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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)

**FURTHER INFORMATION IN RELATION TO
THE 2024 INTERIM REPORT
DISCLOSEABLE TRANSACTIONS AND MAJOR TRANSACTION
FURTHER INFORMATION IN RELATION
TO A DISCLOSEABLE AND CONNECTED TRANSACTION**

2024 INTERIM REPORT

Reference is made to the 2024 Interim Report.

The Company would like to provide the following additional information with respect to the impairment loss on deposits paid for the Acquisitions set out on pages 20 and 21 of the 2024 Interim Report.

THE ACQUISITIONS

The salient terms of the Acquisitions are summarized below.

The Nanshan Project

Background

On 8 September 2021, Fantasia China entered into an agreement with the Nanshan Vendor under which the Nanshan Vendor agreed to sell 70% of the equity interests in the Nanshan Project Company to Fantasia China.

Consideration

The consideration for the acquisition was RMB1,132,000,000, which was determined by the parties after arm's length negotiations with reference to the location of the project, its development potential, the gross floor area that might be developed and the assessment of the management on the estimated value of the project of approximately RMB1.1 billion as at 31 December 2020, based on the housing prices of properties in neighbouring areas, less the estimated development and construction costs, taxes and fees payable, and deducting reasonable profit for the project, and further considering the other assets and liabilities of the project company.

30% of the consideration (that is RMB339,600,000) was paid by the Group in accordance with the terms of the agreement within three months of the date of the agreement. The balance of the consideration should be paid when the Nanshan Project Company has completed the government planning application for the Nanshan Project.

Information on the Nanshan Project Company

The Nanshan Project Company is a limited liability company established in the PRC in December 2001. It is beneficially owned as to 100% by the Nanshan Vendor.

The principal business of the Nanshan Project Company was the manufacture of electrical equipment. At the time of the entering into of the agreement for the acquisition, the Nanshan Project Company had already suspended its operations and the main assets of the Nanshan Project Company were certain properties located in the Nanshan District, Shenzhen.

The Nanshan Project is an urban renewal project and the intention of the Group was to redevelop the land and properties of the Nanshan Project Company into a residential and commercial development for sale.

Set out below is the financial information of the Nanshan Project Company for 2019 and 2020, the two years immediately prior to the agreement prepared in accordance with generally accepted accounting principles in the PRC.

	For the year ended	
	31 December	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net loss before taxation	(1,817)	(4,112)
Net loss after taxation	(1,817)	(4,112)

The unaudited net asset value of the Nanshan Project Company as at 31 December 2020 was approximately RMB198,867,000.

Current status of the Nanshan Project

Between 2021 and 2023, the deposit provided by the Group together with borrowed funds of the Nanshan Project Company were invested in the Nanshan Project for relocation and demolition, site formation and progressing the government planning application. In 2024, the loan from an independent domestic bank matured and the Nanshan Project Company defaulted on its repayment obligation. As a result, enforcement action was taken against the Nanshan Project Company. The assets of the Nanshan Project Company was auctioned off as a result of such enforcement action. After the settlement of its indebtedness owed to the bank, there was no remaining fund available from the auction for refunding the deposit paid by the Group. As the underlying assets of the Nanshan Project Company have been auctioned off, the acquisition was terminated and an impairment on the deposit in the amount of RMB339,600,000 was recorded.

Information on the Nanshan Vendor

The Nanshan Vendor is a limited liability company established in the PRC and is principally engaged in the business of enterprise management consulting. It is ultimately beneficially owned by Wu Jianwei.

To the best knowledge of the Directors, having made reasonable enquiry, the Nanshan Vendor and its ultimate beneficial owners are not connected persons of the Company.

The Longgang Project

Background

On 17 March 2017, Fantasia China entered into an agreement with the Longgang Vendor under which the Longgang Vendor agreed to sell 100% of the equity interests in the Longgang Project Company to Fantasia China.

Consideration

The consideration for the acquisition was RMB1,387,200,000, which was determined by the parties after arm's length negotiations with reference to the location of the project, its development potential, the gross floor area that might be developed and the assessment of the management on the estimated value of the project of approximately RMB1.4 billion as at 31 December 2016, based on the housing prices of properties in neighbouring areas, less the estimated development and construction costs, taxes and fees payable, and deducting reasonable profit for the project, and further considering the other assets and liabilities of the project company.

