareholders shall pay to the Purchaser the difference between the Adjustment Sum and the Balance of Consideration.

- (4) if in any year during the Performance Undertaking Period, the average annual revenue of Shangcheng Property is less than RMB111,600,000, then the Purchaser is not required to pay the Balance of Consideration;
- (5) if in any year during the Performance Undertaking Period, the actual revenue is less than RMB111,600,000, then the Purchaser shall have the right to request Weihai Shangcheng and Ms. Wang Zhilan to transfer the management rights of the property projects that are managed by Shangcheng Property to the Purchaser.

Performance Incentive

If Shangcheng Property meets the Guaranteed Profit and the Guaranteed Revenue, then the Purchaser shall pay the Existing Shareholders a total sum equal to 4% of the difference between the actual revenue of Shangcheng Property during the Performance Undertaking Period and RMB436,500,000 (being the aggregate of the Guaranteed Revenue during the Performance Undertaking Period) (the “**Performance Incentive**”).

The Company does not expect that the consideration ratio calculated in accordance with Rule 14.07 of the Listing Rules will reach 25% taking into account the Performance Incentive, if any. If the consideration ratio reaches 25%, the Company will comply with the relevant Listing Rules accordingly and seek Shareholders’ approval.

Post Completion Adjustments

By January 31, 2022, the Purchaser will reassess the net asset value of Shangcheng Property (the “**Revised NAV**”) taking into account the actual amount recovered by Shangcheng Property by December 31, 2021 in respect of the account receivables of Shangcheng Property as at December 31, 2020.

In the event that the Revised NAV is less than RMB32,000,000, then the Existing Shareholders shall pay Shangcheng Property a sum equal to the difference between RMB32,000,000 and the Revised NAV (the “**Compensation**”) within ten (10) business days from the date of notice from the Purchaser, provided that (i) Shangcheng Property shall return the Compensation to the Existing Shareholders if the actual amount recovered by Shangcheng Property during the period from January 1, 2022 to June 30, 2022 in respect of certain projects in the PRC (the “**New Recovered Amount**”) is no less than the Compensation and (ii) Shangcheng Property shall return the New Recovered Amount to the Existing Shareholders if the New Recovered Amount is less than the Compensation.

The Purchaser shall have the right to deduct the Compensation from the Balance of Consideration if the Existing Shareholders fail to pay Shangcheng Property the Compensation within ten (10) business days from the date of notice.

Management of Shangcheng Property and Qingdao Shangcheng

Pursuant to the Equity Transfer Agreements, the board of director of each of Shangcheng Property and Qingdao Shangcheng shall comprise three (3) directors. The Purchaser shall have the right to appoint two (2) directors, one of them shall be the chairman of the board, and the sole supervisor whereas Weihai Shangcheng has the right to appoint one (1) director. Ms. Wang Zhilan is appointed as the chief executive officer of each of Shangcheng Property and Qingdao Shangcheng who shall be responsible for overseeing the daily operation of Shangcheng Property and Qingdao Shangcheng and other members of the senior management shall be appointed by the board of directors of Shangcheng Property and Qingdao Shangcheng (as the case may be).

INFORMATION ON THE PARTIES

The Company and the Purchaser

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.

The Purchaser 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. The Purchaser is principally engaged in providing property management services.

The Vendors

Vendor I is an individual proprietorship enterprise established under the laws of the PRC on June 6, 2018. As at the date of this announcement, Vendor I is wholly-owned by Ms. Wang Li, an Independent Third Party. Vendor I is engaged in businesses including architectural design and construction.

Vendor II is an individual proprietorship enterprise established under the laws of the PRC on October 26, 2018. As at the date of this announcement, Vendor II is wholly-owned by Ms. Wang Yongjuan, an Independent Third Party. Vendor II is engaged in businesses including architectural design and construction.

The Target Company

The Target Company is a company established under the laws of the PRC with limited liability on March 8, 2021. The Target Company is an investment holding company. As at the date of this announcement, the Target Company is held by the Vendor I as to 60.0% and the Vendor II as to 40.0%.

Upon the Completion, the Target Company will be wholly owned by the Purchaser. The Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company and its subsidiaries will be consolidated into the Group's financial statements.

Shangcheng Property, Qingdao Shangcheng and Liaocheng Shangcheng

Shangcheng Property is a company established under the laws of the PRC with limited liability on May 27, 2005 and is owned as to 70% by the Target Company and 30% by Weihai Shangcheng. Shangcheng Property is principally engaged in property management services. As of the date of this announcement, Shangcheng Property is the sole shareholder of Qingdao Shangcheng and is interested in 85% equity interests in Liaocheng Shangcheng.

