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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)



COLOUR LIFE SERVICES GROUP CO., LIMITED
彩生活服務集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1778)

INSIDE INFORMATION

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**JOINT ANNOUNCEMENT
IN RELATION TO
(1) THE TERMINATION OF
A PROPOSED VERY SUBSTANTIAL DISPOSAL;
(2) THE TRANSFER OF
LINK JOY HOLDINGS GROUP CO., LIMITED; AND
(3) RESUMPTION OF TRADING OF
COLOUR LIFE SERVICES GROUP CO., LIMITED**

INTRODUCTION

On 28 September 2021, Colour Life as vendor, Shenzhen Colour Life as guarantor and the Target Company entered into the Share Transfer Agreement with the Purchaser under which Colour Life conditionally agreed to transfer to the Purchaser, and the Purchaser conditionally agreed to acquire, the Sale Share, being the entire issued share capital of the Target Company, at the Consideration. Such proposed transfer, if effected, would have constituted a very substantial disposal for each of Fantasia and Colour Life.

On 30 September 2021, Colour Life and Shenzhen Colour Life entered into the Loan Agreement with the Lender under which the Lender agreed to provide the Loan to Colour Life. The Loan was due to be repaid on 4 October 2021, and Colour Life failed to repay the Loan by such date.

As a result of the default of Colour Life on the Loan, the Lender has enforced its right under the Loan Agreement and requested Colour Life to transfer the entire issued share capital of the Target Company to it. As of the date of this joint announcement, the Sale Share, representing the entire issued share capital of the Target Company, has been transferred to the Lender.

THE PROPOSED TRANSFER

The principal terms of the Share Transfer Agreement are summarised as follows:

Date

28 September 2021

Parties

- (1) Colour Life Services Group Co., Limited as the vendor;
- (2) Country Garden Property Services HK Holdings Company Limited as the purchaser;
- (3) 深圳市彩生活服務集團有限公司 (Shenzhen Colour Life Services Group Co., Ltd.*) as the guarantor; and
- (4) Link Joy Holdings Group Co., Limited as the target company.

To the best of the knowledge, information and belief of the board of directors of Fantasia and the board of directors of Colour Life, after making all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Asset to be disposed of

Colour Life conditionally agreed to transfer to the Purchaser, and the Purchaser conditionally agreed to acquire, the Sale Share, being the entire issued share capital of the Target Company, at the Consideration. Such proposed transfer, if effected, would have constituted a very substantial disposal for each of Fantasia and Colour Life.

Consideration

The Consideration pursuant to the Share Transfer Agreement was RMB3,300,000,000. It was determined after arm's length negotiations between Colour Life and the Purchaser with reference to (i) the historical financial performance and the status of the existing projects of the Target Group; (ii) the unaudited combined net profit after taxation of the Target Group; (iii) the price-to-earnings multiple of comparable companies engaging in the property management business in the PRC; and (iv) the price-to-earnings ratios of comparable transactions engaging in the property management business in the PRC by HK-listed PRC property management companies over the past 12 months.

THE LOAN AGREEMENT

The principal terms of the Loan Agreement are summarised as follows:

Date

30 September 2021

Parties

- (1) Colour Life as borrower;
- (2) Shenzhen Colour Life; and
- (3) the Purchaser as lender.

Loan amount

RMB700 million

Repayment Date

On or before 4 October 2021

Purpose

The proceeds of the Loan was applied for general working capital and repayment of debts of the Colour Life Group.

Security

To secure the repayment of the Loan, Colour Life undertook in the Loan Agreement that in the event that the Loan was not repaid by the due date (that is, 4 October 2021), or in the event that Colour Life and/or its controlling shareholder, namely Fantasia, were to default on their external debts in the amount of RMB10 million or above, the Lender shall have the right to request Colour Life to transfer the entire issued share capital of the Target Company (being the asset proposed to be transferred pursuant to the Share Transfer Agreement). The agreed security package for the Loan is the members of the Target Group.

Enforcement

Fantasia did not repay external debts when due and Colour Life failed to repay the Loan by 4 October 2021. As a result, the Lender has enforced its right under the Loan Agreement and requested Colour Life to unconditionally transfer the entire issued share capital of the Target Company to it. As of the date of this joint announcement, the Sale Share, representing the entire issued share capital of the Target Company, has been transferred to the Lender. The operations and management of the members of the Target Group are in the process of being transitioned to the Lender.