25% of the consideration (that is RMB346,800,000) was paid by the Group in accordance with the terms of the agreement within three months of the date of the agreement. The balance of the consideration should be paid when the Longgang Project Company has obtained the planning approval for and confirmation as the entity for the development of the Longgang Project.

As at 31 December 2023 and as at the date of this announcement, the planning approval and the entity confirmation process for the Longgang Project were and are still outstanding, and the acquisition of the Longgang Project Company has not been completed.

Subject of the transaction and information on the Longgang Project Company

Under the terms of the Agreement, Fantasia China will acquire 100% of the equity interests in the Longgang Project Company from the Longgang Vendor. The Longgang Project Company is a limited liability company established in the PRC in August 2016 and is wholly owned by the Longgang Vendor.

The principal business of the Longgang Project Company was the provision of commercial services. It was a newly incorporated company established to hold the rights to the urban renewal project located in the Longgang District, Shenzhen.

The Longgang Project is an urban renewal project and the original intention of the Group was to redevelop the properties held by the Longgang Project Company into a residential and commercial development for sales.

Set out below is the financial information of the Longgang Project Company for the period from its incorporation to 31 December 2016 prepared in accordance with generally accepted accounting principles in the PRC:

	<i>RMB'000</i> (unaudited)
Net loss before taxation	(386)
Net loss after taxation	(386)

The unaudited net asset value of the Longgang Project Company as at 31 December 2016 was approximately RMB199,614,000.

Current status of the Longgang Project

The Longgang Project Company has reached agreements with the residents on the demolition work, but progress in the sub-division application (for splitting the land ownership) which involves multiple parties and government approval, was slow. The deposit paid by the Group has been committed by the Longgang Project Company for demolition, relocation and site formation works, and the Group was unable to secure a refund. As the Longgang Project is currently not making much progress, and the estimated value of the project is expected to be significantly lower than the original estimate made by the Group at the time of the entering into of the agreement due to market downturn, an impairment on the deposit in the amount of RMB346,800,000 has been recorded.

The Company will take steps in exiting from the project by seeking investors to acquire the Group's interest in the project through accelerating the development progress of the project.

Information on the Longgang Vendor

The Longgang Vendor is a limited liability company established in the PRC and is principally engaged in the business of the provision of consulting services on urban renewal projects. It is ultimately beneficially owned by Jiang Xichao.

To the best knowledge of the Directors, having made reasonable enquiry, the Longgang Vendor and its ultimate beneficial owners are not connected persons of the Company.

The Wuhan Project

Background

On 26 December 2020, Fantasia China entered into an agreement with the Wuhan Vendor, under which the Wuhan Vendor agreed to sell 100% of the equity interests in the Wuhan Project Company to Fantasia China.

Consideration

The consideration for the acquisition was RMB1,204,500,000, which was determined by the parties after arm's length negotiations with reference to the location of the project, its development potential, the gross floor area that might be developed and the assessment of the management on the estimated value of the project of approximately RMB1.2 billion as at 30 June 2020, based on the housing prices of properties in neighbouring areas, less the estimated development and construction costs, taxes and fees payable, and deducting reasonable profit for the project, and further considering the other assets and liabilities of the project company.

20% of the consideration (that is RMB240,900,000) was paid by the Group in accordance with the terms of the agreement within three months of the date of the agreement. The balance of the consideration should be paid when the government approval for the renovation is obtained.

As at 31 December 2023 and as at the date of this announcement, the renovation registration for the Wuhan Project was and is still outstanding, and the acquisition of the Wuhan Project Company has not been completed.

Information on the Wuhan Project Company

The Wuhan Project Company is a limited liability company established in the PRC in November 2020. It is wholly owned by the Wuhan Vendor.

The Wuhan Project Company has not commenced business operations at the time of the signing of the agreement for the acquisition. The main assets of the Wuhan Project Company are certain properties located in the Qiaokou District, Wuhan.

The Wuhan Project is an urban renewal project and the intention of the Group was to convert the properties held by the Wuhan Project Company into residential and commercial development for sale.

Set out below is the financial information of the Wuhan Project Company for the period from its incorporation to 31 December 2020 prepared in accordance with generally accepted accounting principles in the PRC:

	<i>RMB'000</i> (unaudited)
Net loss before taxation	(6,235)
Net loss after taxation	(6,235)

The unaudited net deficit of the Wuhan Project Company as at 31 December 2020 was RMB(6,235,000).

