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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)**

## **CONNECTED TRANSACTIONS SET-OFF OF OUTSTANDING RECEIVABLES**

### **SET-OFF AGREEMENTS**

The Board announces that on December 4, 2023, First MOMA Engineering (an indirectly non-wholly owned subsidiary of the Company) and Anhui Modern Land entered into the Set-Off Agreements, pursuant to which, First MOMA Engineering agreed to settle the Outstanding Receivables in the aggregate sum of RMB3,466,833.82 owed to it by Anhui Modern Land by way of transfer of Properties from Anhui Modern Land to First MOMA Engineering.

### **IMPLICATIONS UNDER THE LISTING RULES**

Anhui Modern Land is a non-wholly owned subsidiary of Modern Land and Modern Land is ultimately owned as to 65.96% by Mr. Zhang Lei, a substantial shareholder of the Company. Hence, Anhui Modern Land, a subsidiary of Modern Land, is an associate of Mr. Zhang Lei and a connected person of the Company.

Pursuant to Rule 14A.76(1)(c) of the Listing Rules, the entering into of each of the Set-Off Agreement A and Set-Off Agreement B constituted a fully exempted connected transaction of the Company on standalone basis as all applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of the Set-Off Agreement A and Set-Off Agreement B are less than 5% and the relevant consideration is less than HK\$3,000,000.

However, when the Set-Off Agreement A is aggregated with Set-Off Agreement B, the total consideration exceeded HK\$3,000,000 and all applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 5%. Accordingly, the transactions contemplated under the Set-Off Agreement A and Set-Off Agreement B (on an aggregate basis) are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules by virtue of Rule 14A.76(2)(a) of the Listing Rules.

## **SET-OFF AGREEMENTS**

The Board announces that on December 4, 2023, First MOMA Engineering (an indirectly non-wholly owned subsidiary of the Company) and Anhui Modern Land entered into the Set-Off Agreements, the major terms of which are set out below.

### **Date of the Set-Off Agreements**

December 4, 2023

### **Parties**

- (1) First MOMA Engineering
- (2) Anhui Modern Land

### **Subject Matter**

Pursuant to the Set-Off Agreement A, First MOMA Engineering agreed to settle the Outstanding Receivables A in the aggregate sum of RMB1,619,338 owed to it by Anhui Modern Land by way of transfer of Properties A from Anhui Modern Land to First MOMA Engineering at a purchase price of RMB1,619,338.

Pursuant to the Set-Off Agreement B, First MOMA Engineering agreed to settle the Outstanding Receivables B in the aggregate sum of RMB1,847,495.82 owed to it by Anhui Modern Land by way of transfer of Properties B from Anhui Modern Land to First MOMA Engineering at a purchase price of RMB1,847,495.82.

### **Outstanding Receivables**

Outstanding Receivables A in the total sum of RMB1,619,338 represent the amount remained outstanding and payable by Anhui Modern Land to First MOMA Engineering pursuant to three construction contracts entered into between Anhui Modern Land and First MOMA Engineering.

Outstanding Receivables B in the total sum of RMB1,847,495.82 represent the amount remained outstanding and payable by Anhui Modern Land to First MOMA Engineering pursuant to four construction contracts entered into between Anhui Modern Land and First MOMA Engineering.

### **Properties**

Each of Properties A and Properties B consist of two residential apartments situated in Fengxifu (鳳曦府) in Hefei, the PRC, which are developed by Modern Land. Properties A and Properties B have a total gross floor area of 88.18 square meters and 113.96 square meters, respectively. Properties A and Properties B will be delivered in vacant possession to Anhui Modern Land. The total net book value of the Properties is RMB3,466,833.82.

The purchase prices of the Properties were determined after arm's length negotiation and with reference to the prevailing market prices of residential properties at nearby locations and the prevailing market prices offered by the developer to other Independent Third Parties in respect of the same apartment.

The original acquisition costs of Properties A and Properties B are unavailable since they are both developed by Modern Land.

