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Fineland Real Estate Services Group Limited

方圓房地產服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9978)

CONTINUING CONNECTED TRANSACTIONS MASTER LEASE AGREEMENT

On 28 January 2021, the Company entered into the Master Lease Agreement with Fineland Group Holdings, pursuant to which any Group Company (including the Target Group upon Completion) as tenant may continue, amend, renew the Existing Lease Agreements or enter into new Leases with the Fineland Group from time to time for a term of three years commencing with retrospective effect from 1 January 2021 and ending on 31 December 2023, subject to the Annual Caps.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mansion Green holds 216,000,000 Shares, representing 54.0% of the issued share capital of the Company. Mansion Green is an indirect subsidiary of Fineland Group Holdings, who is therefore an indirect Controlling Shareholder and a connected person of the Company. Accordingly, the transactions contemplated under the Master Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the Leases to be entered into under the Master Lease Agreement will be short-term leases, the rental payments to be made by the Group Companies under the Master Lease Agreement will be recognised as expenses in the consolidated statement of comprehensive income of the Group. As such, the transactions contemplated under the Master Lease Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined under the Listing Rules) are more than 0.1% but less than 5%, the Master Lease Agreement and the transactions contemplated thereunder are subject to the announcement, reporting and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

References are made to the circular of the Company dated 3 December 2020 and the announcement of the Company dated 28 January 2021 in relation to, among other things, the Acquisition and its Completion. Upon Completion, the Target Company has become an indirectly non-wholly owned subsidiary of the Company.

On 28 January 2021, the Company entered into the Master Lease Agreement with Fineland Group Holdings, pursuant to which any Group Company (including the Target Group upon Completion) as tenant may continue, amend, renew the Existing Lease Agreements or enter into new Leases with the Fineland Group from time to time for a term of three years commencing with retrospective effect from 1 January 2021 and ending on 31 December 2023, subject to the Annual Caps.

THE MASTER LEASE AGREEMENT

Date	:	28 January 2021
Parties	:	(i) Fineland Group Holdings (ii) the Company
Nature of the transactions	:	Fineland Group Holdings agrees to lease and to procure its subsidiaries to lease office premises or other properties to the Group during the Term, and any Group Company may continue, amend or renew the Existing Leases or enter into new Leases with the Fineland Group, subject to the Annual Caps
Term	:	The three-year period from 1 January 2021 to 31 December 2023 (both days inclusive)

Other major terms of the Master Lease Agreement include:

- (i) The Master Lease Agreement provides a framework for the leasing of properties by any Group Company from the Fineland Group.
- (ii) All the terms of the Existing Leases in effect on the effective date of the Master Lease Agreement shall remain in full force and effect notwithstanding the Master Lease Agreement, and any renewal or amendment of the terms of the Existing Leases shall comply with the terms of the Master Lease Agreement.
- (iii) The terms of all Leases (including the renewal of the Existing Leases) shall be negotiated on an arm's length basis and shall be fair and reasonable.

- (iv) The rent payable by the relevant Group Companies to the relevant member of the Fineland Group as landlord under each Lease will be determined by them with reference to the prevailing market conditions and the rental level of properties with similar size within the same building or, if not available, properties with similar sizes in the vicinity of the property to be leased or licensed, and in any event, such rent payable shall be no less favourable than when renting from an Independent Third Party.
- (v) The terms of the Leases (including options to renew thereof, if any) shall expire on or before the expiry date of the Master Lease Agreement.
- (vi) In the event that the aggregate annual rent under all the Existing Leases and the Leases exceed the Annual Caps, the Company and Fineland Group Holdings shall enter into a supplemental agreement to the Master Lease Agreement for the purpose of amending the terms and conditions therein, in particular, the Annual Caps and Fineland Group Holdings agrees to provide assistance to the Company in complying with the applicable requirements under the Listing Rules.

ANNUAL CAPS

The Annual Caps for the continuing connected transactions under the Master Lease Agreement are set out below:

For the year ending 31 December 2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
5,445	5,915	6,430

The Annual Caps have been prepared by the Directors mainly by reference to the estimated aggregated annual rent payable by the Group to the Fineland Group under (a) the Existing Leases, (b) the expected renewals of certain Existing Leases during the Term; (c) the Leases which will or may be entered into by the Group Companies with members of the Fineland Group during the Term; and (d) a buffer for any possible increase of market rental of properties with similar sizes in the vicinity of the properties to be leased and any unexpected fees and charges incidental to the transactions contemplated under the Master Lease Agreement.