Current status of the Wuhan Project

The Wuhan Project Company is still in the process of applying for the renovation registration for the Wuhan Project. The deposit paid by the Group has been committed by the Wuhan Project Company for the reconstruction planning and project demolition preparations, and the Group was unable to secure a refund. As the Wuhan Project is currently not making much progress, and the estimated value of the project is expected to be significantly lower than the original estimate made by the Group at the time of the entering into the agreement due to market downturn, an impairment on the deposit in the amount of RMB240,900,000 has been recorded.

The Company will take steps in exiting from the project by seeking investors to acquire the Group's interest in the project through accelerating the development progress of the project.

Information on the Wuhan Vendor

The Wuhan Vendor is a limited liability company established in the PRC and is principally engaged in the business of property development. It is ultimately beneficially owned by Huang Yong and Liu Xiaoxia.

To the best knowledge of the Directors, having made reasonable enquiry, the Wuhan Vendor and its ultimate beneficial owners are not connected persons of the Company.

REASONS FOR THE ACQUISITIONS

The Group is principally engaged in property development, property investment, provision of property operations services, hotel accommodation services and other services. The Company has an experienced team with the relevant expertise in assessing the value of properties in the PRC. As a property developer, the Group has a constant need to replenish its land bank and property resources for the development and sale of residential and commercial units.

Prior to 2021, the real estate market on the mainland of the PRC was vibrant, with property developers racing to increase their land bank. In addition to the land auction, property developers acquired land through urban renewal projects, whereby they acquired existing properties/land, demolish them and convert the land with the residential and commercial units for sale.

Consistent with this common practice, the Group also secured its land and property resources through urban renewal projects, and the Acquisitions were made under such circumstances to replenish the land bank of the Group.

Under each of the agreements by which the Group agreed to acquire the land, it paid a deposit, which would typically be used for the resettlement of residents/occupiers on the land, and the application for demolition. The deposit was recorded in the Company's financial statements as deposit for acquisition. Upon completion of the acquisition and the commencement of the development work, the project would be reclassified as property under development for sale, and when subsequent development and sales are completed, the cost of the project would be transferred to cost of sales. Such accounting treatments have been adopted by the Company for transactions of similar nature in the acquisition of land resources for future development and complied with the generally acceptable accounting standards and as reviewed by the auditors.

After the acquisition is completed and when the property is subsequently developed and sold, land appreciation tax and enterprise income tax would need to be paid. Such taxes are income-related and are of revenue in nature for tax purposes.

IMPLICATIONS UNDER THE LISTING RULES

The transactions under each of the Nanshan Project and the Wuhan Project constituted discloseable transaction under Chapter 14 of the Listing Rules, and the transactions contemplated under the Longgang Project constituted major transaction under Chapter 14 of the Listing Rules.

At the relevant time, the intent and substance of the Acquisitions was to secure land/property resources and replenishing its land bank for development of residential and commercial units for sale. As such, the Company was of the view that at the relevant time, the Acquisitions were carried out in the ordinary and usual course of business of the Company and of revenue in nature and hence no disclosure in respect of the Acquisitions in accordance with Chapter 14 of the Listing Rules was made at the relevant time.

Remedial measures

The Company is mindful of compliance with the requirements of Chapter 14 of the Listing Rules. To ensure compliance with the timely disclosure requirements under Chapter 14 of the Listing Rules in the future, the Company has completed the putting in place of the following measures in January 2025:

1. the Company has engaged its legal adviser to provide a briefing to the project department and the finance department of the Group on the compliance requirements under the Listing Rules of transactions of this nature;

2. the relevant guidance materials regarding notifiable transaction and connected transaction under the Listing Rules have been circulated to the finance department and various departments of the Group, so as to reinforce their understanding on identifying the circumstances which are expected to trigger disclosure and/or other reporting requirements under the Listing Rules;
3. the Company has strengthened the implementation of its internal control system, including without limitation enhancing the coordination and reporting arrangements for notifiable transactions among various departments of the Company; and
4. the Company will, as and when appropriate and necessary, seek legal advice and other professional advice on disclosure or compliance requirements under the Listing Rules.