The set-off of the Outstanding Receivables under the Set-Off Agreements will be effected after the signing of the relevant Set-Off Agreement(s) and completion of relevant procedures for transferring legal titles of the relevant Properties to First MOMA Engineering. It is expected that the relevant procedures for transferring legal titles of the relevant Properties to First MOMA Engineering will be completed within two months after the Set-Off Agreements take effect.

### **FINANCIAL EFFECTS OF THE TRANSACTIONS UNDER THE SET-OFF AGREEMENTS**

Upon completion of the transfer of Properties pursuant to the Set-Off Agreements, all Properties will be recognized as investment properties on the completion date subject to fair value measurement with impact reflected in the Company's profit or loss in the future. It is estimated that the Group will incur cost of approximately RMB0.14 million in connection with the transactions contemplated under the Set-Off Agreements which include deed tax, stamp duty on the acquisition of the Properties and professional fees.

Save as disclosed above, the Board considers that there will be no material adverse impact on (a) the financial position and earnings, and (b) the business and operation, of the Group associated with the transactions contemplated under the Set-Off Agreements.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SET-OFF AGREEMENTS**

Modern Land has generally been able to honour its payment obligations in accordance with the terms of the relevant individual agreements previously. However, since 2021, there were delays in settlement of account receivables which, as the Group understands, was primarily due to the adverse impact of a number of factors including the macroeconomic environment, the real estate industry environment and the COVID-19 pandemic. As of June 30, 2023, the total outstanding sum due from Modern Land and its subsidiaries amounted to RMB137.8 million, among which the Outstanding Receivables in the total sum of RMB3,466,833.82 arose from energy room, air conditioning, and other system installation services provided by the Group to Anhui Modern Land in the past. After the Group's continuous communication with Modern Land to follow up and having explored different measures to recover the outstanding account receivables, it is agreed that the Properties are to be transferred to the Group as full settlement of the Outstanding Receivables due from Anhui Modern Land. The Group intends to hold the Properties for investment purposes. The Group is exploring other options to recover the remaining balance of the outstanding receivables due from Modern Land and its subsidiaries.

In view of the above, the Directors (including the independent non-executive Directors) consider that the transactions under the Set-Off Agreements are on normal commercial terms and the terms thereunder are fair and reasonable and that although the transactions under the Set-Off Agreements are not in the ordinary and usual course of business of the Group, it is in the interests of the Group and the Shareholders as a whole.

Mr. Zhang Peng, being the chairman of the Board, a non-executive Director and a controlling shareholder of the Company, is also interested in the shares of Modern Land, the holding company of Anhui Modern Land. As such, Mr. Zhang Peng is deemed to be interested in the Set-Off Agreements and have abstained from voting on the relevant Board resolutions. Save as disclosed above, none of the Directors has any material interest in the Set-Off Agreements and is required to abstain from voting on the Board resolutions approving the Set-Off Agreements and the transactions contemplated thereunder.

## **INFORMATION ON THE PARTIES**

### **First MOMA Engineering**

First MOMA Engineering is a company established in the PRC with limited liability and is principally engaged in engineering installation, technical consulting, energy saving and related services. First MOMA Engineering is a non-wholly owned subsidiary of the Company and is indirectly owned as to approximately 72.12% by the Company, 8.13% by two subsidiaries of Modern Land, 3.76% by Mr. Zhang Peng (the chairman of the Board

and a non-executive Director), 3.76% by Mr. Zhang Lei (a substantial shareholder of the Company), 3.49% by Mr. Jia Yan (a Director in the past 12 months) and 26 other individual shareholders, each an Independent Third Party and holding no more than 2% equity interests in First MOMA Engineering.

### **The Company and the Group**

The Company is 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. The Group is principally engaged in providing property management services and green living solutions that cover the full property life-cycle in the PRC.

### **Anhui Modern Land**

Anhui Modern Land is a company established in the PRC with limited liability and is principally engaged in development and sales of properties. Anhui Modern Land is owned as to 51% by a wholly-owned subsidiary of Modern Land and 49% by Lanlvxiangjian Development (Beijing) Co., Ltd. (藍綠相間置業(北京)有限公司), a company established in the PRC and indirectly owned by Ms. Cao Chunhui (曹純慧) and Mr. Li Xujun (李旭軍), each an Independent Third Party, on equal shares.