The Annual caps are determined based on the principal assumption that, for the duration of the Term, there will not be any adverse change or disruption in market conditions, operations and business environment or government policies which may materially affect the business and affairs of the Group or the Fineland Group.

REASONS FOR, AND BENEFITS OF, THE TRANSACTIONS

Before entering into the Master Lease Agreement, the Group has been leasing commercial premises for use as offices and outlets from members of the Fineland Group. Based on the total rent payable annually under the Existing Agency Leases, the Existing Agency Leases constitute a *de minimis* transaction under Rule 14A.76 of the Listing Rules. The Target Company has been leasing commercial premises for use as offices from a member of the Fineland Group pursuant to the Existing Target Leases, and upon Completion, the Target Company has become an indirectly non-wholly owned subsidiary of the Company. Given their similar nature and the association of the counterparties to these transactions, namely landlords that are all members of the Fineland Group, the Existing Agency Leases and the Existing Target Leases are to be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules for the purpose of computing the applicable percentage ratios under the Listing Rules.

In view of the above and the Group's anticipated need to continue the Existing Leases, and to renew such leases upon their expiry or enter into new or additional leases to satisfy future business needs, the Company has entered into the Master Lease Agreement with Fineland Group Holdings to set out a framework of the terms for the leases between them.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Master Lease Agreement are expected to be entered into in the ordinary and usual course of business of the Group, and the Master Lease Agreement (together with the Annual Caps) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the transactions contemplated under the Master Lease Agreement (together with the Annual Caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Directors with material interests, namely (i) Mr. Fong (due to his shareholding interests in the Fineland Group); (ii) Ms. Tse (due to the acting-in-concert arrangement with Mr. Fong); and (iii) Ms. Rong (due to her directorship in Fineland Group Holdings), are regarded as having material interests in the transactions contemplated under the Master Lease Agreement. As such, they have abstained from voting on the board resolutions approving the Master Lease Agreement, the transactions contemplated thereunder and the Annual Caps.

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INFORMATION ON THE PARTIES

The Group is principally engaged in (a) the provision of property intermediary services through three main business segments, namely (i) real estate agency services in the primary and secondary property markets (including Online Referral Platform services); (ii) property research and consultancy services; and (iii) Integrated Services; and (b) the provision of professional property management services and value-added services for residential and commercial properties, with a focus mainly in Guangzhou and also elsewhere in the Greater Bay Area.

The Fineland Group is principally engaged in the business of the development and sale of residential and commercial properties, and investment in commercial real estate, including office buildings, hotels and serviced apartments in the PRC.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition by the Purchaser from the Vendors of approximately 66.3% of the equity interests in the Target Company contemplated under the Share Purchase Agreement
“Annual Caps	the annual aggregate maximum amounts payable by the Group to the Fineland Group under the Existing Leases and the Leases for the Term
“Aspiring Vision”	Aspiring Vision Holdings Limited, a company incorporated with limited liability on 15 February 2017 in the BVI, which is wholly-owned by Ms. Tse, and one of the Controlling Shareholders
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Fineland Real Estate Services Group Limited (方圓房地產服務集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 16 February 2017 and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 9978)
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Share Purchase Agreement, which took place on 28 January 2021
“Controlling Shareholders”	the group of controlling shareholders (having the meaning ascribed to it under the Listing Rules) of the Company, namely Mr. Fong, Ms. Tse, Hero Dragon, Fineland Group Holdings, Widethrive Investments, Stand Smooth, Aspiring Vision and Mansion Green

