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Fineland Living Services Group Limited

方圓生活服務集團有限公司

(formerly known as 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)

DISCLOSEABLE TRANSACTION ACQUISITION OF 51% EQUITY INTERESTS IN CHANGSHA JIYANGHONG PROPERTY MANAGEMENT CO., LTD.

THE ACQUISITION

The Board is pleased to announce that on 30 July 2021 (after trading hours), the Purchaser, an indirectly wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Vendor, Mr. Li, Mr. Luo and the Target Company, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares which represent 51% of the equity interests in the Target Company at a cash consideration of RMB24,745,000 (equivalent to approximately HK\$29,694,000) (subject to adjustments).

Upon Completion, the equity interests in the Target Company will be held by the Purchaser, Mr. Li and Mr. Luo as to 51%, 31.85% and 17.15%, respectively. The Target Company will become an indirectly non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated in the Group's financial statements.

The Target Company is a comprehensive property management services provider based in Liuyang Changsha, Hunan Province of the PRC.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% but all of which are 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 but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Acquisition is subject to the fulfilment of conditions. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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SHARE PURCHASE AGREEMENT

Date : 30 July 2021 (after trading hours)

Parties : (i) the Purchaser;
(ii) the Vendor;
(iii) Mr. Li;
(iv) Mr. Luo; and
(v) the Target Company.

The backgrounds of the parties are set out in the section headed "Information on the parties" below.

Assets to be acquired

Pursuant to the Share Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares which represent 51% of the equity interests in the Target Company.

Please refer to the section headed “Information on the Target Company” below for further information on the Target Company.

Consideration and Payment Terms

Pursuant to the Share Purchase Agreement, the Consideration of RMB24,745,000 (equivalent to approximately HK\$29,694,000) (subject to adjustments) will be payable to the Vendor in cash in four payment instalments in the following manner:

Instalment	Payment date & conditions	Consideration (percentage)
1.	Within 15 Working Days upon fulfilment of the following conditions: (a) the shareholders’ resolutions of the Target Company in relation to the Acquisition and the amendments to the Target Company’s articles of association having been approved, and Mr. Li and Mr. Luo having undertaken to the Purchaser in writing to waive their respective right of first refusal to purchase the Sale Shares; (b) the Core Management having signed non-compete and confidentiality agreements or given undertakings of the same in favour of the Target Company, in the form satisfactory to the Purchaser; (c) during the period from the date of the Share Purchase Agreement (including the date of the Share Purchase Agreement) until the payment of the 1st payment installment, the warranties, representations and undertakings given by the Vendor, Mr. Li and Mr. Luo and the Target Company in the Share Purchase Agreement remaining true, accurate, complete and there being no non-compliance with the terms of the Share Purchase Agreement; and (d) there being no events, facts, conditions, changes and other circumstances that have a material adverse effect on the financial position, business, asset, liability, prospect and operation of the Target Company.	RMB6,186,300 (25%)

Instalment	Payment date & conditions	Consideration (percentage)
2.	<p>Within 15 Working Days upon fulfilment of the following conditions:</p> <p>(a) the registered share capital of RMB3,000,000 of the Target Company having been fully paid up by the Vendor, Mr. Li and Mr. Luo;</p> <p>(b) the Target Company having completed the relevant filing and registration to reflect the transfer of the Sale Shares, the revision of the articles of association and the changes in the directors, supervisors and senior management of the Target Company by 20 August 2021, and having obtained a new business license; and</p> <p>(c) the Vendor having completed the Completion obligations, and a written confirmation in this regard having been issued by both parties.</p>	RMB6,186,300 (25%)
3.	<p>Within 15 Working Days upon fulfilment of the following conditions:</p> <p>(a) the financial statements of the Target Company for 2021 having been audited by an auditing firm recognised by the Purchaser, and the audited Net Profit of the Target Company for 2021 shall not be less than RMB3,728,800; <i>(Note 1)</i></p> <p>(b) the employees of the Target Company and its branches and subsidiaries (if any) having signed employment contracts, in the form satisfactory to the Purchaser; and</p> <p>(c) the labour and employment related policies of the Target Company and its branches and subsidiaries (if any) having been optimised according to the requirements of the Purchaser, and having been reconfirmed by all the employees.</p>	RMB6,186,300 (subject to adjustments) <i>(Note 1)</i> (25%)

Instalment	Payment date & conditions	Consideration (percentage)
4.	<p>Within 15 Working Days upon fulfilment of the following condition:</p> <p>the financial statements of the Target Company for 2022 and 2023 having been audited by an auditing firm recognised by the Purchaser, and the audited Net Profit of the Target Company for 2022 and 2023 should not be less than RMB3,952,500 and RMB4,189,600, respectively.</p>	<p>RMB6,186,100 (subject to adjustments) <i>(Note 2)</i> (25%)</p>

Note 1: if the Target Company's audited Net Profit for 2021 is less than RMB3,728,800, the Purchaser is entitled to deduct the following amount from the Consideration for the 3rd payment instalment:

Deduction amount = (RMB3,728,800 - the audited Net Profit for 2021) × 13.79 × 51%. If the deduction amount exceeds the Consideration payable for the 3rd payment instalment i.e. RMB6,186,300, the Vendor shall on top pay the Purchaser separately for the exceeded amount.