### **Modern Land**

Modern Land is 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: 1107). It is indirectly owned as to (i) 65.96% by Mr. Zhang Lei, a substantial shareholder of the Company and (ii) 0.68% by Mr. Zhang Peng, a non-executive Director, the chairman of the Board and a substantial shareholder of the Company. In addition, Mr. Zhang Peng is the chairman of the board of directors, the president and an executive director of Modern Land. Modern Land is a property developer focusing on the development of green, energy-saving and eco-friendly residences in the PRC.

### **IMPLICATIONS UNDER THE LISTING RULES**

Anhui Modern Land is a non-wholly owned subsidiary of Modern Land and Modern Land is ultimately owned as to 65.96% by Mr. Zhang Lei, a substantial shareholder of the Company. Hence, Anhui Modern Land, a subsidiary of Modern Land, is an associate of Mr. Zhang Lei and a connected person of the Company.

Pursuant to Rule 14A.76(1)(c) of the Listing Rules, the entering into of each of the Set-Off Agreement A and Set-Off Agreement B constituted a fully exempted connected transaction of the Company on standalone basis as all applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of the Set-Off Agreement A and Set-Off Agreement B are less than 5% and the relevant consideration is less than HK\$3,000,000.

However, when the Set-Off Agreement A is aggregated with Set-Off Agreement B, the total consideration exceeded HK\$3,000,000 and all applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 5%. Accordingly, the transactions contemplated under the Set-Off Agreement A and Set-Off Agreement B (on an aggregate basis) are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules by virtue of Rule 14A.76(2)(a) of the Listing Rules.

## DEFINITIONS

“Anhui Modern Land”	Anhui Modern Wanguofu Development Co., Ltd.* (安徽當代萬國府置業有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of Modern Land
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“First MOMA Engineering”	First MOMA Human Environment Architectural Engineering Co., Ltd.* (第一摩碼人居建築工程(北京)有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“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 person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Modern Land”	Modern Land (China) Co., Limited (當代置業(中國)有限公司) (stock code: 1107), an exempted company incorporated in the Cayman Islands with limited liability on June 28, 2006 and the shares of which are listed on the Main Board of the Stock Exchange, is owned as to 65.96% by Mr. Zhang Lei
“Outstanding Receivables A”	being a sum of RMB1,619,338 which remained outstanding and payable by Anhui Modern Land to First MOMA Engineering
“Outstanding Receivables B”	being a sum of RMB1,847,495.82 which remained outstanding and payable by Anhui Modern Land to First MOMA Engineering
“Outstanding Receivables”	collectively, Outstanding Receivables A and Outstanding Receivables B
“PRC”	the People’s Republic of China
“Properties A”	the properties to be transferred to First MOMA Engineering subject to and on the terms set out in the Set-Off Agreement A, the details of which are set out in the section headed “SET-OFF AGREEMENTS — Properties” of this announcement
“Properties B”	the properties to be transferred to First MOMA Engineering subject to and on the terms set out in the Set-Off Agreement B, the details of which are set out in the section headed “SET-OFF AGREEMENTS — Properties” of this announcement
“Properties”	collectively, Properties A and Properties B

“RMB”	Renminbi, the lawful currency of the PRC
“Set-Off Agreement A”	the set-off agreement dated December 4, 2023 entered into between First MOMA Engineering and Anhui Modern Land in relation to the set-off of Outstanding Receivables A by way of transfer of Properties A
“Set-Off Agreement B”	the set-off agreement dated December 4, 2023 entered into between First MOMA Engineering and Anhui Modern Land in relation to the set-off of Outstanding Receivables B by way of transfer of Properties B
“Set-Off Agreements”	collectively, the Set-Off Agreement A and the Set-Off Agreement B
“Shareholder(s)”	holders(s) of the Shares
“Share(s)”	the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board  
**First Service Holding Limited**  
**Zhang Peng**  
*Chairman*

Hong Kong, December 4, 2023

*As at the date of this announcement, our executive Directors are Mr. Liu Peiqing, 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, Mr. Cheng Peng and Mr. Chen Sheng.*

\* *For identification purpose only*