“Director(s)”	the director(s) of the Company
“Existing Agency Leases”	collectively (or individually) the existing leases entered into between certain Group Companies and members of the Fineland Group in respect of the leasing of certain commercial premises for use as offices and outlets prior to the date of the Master Lease Agreement
“Existing Leases”	the Existing Agency Leases and the Existing Target Leases upon Completion
“Existing Target Leases”	collectively (or individually) the existing leases entered into between the Target Company and members of the Fineland Group in respect of the leasing of certain commercial premises for use as offices prior to the date of the Master Lease Agreement
“Fineland Group”	Fineland Group Holdings and its subsidiaries, being the parent group of the Group
“Fineland Group Holdings”	Fineland Group Holdings Company Limited (方圓集團控股有限公司), formerly known as Fineland Real Estate Holdings Company Limited (方圓地產控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2016, and one of the Controlling Shareholders
“Group”	the Company and its subsidiaries from time to time, and each of them a “Group Company”
“Hero Dragon”	Hero Dragon Management Limited, a company incorporated in the BVI on 12 April 2006 with limited liability, which is a wholly-owned subsidiary of Fineland Group Holdings, and one of the Controlling Shareholders
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	individuals or companies who or which are not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Leases”	any new or renewal leases to be entered into pursuant to the Master Lease Agreement setting out specific details including location, rental and duration, each of which shall be a short-term lease having the meaning ascribed to it under HKFRS 16, and each of them a “Lease”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mansion Green”	Mansion Green Holdings Limited, a company incorporated in the BVI on 15 February 2017 with limited liability, whose shares are owned as to approximately 70% by Stand Smooth and approximately 30% by Aspiring Vision, and one of the Controlling Shareholders
“Master Lease Agreement”	the master lease agreement dated 28 January 2021 entered into between the Company and Fineland Group Holdings in respect of the leasing of commercial properties from members of the Fineland Group from time to time during the Term, subject to the Annual Caps
“Mr. Fong”	Mr. Fong Ming (方明先生), one of the Controlling Shareholders and the non-executive Director, who is also a director of Fineland Group Holdings, Hero Dragon and Stand Smooth
“Ms. Rong”	Ms. Rong Haiming* (容海明女士), one of the executive Directors, who is also a director of Fineland Group Holdings, Hero Dragon and Stand Smooth
“Ms. Tse”	Ms. Tse Lai Wa (謝麗華女士), one of the Controlling Shareholders and an executive Director, and is a party acting in concert with Mr. Fong under the deed of concert parties executed on 31 March 2017

“PRC”	the People’s Republic of China (中華人民共和國), except where the context requires otherwise, and for the purpose of this announcement only, geographical references to the PRC or China exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Guangzhou Fangrun Property Agency Limited* (廣州方潤房地產代理有限公司), a company established under the laws of the PRC with limited liability on 6 May 2020, and which is an indirectly wholly-owned subsidiary of the Company, and is an investment holding company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Share Purchase Agreement”	the conditional share purchase agreement dated 15 October 2020 entered into between the Vendors and the Purchaser in relation to the Acquisition
“Shareholder(s)”	registered holder(s) of the Share(s)
“Stand Smooth”	Stand Smooth Group Limited (立順集團有限公司), a company incorporated in the BVI on 22 June 2006, which is indirectly wholly-owned by Mr. Fong, and one of the Controlling Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangzhou Fineland E-Life Service Co., Ltd. (廣州方圓現代生活服務股份有限公司), a company established under the laws of the PRC with limited liability
“Target Group”	Target Company and its subsidiaries
“Term”	three-year period commencing from 1 January 2021 to 31 December 2023 (both days inclusive)

“Vendor A”	Guangzhou Leguan Investment Co., Ltd.* (廣州市樂冠投資有限公司), a company established under the laws of the PRC with limited liability which is a directly wholly-owned subsidiary of Guangdong Fineland Investment Limited* (廣東方圓投資有限公司) and indirectly held as to approximately 99% by Mr. Fong
“Vendor B”	Dongling Grain (HK) Co., Limited (東凌糧油(香港)有限公司), a company incorporated in Hong Kong with limited liability, and an Independent Third Party
“Vendors”	Vendor A and Vendor B
“Widethrive Investments”	Widethrive Investments Limited, a company incorporated in the BVI on 29 March 2006 with limited liability, which is wholly-owned by Mr. Fong, and is one of the Controlling Shareholders
“%”	per cent

If there is any inconsistency between the Chinese names of the PRC entities, enterprises or nationals and their English translations, the Chinese names shall prevail. The English translation of the PRC entities, enterprises or nationals which are marked with “” are for identification purposes only.*

By order of the Board of
Fineland Real Estate Services Group Limited
Fong Ming
Chairman

Hong Kong, 28 January 2021

As at the date of this announcement, the executive Directors are Ms. Rong Haiming, Mr. Yi Ruofeng and Ms. Tse Lai Wa; the non-executive Director is Mr. Fong Ming; and the independent non-executive Directors are Mr. Leung Wai Hung, Mr. Liao Junping, Mr. Tian Qiusheng and Mr. Du Chenhua.