Apart from the above, the Colour Life Group has not defaulted any other loan(s) or debt(s) due to any other party and no cross default event stipulated in any of its other outstanding loans and/or debts has been triggered as of the date of this joint announcement.

SUPPLEMENTAL AGREEMENT

Given the security package under the Loan Agreement, the parties to the Share Transfer Agreement are negotiating the terms of a supplemental agreement to terminate the terms of the Share Transfer Agreement.

The Lender and Colour Life have agreed that Colour Life shall take such steps to effect a reorganisation of the Target Group such that the Target Group to be transferred to the Lender as a result of the enforcement by the Lender shall be identical to the Target Group that was intended to be transferred by Colour Life to the Purchaser under the Sale and Purchase Agreement. It is also preliminarily intended that to make up the difference between the value of the Target Group (with reference to the Consideration originally agreed between the Purchaser and Colour Life pursuant to the Share Transfer Agreement, being RMB3,300,000,000) and the amount of the Loan (being RMB700,000,000), the first instalment payment of RMB2,300,000,000 paid by the Buyer to Colour Life under the Share Transfer Agreement will be retained by Colour Life, and the Lender shall pay a further amount of RMB300,000,000 to Colour Life on or before a date to be confirmed by the parties in the supplemental agreement.

The parties to the Loan Agreement are negotiating the terms of a supplemental agreement to set out, among others, the steps to be undertaken by Colour Life to effect the internal reorganisation of the Target Group as contemplated in the Share Transfer Agreement. Such transfer of the control of the Target Group upon the internal reorganisation pursuant to the supplemental agreement to the Loan Agreement, when completed, shall constitute a very substantial disposal of Fantasia and Colour Life, and each of Fantasia and Colour Life will take all necessary steps as required under Chapter 14 of the Listing Rules.

Upon completion of the above, members of the Target Group will cease to be subsidiaries of Colour Life and Fantasia, and the financial results of the Target Group will no longer consolidated into the financial statements of the Fantasia Group and the Colour Life Group.

INFORMATION ON FANTASIA, COLOUR LIFE AND THE PURCHASER/LENDER

Fantasia

Fantasia is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1777).

The Fantasia Group is one of the leading property developers in the PRC and is principally engaged in (i) property development, (ii) lease of investment properties, (iii) provision of property operation services, (iv) provision of hotel accommodation services, and (v) property management and other related services. Upon completion of the Transfer, in respect of the business of property management, the Fantasia Group will continue to be engaged in the management of Commercial and Integrated Mixed-use Properties and to a certain extent Residential Communities.

Fantasia has appointed Houlihan Lokey (China) Limited as its financial adviser to assess the Fantasia Group's capital structure, evaluate the liquidity of the Fantasia Group and explore all feasible solutions to ease the current liquidity issue and reach an optimal solution for all the stakeholders as soon as possible.

Reference is made to the announcement of Fantasia dated 11 October 2021 in relation to the resignation of Ms. Wong Pui Sze, Priscilla, *JP* and Mr. Ho Man.

Fantasia would like to further inform the Fantasia Shareholders that Ms. Wong has resigned from her position as an independent non-executive director in order to focus on her other endeavours; while Mr. Ho has resigned from his position as an independent non-executive director to pursue other personal goals which require more of his time and dedication, as well as that he had not been notified in a timely manner of the events and decisions leading up to the disclosure made by Fantasia shortly before his resignation.

Colour Life

Colour Life is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1778).

The Colour Life Group is a leading property management and community services provider in the PRC, focuses on setting up offline and online service platform via the internet technology and effectively linking the residents of the communities with different commodities and service providers, so as to provide the best living experience for residents of the communities on the back of property management services.

Upon completion of the Transfer, the Colour Life Group will continue to be engaged in the provision of property management services for Residential Communities, and to a certain extent Commercial and Integrated Mixed-use Properties.

As of the date of this joint announcement, Colour Life has sufficient working capital for its purposes in the 12 months following the date of this joint announcement.

The Purchaser/Lender

The Purchaser/Lender is an indirect wholly-owned subsidiary of Country Garden. Based on the public information available, the Purchaser/Lender and its subsidiaries are principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners, “Three Supplies and Property Management” businesses, city services and commercial operational services.