Given the above, the Board is of the view that the Company could ensure compliance with the requirements of the Listing Rules going forward.

Major transaction

The transactions under the Longgang Project constituted major transaction for the Company subject to the approval of the Shareholders.

To the best knowledge of the Directors, no Shareholder is interested in the transactions in relation to the Longgang Project and is required to abstain from voting at the general meeting convened for the approval of the transactions under the Longgang Project. The Company has pursuant to Rule 14.44 of the Listing Rules sought approval of the transactions under the Longgang Project by way of the written approval from Fantasy Pearl, a shareholder holding approximately 57.51% of the issued share capital of the Company as at the date of this announcement.

The information circular in relation to the Longgang Project is expected to be despatched to the Shareholders for reference on or before 25 February 2025.

DISCLOSEABLE AND CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 23 December 2024 (the “**Announcement**”) in relation to the Disposal. Unless otherwise provided, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to clarify that the JV Partner is a substantial shareholder of the Project Company and is therefore a connected person at the subsidiary level of the Company for the purpose of the Listing Rules. As the JV Partner is also selling its interest in the Project Company to the Purchasers under the Agreement, the Disposal also constituted a connected transaction for the Company.

Given that the Board has approved the Disposal and the independent non-executive Directors have confirmed that the Disposal is being carried out on normal commercial terms, in the ordinary course of business of the Group and the terms are fair and reasonable and in the interest of the Company and the shareholders as a whole, the Disposal is only subject to the reporting and announcement requirements and exempt from the circular, independent financial advice and shareholders’ approval requirements under Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“2024 Interim Report”	the interim report of the Company for the six months ended 30 June 2024;
“Acquisitions”	the proposed acquisitions of the Nanshan Project, the Longgang Project and the Wuhan Project;
“Board”	the board of directors of the Company;
“Company”	Fantasia Holdings Group Co., Limited, a company incorporated in the Cayman Islands with limited liability, 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;
“Director(s)”	the director(s) of the Company;
“Fantasia China”	Fantasia Group (China) Company Limited, a wholly-owned subsidiary of the Company established in the PRC which is principally engaged in the business of property development;
“Fantasy Pearl”	Fantasy Pearl International Limited, a company incorporated in the British Virgin Islands, and the controlling shareholder of the Company holding approximately 57.51% of the issued share capital of the Company as at the date of this announcement;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Longgang Project”	the urban renewal project in the Longgang District, Shenzhen;
“Longgang Project Company”	深圳市嘉年龍飛實業有限公司 (Shenzhen Jianian Longfei Industrial Co., Ltd.*), a limited liability company established in the PRC;
“Longgang Vendor”	深圳市嘉年城市更新投資諮詢有限公司 (Shenzhen Jianian City Renovation Investment Consultancy Co., Ltd.*), a limited liability company in the PRC;
“Nanshan Project”	the urban renewal project located in the Nanshan District, Shenzhen;
“Nanshan Project Company”	深圳市飛高至卓實業有限公司 (Shenzhen Feigao Zhizhuo Industrial Co., Ltd.), a limited liability company established in the PRC;

“Nanshan Vendor”	深圳樂興企業諮詢有限公司 (Shenzhen Lexing Enterprise Consulting Co., Ltd), a limited liability company established in the PRC;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wuhan Project”	the conversion of a commercial project in Wuhan into a residential project in the Qiaokou District, Wuhan;
“Wuhan Project Company”	武漢格萊威逸科技有限公司 (Wuhan Geleiweiyi Technology Co., Ltd.*), a limited liability company established in the PRC;
“Wuhan Vendor”	武漢鄰舍房地產有限公司 (Wuhan Linshe Real Estate Co., Ltd.*), a limited liability company established in the PRC; and
“%”	per cent.

By Order of the Board
Fantasia Holdings Group Co., Limited
CHENG Jianli
Chairman

Hong Kong, 12 February 2025

As at the date of this announcement, the executive directors of the Company are Ms. Cheng Jianli, Mr. Timothy David Gildner and Mr. Lin Zhifeng; the non-executive directors of the Company are Ms. Zeng Jie, Baby and Mr. Su Boyu; and the independent non-executive directors of the Company are Mr. Guo Shaomu, Mr. Kwok Chi Shing and Mr. Ma Yu-heng.

* For identification purpose only.