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)

(1) CONNECTED AND DISCLOSEABLE TRANSACTION ACQUISITION OF 51% EQUITY INTEREST IN THE TARGET COMPANY; AND (2) CONTINUING CONNECTED TRANSACTION MASTER CONSTRUCTION MAINTENANCE SERVICES AGREEMENT

THE ACQUISITION

On January 31, 2024, the Purchaser, an indirectly wholly-owned subsidiary of the Company, and the Vendor have entered into the Equity Transfer Agreement, pursuant to which (i) the Vendor agreed to sell and the Purchaser agreed to acquire 51% equity interest in the Target Company at nil consideration, and (ii) the Purchaser agreed to make capital contribution of RMB5.1 million in cash to the Target Company, accounting for 51% of the registered capital of the Target Company.

Immediately after the completion of the Acquisition, the Company will hold 51% equity interest in the Target Company. The Target Company will become an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial statements.

THE MASTER CONSTRUCTION MAINTENANCE SERVICES AGREEMENT

On January 31, 2024, the Company and the Target Company entered into the Master Construction Maintenance Services Agreement, pursuant to which members of the Group shall procure construction maintenance services from members of the Target Group, which comprise of construction, repair and maintenance services for houses, roads, parks, construction projects and landscaping projects.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition

As of the date of this announcement, Mr. Bai Ding (白丁) (i) is a substantial shareholder of Dalian Yahang, a subsidiary of the Company, and (ii) holds 80% of the entire issued share capital of the Vendor and accordingly the Vendor is an associate of Mr. Bai Ding. Accordingly, each of Mr. Bai Ding and the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5% but all applicable percentage ratios are less than 25%, and the total consideration is less than HK$10,000,000, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements pursuant to Rule 14A.76(2)(b) of the Listing Rules.

The Master Construction Maintenance Services Agreement

Mr. Bai Ding is a substantial shareholder of Dalian Yahang, a subsidiary of the Company, thus a connected person of the Company at the subsidiary level within the meaning under Chapter 14A of the Listing Rules. In addition, upon completion of the Acquisition, the Target Company is owned by the Purchaser as to 51% and the Vendor as to 49%. The ultimate beneficial owners of the Vendor are Mr. Bai Ding and Mr. Bai Junhao (白峻豪), son of Mr. Bai Ding, who holds 80% and 20% of equity interest in the Vendor respectively. As the Target Company is a 30%-controlled company of Mr. Bai Ding, it is an associate of Mr. Bai Ding and a connected person of the Company at the subsidiary level.

As a result, the transactions contemplated under the Master Construction Maintenance Services Agreement constitute continuing connected transactions within the meaning under Chapter 14A of the Listing Rules.

As (i) the Master Construction Maintenance Services Agreement is entered into between the Group and a connected person at the subsidiary level on normal commercial terms and has been approved by the Board, and (ii) the independent non-executive Directors are of the view that, the transactions contemplated under the Master Construction Maintenance Services Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and its Shareholders as a whole, the continuing connected transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but exempt from the independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

THE ACQUISITION

On January 31, 2024, the Purchaser, an indirectly wholly-owned subsidiary of the Company, and the Vendor have entered into the Equity Transfer Agreement, pursuant to which (i) the Vendor agreed to sell and the Purchaser agreed to acquire 51% equity interest in the Target Company at nil consideration, and (ii) the Purchaser agreed to make capital contribution of RMB5.1 million in cash to the Target Company, accounting for 51% of the registered capital of the Target Company.

Immediately after the completion of the Acquisition, the Company will hold 51% equity interest in the Target Company. The Target Company will become an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial statements.

Set out below is a summary of the principal terms of the Equity Transfer Agreement:

THE EQUITY TRANSFER AGREEMENT

Date	:	January 31, 2024
Parties	:	(a) the Purchaser; (b) the Vendor; and (c) the Target Company.
Subject matter	:	Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell and the Purchaser agreed to acquire 51% equity interest in the Target Company at nil consideration.

Consideration : The consideration for the transfer is nil. Pursuant to the Equity Transfer Agreement, the Purchaser shall assume the obligation to pay up 51% (the corresponding registered capital of RMB5.1 million remains unpaid as of the date of this announcement) of the registered capital of the Target Company.

The consideration under the Equity Transfer Agreement was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the facts that (i) the Vendor has only paid up 0.5% of the registered capital of RMB10 million (the remaining registered capital of RMB9.95 million remains unpaid as of the date of this announcement), (ii) the unaudited negative net asset value of the Target Company as of December 31, 2023 of RMB0.3 million, and (iii) the reasons and benefits of the Acquisition as stated under the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below.