To the best of the understanding of Colour Life, upon completion of the Transfer, the entities within the Target Group will become subsidiaries of the Purchaser and the Target Group will continue to engage in the same business as prior to the Transfer, being the property management of Commercial and Integrated Mixed-use Properties and Residential Communities.

INFORMATION ON THE TARGET GROUP

The Target Company is a company established in the Cayman Islands with limited liability and a direct wholly-owned subsidiary of Colour Life. The Target Group is principally engaged in the provision of property management services for Commercial and Integrated Mixed-use Properties and Residential Communities.

Set out below is the unaudited combined financial information of the Target Group for the two financial years ended 31 December 2020 and the six months ended 30 June 2021:

	For the financial year ended 31 December	
	2019	2020
	<i>RMB million</i> <i>approximately</i>	<i>RMB million</i> <i>approximately</i>
Revenue	2,494	2,497
Net profit before taxation	418	412
Net profit after taxation	306	309

Based on the unaudited combined financial information of the Target Group, the net asset value of the Target Group was approximately RMB1,374 million as at 30 June 2021.

Based on the preliminary assessment of Colour Life, assuming the Transfer had been completed immediately prior to 30 June 2021, the unaudited revenue of the remaining business of the Colour Life Group for the six months ended 30 June 2021 would have been approximately RMB512,022,000, and the unaudited net asset value of the remaining business of the Colour Life Group as at 30 June 2021 would have been approximately RMB3,215,690,000.

THE PROPOSED SPIN-OFF

Reference is made to the July Joint Announcement regarding the possible spin-off and separate listing of (i) the business of property management of Commercial and Integrated Mixed-use Properties and commercial operational services of Fantasia; and (ii) the business of property management of Commercial and Integrated Mixed-use Properties of Colour Life, on the Stock Exchange (the “**Proposed Spin-off**”). The Proposed Spin-off will not proceed.

THE AMENDED NON-COMPETITION DEED AND BUSINESS DELINEATION BETWEEN THE FANTASIA GROUP AND THE COLOUR LIFE GROUP

Reference is made to the April 2020 Circular and the extraordinary general meeting of Colour Life held on 24 April 2020, whereat the Amended Non-Competition Deed was approved. Immediately prior to the entering into of the Amended Non-Competition Deed, the Fantasia Group primarily managing pure commercial properties and, to a limited extent, certain Integrated Mixed-use Properties and Residential Communities; whereas the Colour Life Group was primarily managing Residential Communities, as well as certain Integrated Mixed-use Properties. For details on the background leading to such scope of business of each of the Fantasia Group and the Colour Life Group, please refer to the April 2020 Circular.

Fantasia undertook to Colour Life in the Amended Non-Competition Deed, among other things, that the Fantasia Group would not be involved in property management focusing on Residential Communities and Integrated Mixed-use Properties which contain residential components including but not limited to those properties developed by the Fantasia Group. Certain Residential Communities and Integrated Mixed-use Properties which were already under the management of the Fantasia Group on the date of the Amended Non-Competition Deed were carved out from such undertaking. Upon the Amended Non-Competition Deed becoming effective, the property management business of the Fantasia Group and the Colour Life Group became delineated pursuant to the Amended Non-Competition Deed. The Fantasia Group would only acquire property management companies or bid for property management contracts where the business portfolios are purely commercial in nature. The Colour Life Group remained focused on acquiring property management companies or bidding for property management contracts where the majority of the portfolio consists of Residential Communities and Integrated Mixed-use Properties with residential components.

The Transfer as a result of the enforcement by the Lender of its right under the Loan Agreement does not have any impact on the Amended Non-Competition Deed. Each of the Fantasia Group and the Colour Life Group will continue to conduct its business in accordance with the terms of the Amended Non-Competition Deed.

Fantasia and Colour Life consider that there remains clear business delineation between the Fantasia Group and the Colour Life Group upon completion of the Transfer, as the business scope of each of the Fantasia Group and the Colour Life is conducted in accordance with the Amended Non-Competition Deed, which was entered into with the purpose of ensuring a clear delineation of business, the scope of which was approved by the independent shareholders of Colour Life.

RECENT RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Reference is made to the announcement of Fantasia dated 11 October 2021 in relation to the resignation of Ms. Wong Pui Sze, Priscilla, *JP* and Mr. Ho Man.

