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FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1777)

**EXEMPT CONNECTED TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE TO
FANTASY PEARL INTERNATIONAL LIMITED**

THE OPTION

On 10 July 2020, Fantasy Pearl, a controlling shareholder of the Company and as borrower, entered into the Facility Agreement with the Bank pursuant to which the Bank agreed to make available to Fantasy Pearl the Loan.

In connection with the Facility Agreement, on 10 July 2020, the Company and Splendid Fortune, a substantial shareholder of Colour Life, entered into the Option Agreement under which the Company granted to Splendid Fortune the right to require the Company to purchase the Option Shares, representing approximately 15.3% of the issued share capital of Colour Life as at the date of the Option Agreement, at the consideration of HK\$335,000,000. As security for the Loan, Splendid Fortune has assigned all of its rights under the Option Agreement to the Bank.

IMPLICATIONS UNDER THE LISTING RULES

Fantasy Pearl is a controlling shareholder of the Company. It held approximately 57.45% of the issued share capital of the Company as at the date of the Facility Agreement. As the Option Agreement is being entered into as credit enhancement for the Loan, the grant of the Option by the Company to Splendid Fortune under the Option Agreement is financial assistance by the Company to Fantasy Pearl. Splendid Fortune is a non-wholly owned subsidiary of Fantasy Pearl and a substantial shareholder of Colour Life. Colour Life is a 51.69% owned subsidiary of the Company. Each of Fantasy Pearl and Splendid Fortune is a connected person of the Company and the grant of the Option constitutes a connected transaction for the Company.

As the Option is exercisable by Splendid Fortune (or its assignee i.e. the Bank in accordance with the Security Assignment) at any time during the term of the Option Agreement, the Option would be treated as if exercised at the time of its grant in accordance with Rule 14A.61 of the Listing Rules.

As one of the applicable percentage ratios in respect of the consideration payable by the Company for the Option Shares under the Option is over 0.1% and all of the applicable percentage ratios are but below 5%, the Option Agreement is subject to the reporting and announcement requirements and exempted from the requirement of approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

INTRODUCTION

On 10 July 2020, Fantasy Pearl, a controlling shareholder of the Company and as borrower, entered into the Facility Agreement with the Bank pursuant to which the Bank agreed to make available to Fantasy Pearl the Loan.

THE OPTION

In connection with the Facility Agreement, on 10 July 2020, the Company and Splendid Fortune entered into the Option Agreement. Under the Option Agreement, in consideration of the payment of the Premium by Splendid Fortune to the Company, the Company has granted the Option to Splendid Fortune whereby Splendid Fortune shall have the right to require the Company to purchase the Option Shares from Splendid Fortune at the consideration of HK\$335,000,000.

As a condition precedent to utilization of the Loan under the Facility Agreement and as security for the Loan, Splendid Fortune has assigned all of its rights under the Option Agreement to the Bank pursuant to the Security Assignment.

The Option Shares

The Option covers 218,001,477 ordinary shares of Colour Life, representing approximately 15.3% of the issued share capital of Colour Life as at the date of the Option Agreement.

Consideration for the Option Shares

The consideration for the Option Shares is HK\$335,000,000, which is equivalent to the principal amount of the Loan.

The Premium

The Premium received by the Company for the grant of the Option is HK\$1,675,000, which was determined between Splendid Fortune and the Company after arm's length discussion with reference to the terms of the Option Agreement including but not limited to the share price and volatility of the shares of Colour Life, as well as the strike price and expiration date of the Option.

Exercise of the Option

To exercise the Option, Splendid Fortune (or its assignee i.e. the Bank in accordance with the Security Assignment) shall give a notice to the Company. The Option may only be exercised during the Option Period once in respect of all the Option Shares. Under the Security Assignment, the Bank may enforce the security constituted by the Security Assignment after the occurrence of an event of default under the Facility Agreement which is continuing.

Term of the Option

The Option shall expire upon the earliest to occur of the following:

- (a) the Option Period expires;
- (b) the security created by the Security Assignment is released;
- (c) the Option Agreement is terminated by Splendid Fortune in accordance with the terms of the Option Agreement; and
- (d) the parties agree in writing to terminate the Option.

INFORMATION ON THE GROUP

The Company

The Company is a company incorporated in the Cayman Islands and is a leading property developer and property related service provider in the PRC.

Colour Life

Colour Life is a 51.69% owned subsidiary of the Company and its shares are listed on the Main Board of the Stock Exchange (Stock Code: 1778). It is principally engaged in the business of property management and the provision of related on-line added value services.

Assuming that there is no change in the issued share capital of Colour Life and save for the exercise of the Option, the Company will not increase its interest in Colour Life between the date of the Option Agreement and the transfer of the Option Shares to the Company pursuant to the exercise of the Option, the interest of the Company in Colour Life will increase from 51.69% to 66.99% upon the exercise of the Option by Splendid Fortune (or its assignee i.e. the Bank in accordance with the Security Assignment).

Based on the audited consolidated financial statements of Colour Life, the audited net asset value of Colour Life and its subsidiaries as at 31 December 2019 was approximately RMB4,051,996,000. The financial information of Colour Life and its subsidiaries for the two years ended 31 December 2019 based on its audited consolidated financial statements is as follows:

	For the year ended	
	31 December	
	2019	2018
	RMB	RMB
Net profits (before taxation and extraordinary items)	716,247,000	669,935,000
Net profits (after taxation and extraordinary items)	535,691,000	518,027,000

INFORMATION ON FANTASY PEARL, SPLENDID FORTUNE AND THE BANK

Fantasy Pearl

Fantasy Pearl is an investment holding company incorporated in the British Virgin Islands. Fantasy Pearl is beneficially owned as to 80% by Ms. Zeng Jie, Baby, an executive Director, and as to 20% by Mr. Pan Jun, an executive Director. As at the date of the Facility Agreement, Fantasy Pearl held approximately 57.45% of the issued share capital of the Company.