Set out below is the audited financial information of Shangcheng Property 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	5,919	18,654
Profit after taxation	4,439	13,991

The audited net asset value of Shangcheng Property as of December 31, 2020, based on its audited financial statements, was approximately RMB35,977,053.47.

Qingdao Shangcheng is a company established under the laws of the PRC with limited liability on June 10, 2020 and is wholly owned by Shangcheng Property. Qingdao Shangcheng is principally engaged in property management services. Liaocheng Shangcheng is a company incorporated under the laws of the PRC with limited liability on February 18, 2021 and is owned as to 85% by Shangcheng Property and 15% by Mr. Li Chao, an Independent Third Party. Liaocheng Shengcheng is principally engaged in property management services.

Weihai Shangcheng and Ms. Wang Zhilan

Weihai Shangcheng is a company established under the laws of the PRC with limited liability on January 26, 2021 and is owned as to 80% by Ms. Wang Zhilan, 10% by Mr. Zhang Jinshi and 10% by Ms. Xu Qiuxiang, each an Independent Third Party. Weihai Shangcheng is principally engaged in property management services.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Shangcheng Property is a leading and well-recognised property management service provider in China. In particular, it is the leader in non-residential property management in Weihai, Shandong with strong brand recognition in this area. It provides property management services in municipal rivers, parks, schools, hospitals, corporate offices, commercial banks, retail shops as well as industrial parks, etc. primarily in Weihai, Yantai, Qingdao and Jinan, Shandong. As of December 31, 2020, the contracted gross floor area under management was approximately 20,000,000 sq. m. with approximately 100 projects under management.

The Directors believe that the strong brand recognition and considerable experience and resources possessed by Shangcheng Property in the subdivided sector of property management will create strong synergy with the Group's brand in China which is conducive to the Group's geographical expansion in Shandong Province. The Acquisition will be beneficial for the Group's strategic expansion of non-residential property management services. As Shangcheng Property's business covers mainly the coastal cities in Shandong province, it will have a strong synergy with the Group's recent acquisition of Dalian Yahang Property Management Co., Ltd. which strengthens the Group's business development around the Bohai Sea area.

The Directors believe that the Acquisition represents a prime opportunity for the Group's expansion in city services and will enable the Group to lay a solid foundation in the city services in the property management sector that further enhances the Group's brand recognition and competitiveness in the market.

The Directors are of the view that the terms of the Equity Transfer Agreements and the 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

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the 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.

DEFINITIONS

“Acquisition”	the proposed acquisition of 100% equity interest in the Target Company pursuant to the terms and conditions of the Equity Transfer Agreements
“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
“Director(s)”	the directors of the Company

“Equity Transfer Agreements”	the equity transfer agreement and the supplemental agreement each dated March 30, 2021 entered into among First Property Beijing as the Purchaser, the Vendors, Weihai Shangcheng, Ms. Wang Zhilan, the Target Company, Shangcheng Property Qingdao Shangcheng and Liaocheng Shangcheng relating to the Acquisition
“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
“Liaocheng Shangcheng”	Liaocheng Shangcheng Property Services Co., Ltd* (聊城上誠物業服務有限公司), a company established under the laws of the PRC with limited liability on February 18, 2021
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Performance Undertaking Period”	during the period from January 1, 2021 to December 31, 2023
“PRC”	the People’s Republic of China
“Purchaser”	First Property Beijing
“Qingdao Shangcheng”	Qingdao Shangcheng Property Services Co., Ltd* (青島上誠物業服務有限公司), a company established under the laws of the PRC with limited liability on June 10, 2020
“RMB”	Renminbi, the lawful currency of the PRC

“Shangcheng Property”	Shandong Shangcheng Property Services Co., Ltd.* (山東上誠物業服務有限公司), a company established under the laws of the PRC with limited liability on May 27, 2005
“Shareholder(s)”	holders(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Qingdao Luohang Enterprises Management Co., Ltd* (青島洛航企業管理有限公司), a company established under the laws of the PRC with limited liability on March 8, 2021
“Target Equity Interests”	100% equity interest in the Target Company
“Vendor I”	Shanghai Lijin Architect Design Firm* (上海麗勁建築設計事務所), an individual proprietorship enterprise established under the laws of the PRC on June 6, 2018
“Vendor II”	Shanghai Luomiao Architectural Engineering Design Center* (上海洛淼建築工程設計中心), an individual proprietorship enterprise established under the laws of the PRC on October 26, 2018
“Vendors”	collectively, the Vendor I and Vendor II
“Weihai Shangcheng”	Weihai Shangcheng Information Consultancy Co., Ltd* (威海上誠信息諮詢有限公司), a company established under the laws of the PRC with limited liability on January 26, 2021
“%”	per cent

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

Hong Kong, March 30, 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.

* for identification purposes only