Completion : The completion of the Acquisition shall take effect upon signing of the Equity Transfer Agreement.

The changes of registration of business shall be completed within 15 business days from the date of the Equity Transfer Agreement.

Post-completion management : Pursuant to the Equity Transfer Agreement,

(a) the board of directors of the Target Company (the "**Target Board**") shall comprise three directors, with the Vendor and the Purchaser each entitled to appoint one director and two directors, respectively. The chairman of the Target Board shall be a director appointed by the Purchaser. Each director shall be entitled to one vote in the Target Board and all matters shall be passed by more than half of the votes of the Target Board;

(b) the supervisor of the Target Company shall be appointed by the Purchaser;

(c) the general manager, the legal representative and the responsible person for finance of the Target Company shall be appointed by the Purchaser; and

(d) save for resolutions approving (i) the amendment of articles of association, (ii) increase or decrease in registered capital, and (iii) merger, division, dissolution or change of company form, all of which shall be passed by more than two-third of the votes of the general meeting of the Target Company, all other matters shall be passed by more than half of the votes of the general meeting of the Target Company.

INFORMATION OF THE PARTIES TO THE ACQUISITION

The Purchaser

The Purchaser is a company established under the laws of the PRC with limited liability on December 6, 1999 and an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in the provision of property management services.

The Vendor

The Vendor is a company established in the PRC with limited liability on December 1, 2023 and principally engaged in asset management services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owners of the Vendor are Mr. Bai Ding and Mr. Bai Junhao, son of Mr. Bai Ding, who holds 80% and 20% of equity interest in the Vendor respectively. Mr. Bai Ding and Mr. Bai Junhao are both businessmen in the PRC.

The Target Company

The Target Company is a company established under the laws of the PRC with limited liability on April 27, 2016. The Target Company is principally engaged in providing construction and related engineering services. Upon completion of the Acquisition, the Target Company is owned by the Purchaser as to 51% and the Vendor as to 49%.

The following table sets forth the unaudited financial information of the Target Company for the two years ended December 31, 2022 and 2023:

	For the year ended December 31,	
	2023	**2022**
	RMB	***RMB***
	(unaudited)	**(unaudited)**
Net profit before taxation	(2,629,109.7)	474,069.4
Net profit after taxation	(2,629,109.7)	473,331.2

The unaudited negative net asset value of the Target Company as of December 31, 2023 was approximately RMB0.3 million.

The original investment cost of the 100% equity interest in the Target Company by the Vendor was RMB50,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is principally engaged in providing construction and related engineering services. Its services comprise steel structure engineering, decoration engineering, construction of curtain wall, environmental protection engineering, landscaping engineering, highway pavement engineering, construction engineering, etc.

The Directors consider that the Target Company has a strong brand recognition and accumulated considerable experience in the provision of construction and related engineering services. The acquisition of 51% equity interest in the Target Company will be beneficial for the Company as it will drive synergy among the existing businesses of the Target Company and the Company, and improve overall operating efficiency of the Company through comprehensive services, a broader array of service offerings and increased value to customers.

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

In view of the above, the Directors (including the independent non-executive Directors) consider that the Acquisition is on normal commercial terms, in the ordinary and usual course of business of the Group and the terms of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Acquisition and is required to abstain from voting on the Board resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, Mr. Bai Ding (i) is a substantial shareholder of Dalian Yahang, a subsidiary of the Company, and (ii) holds 80% of the entire issued share capital of the Vendor and accordingly the Vendor is an associate of Mr. Bai Ding. Accordingly, each of Mr. Bai Ding and the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5% but all applicable percentage ratios are less than 25%, and the total consideration is less than HK$10,000,000, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements pursuant to Rule 14A.76(2)(b) of the Listing Rules.

THE MASTER CONSTRUCTION MAINTENANCE SERVICES AGREEMENT

On January 31, 2024, the Company and the Target Company entered into the Master Construction Maintenance Services Agreement, pursuant to which members of the Group shall procure construction maintenance services from members of the Target Group, which comprise of construction, repair and maintenance services for houses, roads, parks, construction projects and landscaping projects.

The salient terms of the Master Construction Maintenance Services Agreement are set out below:

Date	:	January 31, 2024
Parties	:	(a) the Company; and (b) the Target Company
Term	:	From January 31, 2024 to December 31, 2025 (both days inclusive)
Description of transactions	:	Pursuant to the Master Construction Maintenance Services Agreement, members of the Group shall procure construction maintenance services from members of the Target Group, which comprise of construction, repair and maintenance services for houses, roads, parks, construction projects and landscaping projects. From time to time, as required during the term of the Master Construction Maintenance Services Agreement, members of the Group will enter into individual construction maintenance services agreements with members of the Target Group which will set out specific terms and conditions such as particulars of the services, service fees, payment terms and method, quality standard and service period.