Splendid Fortune

Splendid Fortune is an investment holding company incorporated under the laws of the British Virgin Islands. Splendid Fortune is a non-wholly owned subsidiary of Fantasy Pearl. As at the date of the Option Agreement, it held approximately 15.3% of the issued share capital of Colour Life.

The original acquisition cost of the Option Shares held by Splendid Fortune amounted to HK\$13,677,418.

The Bank

The Bank, the beneficiary of the credit enhancement as provided by the Option and the Security Assignment, is a licensed bank in Hong Kong. To the best knowledge of the Director, the Bank is independent of the Company and connected persons of the Company.

REASONS FOR AND BENEFITS OF THE OPTION

The Option, together with the Security Assignment, is a credit enhancement for the Loan extended to Fantasy Pearl, a controlling shareholder of the Company, by the Bank. Even though the Company is not receiving the proceeds of the Loan, the grant of the Option provides the Company with an opportunity to acquire the 15.3% interest in Colour Life if and when the Bank enforces the security constituted by the Security Assignment after the occurrence of an event of default under the Facility Agreement which is continuing and the Option is exercised by Splendid Fortune (or its assignee i.e. the Bank in accordance with the Security Assignment).

As the controlling shareholder of Colour Life, the Company has always been optimistic about the financial conditions and business prospects of Colour Life and considers that the business of Colour Life is a key component of the Group's business. In the event that the Option is exercised, the Company's stake in Colour Life will increase, which is in line with the Group's business development and further build up the Company's shareholding in its subsidiary. If the Option is not exercised, the Company would have received a premium for shares which the Company would have been interested in acquiring.

Based on the foregoing, the Directors (including the independent non-executive Directors but excluding Ms. Zeng Jie, Baby and Mr. Pan Jun, who are interested in the transactions contemplated under the Option Agreement) consider that the terms of the Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Fantasy Pearl is a controlling shareholder of the Company. It held approximately 57.45% of the issued share capital of the Company as at the date of the Facility Agreement. As the Option Agreement is being entered into as a credit enhancement for the Loan, the grant of the Option by the Company to Fantasy Pearl under the Option Agreement is financial assistance by the Company to Fantasy Pearl. Splendid Fortune is a non-wholly owned subsidiary of Fantasy Pearl and a substantial shareholder of Colour Life. Colour Life is a 51.69% owned subsidiary of the Company. Each of Fantasy Pearl and Splendid Fortune is a connected person of the Company and the grant of the Option constitutes a connected transaction for the Company.

As the Option is exercisable by Splendid Fortune (or its assignee i.e. the Bank in accordance with the Security Assignment) at any time during the term of the Option Agreement, the Option would be treated as if exercised at the time of its grant in accordance with Rule 14A.61 of the Listing Rules.

As one of the applicable percentage ratios in respect of the consideration payable by the Company for the Option Shares under the Option is over 0.1% and all of the applicable percentage ratios are below 5%, the Option Agreement is subject to the reporting and announcement requirements and exempted from the requirement of approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

As Fantasy Pearl is beneficially owned as to 80% by Ms. Zeng Jie, Baby and as to 20% by Mr. Pan Jun, they are considered to be interested in the Option Agreement. Accordingly, Ms. Zeng and Mr. Pan have abstained from the Board meeting held to approve the Option Agreement.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Bank”	an authorized institution licensed by the Hong Kong Monetary Authority pursuant to the Banking Ordinance (Cap. 155);
“Board”	the board of the Company;
“Colour Life”	Colour Life Services Group Co., Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1778);
“Company”	Fantasia Holdings Group Co., Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1777);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Facility Agreement”	the facility agreement dated 10 July 2020 between Fantasy Pearl as borrower and the Bank as lender in relation to the grant of the Loan;
“Fantasy Pearl”	Fantasy Pearl International Limited, a company incorporated in the British Virgin Islands, a controlling shareholder of the Company;
“Group”	the Company and its subsidiaries;

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	a loan facility in the amount of HK\$335,000,000 to be extended by the Bank to Fantasy Pearl;
“Option”	the put option granted by the Company to Splendid Fortune under which Splendid Fortune shall have the right to require the Company to purchase the Option Shares from Splendid Fortune;
“Option Agreement”	the agreement dated 10 July 2020 between Splendid Fortune and the Company in relation to the grant of the Option as amended from time to time;
“Option Period”	the period of six months and one day after the final repayment date under the Facility Agreement, being the date falling 36 months after the date of the Facility Agreement;
“Option Shares”	218,001,477 shares of Colour Life;
“PRC”	the People’s Republic of China;
“Premium”	a sum of HK\$1,675,000;
“Security Assignment”	the deed of assignment dated 10 July 2020 between Splendid Fortune as assignor and the Bank as assignee in relation to the assignment of Splendid Fortune’s rights, title, interest and benefit to and in the Option Agreement to the Bank;

“Shareholders”	shareholders of the Company;
“Splendid Fortune”	Splendid Fortune Enterprise Limited (耀偉富企業有限公司), a company incorporated under the laws of the British Virgin Islands;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

By order of the Board
Fantasia Holdings Group Co., Limited
Pan Jun
Chairman

Hong Kong, 10 July 2020

As at the date of this announcement, the executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Baby, Mr. Ke Kasheng, Mr. Zhang Huiming and Mr. Chen Xinyu; the non-executive Directors are Mr. Li Dong Sheng and Mr. Liao Qian; and the independent non-executive Directors are Mr. Ho Man, Dr. Liao Jianwen, Ms. Wong Pui Sze, Priscilla, JP and Mr. Guo Shaomu.