Note 2: (a) if the Target Company's audited Net Profit for 2022 is less than RMB3,952,500, the Purchaser is entitled to deduct the following amount from the Consideration for the 4th payment instalment:

Deduction amount = (RMB3,952,500 - the audited Net Profit for 2022) × 13.79 × 51%;

(b) if the Target Company's audited Net Profit for 2023 is less than RMB4,189,600, in addition to those agreed in item (a) above, the Purchaser is entitled to deduct the following amount from the Consideration for the 4th payment instalment separately:

Deduction amount = (RMB4,189,600 - the audited Net Profit for 2023) × 13.79 × 51%.

If the total deduction amount for items (a) and (b) above exceeds the Consideration payable for the 4th payment instalment i.e. RMB6,186,100, the Vendor shall on top pay the Purchaser separately for the exceeded amount.

The Consideration was arrived at after arm's length negotiation between the Purchaser and the Vendor with reference to, among other things:

- (i) the Net Profit of the Target Company being approximately RMB3,517,700 (equivalent to approximately HK\$4,221,200) as at 31 December 2020;
- (ii) the estimated value of the Target Company being approximately RMB48,519,600 (equivalent to approximately HK\$58,223,500), which was calculated based on the static price-earnings ratio valuation method, being the Net Profit of the Target Company as at 31 December 2020 multiplied by the price-to-earnings ratio of 13.79;

(iii) the properties currently under management of the Target Company and its future prospects; and

(iv) with reference to the merger and acquisition cases in the same industry in the market.

The Consideration will be financed primarily by the internal resources of the Group.

Transitional Period

During the Transitional Period, the Vendor, Mr. Li, Mr. Luo and the Target Company shall maintain the Target Company's ordinary course of business, and shall take all reasonable actions to maintain and protect the Target Company's assets and rights, operations, goodwill, and relationships with third parties (including but not limited to customers and suppliers). Certain corporate actions in relation to the Target Company (including but not limited to, changes in business nature, changes in share capital or shareholding, distribution of profits, dividends, creation of encumbrance on or disposal of major assets, incurrence of material liability, and creation of encumbrances on the Sale Shares) shall be subject to the prior written consent from the Purchaser.

Completion

Completion shall take place on the Completion Date.

Upon Completion, the equity interests in the Target Company will be held by the Purchaser, Mr. Li and Mr. Luo as to approximately 51%, 31.85% and 17.15%, respectively. The Target Company will become an indirectly non-wholly subsidiary of the Company and the financial results of the Target Group will be consolidated in the Group's financial statements.

Management of the Target Company

The board of directors of the Target Company shall consist of five directors, of which the Purchaser shall be entitled to appoint three directors, and the other two directors shall be Mr. Li and Mr. Luo. The chairman of the board of directors of the Target Company shall be appointed by the Purchaser.

Non-compete undertaking

Each of the Vendor, Mr. Li and Mr. Luo has undertaken not to engage in the same or any similar business that may compete with the Target Company or solicit the current property management service projects of the Target Company within 5 years after the signing of the Share Purchase Agreement without the prior written consent of the Purchaser.

Termination

Except as otherwise provided in the Share Purchase Agreement (including force majeure events), laws and administrative regulations, any amendment or termination of the Share Purchase Agreement shall take effect upon signing by all the parties thereto.

If the Vendor fails to satisfy the conditions for the 1st and 2nd payment instalments as stipulated in the section headed “Consideration and Payment Terms” above, the parties shall separately negotiate in an attempt to reach a settlement. Prior to confirmation of the settlement, the Purchaser is entitled to suspend payment of the Consideration for the relevant payment instalment. Where a time period is specified for the satisfaction of the payment conditions and the Vendor fails to do so within the time period agreed, the Vendor shall pay a penalty of 0.05% per day of the Consideration for the relevant payment instalment expected to be received by it to the Purchaser. If such breach continues for more than 30 days and the parties are unable to reach a settlement, the Purchaser has the right to unilaterally terminate the Share Purchase Agreement, require the Vendor to return all the monies paid by the Purchaser plus interest (being 10% per annum for the period from the date of payment by the Purchaser until the date of repayment by the Vendor), and require the Vendor to pay a penalty of 10% of the total Consideration.