Fantasia would like to further inform the Fantasia Shareholders that Ms. Wong has resigned from her position as an independent non-executive director in order to focus on her other endeavours; while Mr. Ho has resigned from his position as an independent non-executive director to pursue other personal goals which require more of his time and dedication, as well as that he had not been notified in a timely manner of the events and decisions leading up to the disclosure made by Fantasia shortly before his resignation.

CONTINUED TRADING HALT AND RESUMPTION OF TRADING

Fantasia

At the request of Fantasia, trading in the shares of Fantasia on the Stock Exchange has been halted from 9:00 a.m. on Wednesday, 29 September 2021 and will continue and remain halted until the publication of a further inside information announcement.

Colour Life

At the request of Colour Life, trading in the shares of Colour Life on the Stock Exchange has been halted from 9:00 a.m. on Wednesday, 29 September 2021 pending the release of this joint announcement. The board of directors of Colour Life confirms that upon publication of this joint announcement, the board of directors of Colour Life is not aware of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance. Application has been made to the Stock Exchange for the resumption of trading in the shares of Colour Life on the Stock Exchange from 9:00 a.m. on Wednesday, 27 October 2021.

DEFINITIONS

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

“Amended Non-Competition Deed”	as defined in the April 2020 Circular
“April 2020 Circular”	the circular of Colour Life dated 3 April 2020
“associate”	has the meaning as ascribed to it under the Listing Rules
“Colour Life”	Colour Life Services Group Co., Limited, an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1778)
“Colour Life Group”	Colour Life and its subsidiaries
“Commercial and Integrated Mixed-use Properties”	as defined in the July Joint Announcement
“Consideration”	the consideration for the Transfer pursuant to the Share Transfer Agreement, being RMB3,300,000,000
“Country Garden”	Country Garden Services Holdings Company Limited (碧桂园服務控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6098)
“Fantasia”	Fantasia Holdings Group Co., Limited, an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1777)

“Fantasia Group”	Fantasia and its subsidiaries but excluding the Colour Life Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with Fantasia and Colour Life and their respective subsidiaries and their respective connected person(s) (as defined under the Listing Rules) and their respective ultimate beneficial owner(s) or their respective associates
“Integrated Mixed-use Properties”	properties defined as “integrated mixed-use properties” in the April 2020 Circular
“July Joint Announcement”	the joint announcement of Fantasia and Colour Life dated 26 July 2021
“Lender” or “Purchaser”	Country Garden Property Services HK Holdings Company Limited (碧桂园香港控股有限公司), an indirect wholly-owned subsidiary of Country Garden
“Loan”	a loan of RMB700,000,000 lent by the Lender to Colour Life pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement entered into among Colour Life, Shenzhen Colour Life and the Lender dated 30 September 2021
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Residential Communities”	properties defined as “residential communities” in the April 2020 Circular

“Share Transfer Agreement”	the agreement dated 28 September 2021 entered into among Colour Life, the Purchaser and Shenzhen Colour Life in relation to the sale and purchase of the Sale Share
“Sale Share”	the entire issued share capital of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Link Joy Holdings Group Co., Limited, a company incorporated in the Cayman Islands with limited liability and is wholly owned by Colour Life
“Target Group”	the Target Company and its subsidiaries
“Transfer”	the transfer of the Sale Share as a result of the enforcement by the Lender under the Loan Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By Order of the Board
Fantasia Holdings Group Co., Limited
花樣年控股集團有限公司

PAN Jun
Chairman

By Order of the Board
Colour Life Services Group Co., Limited
彩生活服務集團有限公司

PAN Jun
Chairman

Hong Kong, 26 October 2021

As at the date of this joint announcement, the executive directors of Fantasia are Mr. Pan Jun, Ms. Zeng Jie, Baby, Mr. Ke Kasheng, Mr. Zhang Huiming and Mr. Chen Xinyu; the non-executive director is Mr. Su Boyu; and the independent non-executive director is Mr. Guo Shaomu.

As at the date of this joint announcement, the board of directors of Colour Life comprises Mr. PAN Jun, Mr. CHEN Xinyu and Mr. ZHU Guogang as executive directors; Mr. WU Qingbin, Mr. ZHENG Hongyan and Ms. SUN Dongni as non-executive directors; and Mr. TAM Chun Hung, Anthony, Mr. XU Xinmin and Mr. ZHU Wuxiang as independent non-executive directors.

* for identification purpose only