ANNUAL CAPS

The annual caps for the Master Construction Maintenance Services Agreement for the eleven months ending December 31, 2024 and for the year ending December 31, 2025 amount to RMB45.0 million and RMB45.0 million, respectively.

In considering the annual caps for the Master Construction Maintenance Services Agreement, the Directors have considered (i) the prevailing market rate for similar maintenance services provided at nearby locations, and (ii) the expected increase in demand for construction maintenance services by the Group (a) as indicated by the continued increase in transaction amounts of similar construction and maintenance services (including but not limited to, construction and maintenance services such as houses, roads, parks, construction projects, landscaping projects, etc.) procured by the Group for the years ended

December 31, 2021 and 2022 being RMB25.7 million and RMB32.5 million, respectively, and (b) with reference to the fact that the Group plans to enhance efforts in business expansion and service improvement in 2024 and 2025.

PRICING POLICIES

The individual agreements to be entered into between members of the Group and members of the Target Group under the Master Construction Maintenance Services Agreement will be on normal commercial terms. The service fees will be determined by the parties in a fair and reasonable manner, with reference to market price for similar services. Specifically, construction maintenance services will be charged on a lump sum basis, taking into account the nature of service required, costs of labor, materials, utilities and supplies. The terms and conditions offered by members of the Target Group to members of the Group shall not be less favorable than those of the same type of maintenance services offered by an Independent Third Party to the Group.

In particular, the Group will obtain not less than 3 quotations (including the quotation from the relevant member of the Target Group) before entering into the individual agreements. The Group would compare the price offered by the relevant member of the Target Group with those offered by Independent Third Parties and select the most competitive service provider(s) through quotation or open tender taking into account the services, service fees, payment terms, method, quality standard and service period.

INTERNAL CONTROL PROCEDURES

The Company has adopted internal control procedures with a view to ensuring timely compliance with the Listing Rules, supervising and monitoring the continuing connected transactions contemplated under the Master Construction Maintenance Services Agreement and the annual caps related thereto, namely:

(1) preparing a continuing connected transaction report (the "**CCT Report**") once every six months on continuing connected transactions which will be submitted internally to such dedicated team within the Group for consideration. The contents of the CCT Report will include (i) the aggregate amount of transactions; and (ii) the status of compliance with the annual caps;

(2) regularly reminding connected persons that if there is a change in shareholding, which may affect connected transactions of the Company, they must notify the Company in advance to determine whether there are any implications under the Listing Rules;

(3) ensuring that the senior management/personnel of relevant member(s) of the Group should report any potential connected transaction or event that the counterparty(ies) or the subject company(ies) of the proposed transaction may in any way relate to any of

the substantial shareholders, chief executives or directors (as defined under the Listing Rules) of any member of the Group (including their relatives and related trusts or companies) to the senior management/personnel of the Company in advance in order to ascertain whether there will be any implications under the Listing Rules;

(4) providing regular special and in-depth training sessions for the Directors, senior management/personnel of relevant member(s) of the Group to remind them, to report transactions which may constitute notifiable and/or connected transactions under the Listing Rules to the Group's compliance personnel and seek professional advice if necessary;

(5) for proposed transaction(s) which may constitute new connected transaction(s) of the Group, consulting legal advisers and the Stock Exchange (where necessary) in a timely manner prior to entering into such transaction(s);

(6) before entering into each individual agreement, the operation department and management of the Company will examine and compare the proposed pricing terms for each individual agreement entered into pursuant to and during the term of the Master Construction Maintenance Services Agreement with the terms offered to or from other Independent Third Parties, in order to ensure that such pricing terms are determined based on arm's length negotiations between the parties and are fair and reasonable, on normal commercial terms and on terms that are no less favorable to the Group than terms available to or from Independent Third Parties;

(7) before entering into each individual agreement, the finance department of the Company will (i) review whether the continuing connected transactions have been conducted in accordance with the terms of the Master Construction Maintenance Services Agreement, and (ii) monitor the amounts under the continuing connected transactions contemplated under the Master Construction Maintenance Services Agreement to ensure that the annual caps are not exceeded; and

(8) if it is expected that the transaction amount of any continuing connected transaction under the Master Construction Maintenance Services Agreement that is or will be incurred in the financial year will reach or exceed the relevant annual cap, the finance department of the Group shall report to the management of the Company and consider the measures to be taken to ensure that the requirements under the Listing Rules are complied with, including obtaining the approval of independent Shareholders (if required). The Company will also adopt adequate internal control measures to comply with the requirements under the Listing Rules with respect to the supervision and monitoring of the annual caps of the transactions contemplated under the Master Construction Maintenance Services Agreement.