Irrespective of whether the relevant filing and registration regarding the transfer of the Sale Shares have been completed, in the event that any representations, warranties and undertakings given by the Vendor, Mr. Li, Mr. Luo or the Target Company under the Share Purchase Agreement are proved to be false or misleading, or the Vendor, Mr. Li, Mr. Luo or the Target Company violates its/his obligations, resulting in the Purchaser suffering losses or material adverse changes to the Target Company, the Purchaser may:

- (a) terminate the Share Purchase Agreement. If the Sale Shares have not been registered in the name of the Purchaser when terminated, the Purchaser shall be entitled to require the Vendor to return all the monies paid by the Purchaser plus interest (being 10% per annum for the period from the date of payment by the Purchaser until the date of repayment by the Vendor). If the Sale Shares have been registered in the name of the Purchaser or the Completion procedures have been completed, the Vendor shall repurchase the Sale Shares within 10 days upon receiving the notice from the Purchaser and cooperate with the Purchaser to complete the transfer procedures. The repurchase price shall be based on the final transfer price of the Sale Shares plus interest (being 10% per annum for the period from the date of payment by the Purchaser until the payment date of the repurchase price by the Vendor). Alternatively, if the Sale Shares have been registered in the name of the Purchaser or the Completion procedures have been completed, the Purchaser may, at its election, require Mr. Li and Mr. Luo to purchase the Sale Shares within 10 days upon notice from the Purchaser and cooperate with the Purchaser to complete the transfer procedures. The price of acceptance of the

transfer shall be based on the final transfer price of the Sale Shares plus interest (being 10% per annum for the period from the date of payment by the Purchaser until the payment date of the price of acceptance of the transfer by Mr. Li and Mr. Luo); or

- (b) recover all losses from the Vendor, and Mr. Li and Mr. Luo shall be jointly and severally liable for such losses.

Mr. Li and Mr. Luo have agreed to be jointly and severally liable for all the obligations, breaches and damages of the Vendor under the Share Purchase Agreement.

INFORMATION ON THE TARGET COMPANY

History and background of the Target Company

The Target Company was established under the laws of the PRC with limited liability on 24 April 2014. It is a comprehensive property management services provider based in Liuyang Changsha, Hunan Province. As at the date of this announcement, the Target Company has been contracted to provide property management services for 17 residential and commercial projects in Liuyang Changsha, Hunan Province, covering over 1.3 million sq.m..

It has been awarded the title of “The Most Influential Service Company in Changsha in 2020”* (2020年長沙市最具影響力服務企業), “Top 10 Property Management Service Companies in Changsha in 2019”* (2019年長沙市十強物業服務企業), “Excellent Property Management Service Company in Changsha in 2018”* (2018年長沙市優秀物業服務企業) and “The Most Growing Company in Changsha in 2017”* (2017年長沙最具成長性企業). As at the date of this announcement, the Target Company is owned as to 51% by the Vendor, 31.85% by Mr. Li and 17.15% by Mr. Luo, respectively.

Financial information of the Target Company

The summary of the key unaudited consolidated financial information for the Target Company for the two years ended 31 December 2020 prepared in accordance with the China Accounting Standards for Business Enterprises is as follows:

	For the year ended 31 December 2019 (unaudited) RMB	For the year ended 31 December 2020 (unaudited) RMB
Profit/(loss) before taxation and extraordinary items	2,175,100	4,289,900
Profit/(loss) after taxation	2,173,200	3,517,700

The unaudited net asset value and total asset value of the Target Company as at 31 December 2020 was approximately RMB9,462,100 and RMB17,042,100.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company has been consistently seeking opportunities to further expand its business scale and to increase its profitability and market share. The Directors believe that the Acquisition presents a great opportunity for the Group's to further expand the Group's property management portfolio in the Changsha, Hunan Province market. The Directors are of the view that the property management industry has shown steady growth in the past few years and will continue to flourish in the coming years driven by the support from the PRC government and continued increase in both demand of property management services and supply of commodity properties.

The Directors consider that the terms of the Acquisition (including the Consideration) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group and the Purchaser

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 Purchaser was a company established under the laws of the PRC with limited liability on 6 May 2020, which is an indirectly wholly-owned subsidiary of the Company and is an investment holding company.

The Vendor

The Vendor was established under the laws of the PRC as a limited partnership on 6 July 2021 for investment holding purpose and is ultimately owned by Mr. Li and Mr. Luo. As at the date of this announcement, the Target Company is owned as to 51% by the Vendor, 31.85% by Mr. Li and 17.15% by Mr. Luo, respectively.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiry, each of the Vendor, Mr. Li, Mr. Luo and the Target Company is an Independent Third Party.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% but all of which are 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 but is exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Acquisition is subject to the fulfilment of conditions. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

- “Acquisition” : the acquisition of the Sale Shares in the Target Company pursuant to the terms and conditions of the Share Purchase Agreement
- “Board” : the board of Directors
- “Company” : Fineland Living Services Group Limited (方圓生活服務集團有限公司) (formerly known as 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
- “Completion Date” : the date which is 15 August 2021, or such other date as the Purchaser and the Vendor may agree in writing
- “Consideration” : the consideration to be paid in four payment instalments by the Purchaser to the Vendor being RMB24,745,000 (equivalent to approximately HK\$29,694,000) (subject to adjustments)
- “Core Management” : the core management identified jointly by the Vendor and the Purchaser
- “Director(s)” : the director(s) of the Company

- “Greater Bay Area” : the region set out in the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area in the PRC, and consisting of four core cities (Hong Kong, Macao, Guangzhou and Shenzhen) and seven non-core cities (Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, and Zhaoqing), and for the Company’s purposes, excluding Hong Kong and Macao
- “Group” : the Company and its subsidiaries from time to time
- “HK\$” : Hong Kong dollar, the lawful currency of Hong Kong
- “Hong Kong” : the Hong Kong Special Administrative Region of the PRC
- “Independent Third Party(ties)” : 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
- “Listing Rules” : the Rules Governing the Listing of Securities on the Stock Exchange
- “Mr. Li” : Mr. Li Ji (李霽), an individual owner of 31.85% of the total equity interests in the Target Company, and an Independent Third Party
- “Mr. Luo” : Mr. Luo Peng (羅鵬), an individual owner of 17.15% of the total equity interests in the Target Company, and an Independent Third Party
- “Online Referral Platform” : the *Fangyuanbao* business and platform acquired by the Group in May 2016 and operated by the Group since then, which serves as a referral business and online platform for property developers to reach out to a greater number of real estate agents without the individual agents directly entering into business relationships with the property developer
- “Net Profit” : net profit after deducting non-recurring profit and loss combined tax
- “percentage ratios” : having the meaning ascribed to it in the Listing Rules

“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 Living Services Limited* (廣州方潤生活服務有限公司), a company established under the laws of the PRC with limited liability on 6 May 2020, which is an indirectly wholly-owned subsidiary of the Company
“RMB”	:	Renminbi, the lawful currency of the PRC
“Sale Shares”	:	51% equity interests in the Target Company to be sold by the Vendor
“Share(s)”	:	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Share Purchase Agreement”	:	the agreement dated 30 July 2021 entered into between the Purchaser, the Vendor, Mr. Li, Mr. Luo and the Target Company, in respect of the Acquisition
“Shareholder(s)”	:	registered holder(s) of the Share(s)
“sq.m.”	:	square meters
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	:	having the meaning ascribed to it in the Listing Rules
“Target Company”	:	Changsha Ji Yang Hong Property Management Co., Ltd. * (長沙市霽陽紅物業管理有限公司), a property management services provider, which was established on 24 April 2014 under the laws of the PRC with limited liability and, as at the date of this announcement, is owned as to 51% by the Vendor, 31.85% by Mr. Li and 17.15% by Mr. Luo, respectively
“Transitional Period”	:	the period from the Valuation Date to the Completion Date (both dates inclusive)
“Valuation Date”	:	the valuation date of the Target Company, that is 31 December 2020

- “Vendor” : Shanghai Dongzimen Business Management Partnership (Limited Partnership)* (上海東紫門企業管理合夥企業 (有限合夥)), a limited partnership established on 6 July 2021 under the laws of the PRC, ultimately owned by Mr. Li and Mr. Luo, and an Independent Third Party
- “Working Days” : any day which banks in the PRC are open for business, except Saturdays, Sundays and statutory holidays as announced by the PRC government
- “%” : 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.*

For the purposes of this announcement, unless the context otherwise requires or expressly specified, an exchange rate of RMB1.00 to HK\$1.20 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes only and does not constitute any representation that any amount in RMB or HK\$ has been, could have been or may be converted at such rate.

By order of the Board of
Fineland Living Services Group Limited
Han Shuguang
Chairman

Hong Kong, 30 July 2021

As at the date of this announcement, the executive Directors are Mr. HAN Shuguang, 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.