Having considered the Group's pricing policies and internal control measures regarding price determination for the transactions contemplated under the Master Construction Maintenance Services Agreement, the Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Master Construction Maintenance Services Agreement will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

The Company's external auditor will review the continuing connected transactions under the Master Construction Maintenance Services Agreement annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the annual caps have been exceeded. The independent non-executive Directors will also review the continuing connected transactions under the Master Construction Maintenance Services Agreement annually to check and confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, on terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies.

INFORMATION OF THE PARTIES TO THE CONTINUING CONNECTED TRANSACTIONS

The Company

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

The Target Company

The Target Company is a company established under the laws of the PRC with limited liability on April 27, 2016. The Target Company is principally engaged in providing construction and related engineering services. Upon completion of the Acquisition, the Target Company is owned by the Purchaser as to 51% and the Vendor as to 49%. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owners of the Vendor are Mr. Bai Ding and Mr. Bai Junhao, son of Mr. Bai Ding, who holds 80% and 20% of equity interest in the Vendor respectively. Mr. Bai Ding and Mr. Bai Junhao are both businessmen in the PRC.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The entering into of the Master Construction Maintenance Services Agreement will allow the Group to procure services needed for its ordinary and usual course of business at market price and terms with assured stable quality, contributing towards the Group's efforts in efficiency improvement. The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Master Construction Maintenance Services Agreement are and will be entered into in the ordinary and usual course of business of the Group and are and will be on normal commercial terms and the terms thereof and the annual caps in relation thereto are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board has approved the Master Construction Maintenance Services Agreement and the transactions contemplated thereunder. None of the Directors had any material interest in the transactions contemplated under the Master Construction Maintenance Services Agreement. Therefore, no Director is required to abstain from voting on the resolutions of the Board in approving the Master Construction Maintenance Services Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Bai Ding is a substantial shareholder of Dalian Yahang, a subsidiary of the Company, thus a connected person of the Company at the subsidiary level within the meaning under Chapter 14A of the Listing Rules. In addition, upon completion of the Acquisition, the Target Company is owned by the Purchaser as to 51% and the Vendor as to 49%. The ultimate beneficial owners of the Vendor are Mr. Bai Ding and Mr. Bai Junhao, son of Mr. Bai Ding, who holds 80% and 20% of equity interest in the Vendor respectively. As the Target Company is a 30%-controlled company of Mr. Bai Ding, it is an associate of Mr. Bai Ding and a connected person of the Company at the subsidiary level.

As a result, the transactions contemplated under the Master Construction Maintenance Services Agreement constitute continuing connected transactions within the meaning under Chapter 14A of the Listing Rules.

As (i) the Master Construction Maintenance Services Agreement is entered into between the Group and a connected person at the subsidiary level on normal commercial terms and has been approved by the Board, and (ii) the independent non-executive Directors are of the view that, the transactions contemplated under the Master Construction Maintenance Services Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and its Shareholders as a whole, the continuing connected transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but exempt from the independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

DEFINITIONS

"30%-controlled companies"	has the meaning ascribed to it under the Listing Rules
"Acquisition"	the acquisition of 51% equity interest in the Target Company pursuant to the terms and conditions of the Equity Transfer Agreement
"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 Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Dalian Yahang"	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 and a subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Equity Transfer Agreement"	the equity transfer agreement dated January 31, 2024 entered into between the Vendor and the Purchaser in relation to the acquisition of 51% equity interest in the Target 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 the connected persons or associates of the connected persons as defined under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Master Construction Maintenance Services Agreement"	the master construction maintenance services agreement dated January 31, 2024 entered into between the Company and the Target Company
"PRC"	the People's Republic of China
"Purchaser"	First Property Service (Beijing) Co., Ltd. (第一物業服務(北京)有限公司), a company established under the laws of the PRC with limited liability on December 6, 1999 and an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	the share(s) of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Dalian Shihang Construction Engineering Co., Ltd.* (大連世航建設工程有限公司), a company established under the laws of the PRC with limited liability on April 27, 2016
"Target Group"	the Target Company and its subsidiaries and 30%-controlled companies

"Vendor"	Liaoning Baiyitong Investment Holdings Co., Ltd.* (遼寧佰億通投資控股有限公司), a company established in the PRC with limited liability on December 1, 2023
"%"	per cent

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

Hong Kong, January 31, 2024

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 purposes only*