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Huafa Property Services Group Company Limited
華發物業服務集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 982)

CONNECTED TRANSACTION
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
HAZEL TREND LIMITED

Financial Adviser to the Company



THE DISPOSAL

On 19 May 2021, the Company and the Purchaser entered into the Sale and Purchase Agreement in relation to the Disposal, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares at the Consideration of HK\$40,000,000.

Upon Completion, the Group will no longer hold any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated with the results of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser is an indirectly wholly-owned subsidiary of Huafa Properties and is an indirectly non-wholly owned subsidiary of Zhuhai Huafa. As Zhuhai Huafa is an indirect controlling shareholder of the Company holding approximately 36.88% of the total issued share capital of the Company, the Purchaser is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Disposal exceed 0.1% but all are less than 5%, the Disposal 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 Chapter 14A of the Listing Rules.

SALE AND PURCHASE AGREEMENT

Date

19 May 2021

Parties

- (a) The Company as the vendor; and
- (b) Guang Jie Investment Holding Limited as the Purchaser

Assets to be disposed of

The Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares. The Sale Shares, representing the entire issued share capital of the Target Company, will be sold free from encumbrances and together with all rights attaching thereto from Completion, including any dividend or other distribution to be declared, made or paid upon or after Completion. Notwithstanding the foregoing, the dividends and other distributions declared or made by the Target Company before the Completion but remain unpaid on the Completion Date shall be entitled by the Purchaser. Upon Completion, the Company will transfer its entire issued share capital in the Target Company to the Purchaser, and accordingly, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will cease to be consolidated into the financial statements of the Group.

Consideration

The Consideration, being HK\$40,000,000, was determined after arm's length negotiations between the Company and the Purchaser on normal commercial terms, with reference to (i) the original investment cost for the 30% equity interest in the JV Company at the consideration of HK\$40 million in 2017; (ii) the unaudited consolidated net asset value of the Target Company Group as at 31 December 2020 of approximately HK\$40 million; and (iii) the reasons as set out under the section headed "Reasons for and benefits of the Disposal" below. The Consideration shall be settled in full by cash on the Completion Date.

Conditions precedent

The Completion shall be conditional upon the fulfilment or (as appropriate) waiver of each of the following conditions:

- (a) the Target Company Group having obtained the relevant consents and approvals from third parties in respect of the change of shareholder of the Target Company such that all the existing material contracts and other material rights (if any) of the Target Company Group remains valid notwithstanding the change of shareholder of the Target Company;

- (b) the Purchaser having obtained all the necessary approvals, authorisations, consents, filings and registrations from the government authorities, regulatory bodies, exchanges, courts, other judiciaries or any other institutions with supervisory functions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and having completed all necessary notification and filing procedures;
- (c) the Company and the Target Company Group having obtained all their respective necessary approvals, authorisations, consents, filings and registrations from the government authorities, regulatory bodies, exchanges, courts, other judiciaries or any other institutions with supervisory functions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and having completed all necessary notification and filing procedures;
- (d) the warranties given by the Company remaining true and accurate in all respects and not misleading in any respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;
- (e) the warranties given by the Purchaser remaining true and accurate in all material respects and not misleading in any respect as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date; and
- (f) the Purchaser having completed the legal and financial due diligence review of the Target Company Group and being satisfied with the results of the due diligence review in all respects.

Save for conditions (d) and (f) above which may be waived in writing at the absolute discretion of the Purchaser, none of the conditions set out above can be waived by any party to the Sale and Purchase Agreement.

If any of the above conditions is not fulfilled or waived (as the case may be) by the Long Stop Date, the Purchaser has the right to do the following at its discretion:

- (a) waive the condition that has not been fulfilled (except for conditions (a), (b), (c) and (e) above which are not waivable);
- (b) extend the Long Stop Date to the thirtieth (30th) Business Day immediately after the Long Stop Date or any other later date to be mutually agreed by the Purchaser and the Company; or
- (c) terminate the Sale and Purchase Agreement, the rights and obligations of the Purchaser and the Company to the Sale and Purchase Agreement shall cease and determine save for any antecedent breaches of the terms thereof and the disclosure restrictions under the Sale and Purchase Agreement.

Completion

Completion shall take place on the fifth (5th) Business Day after all the conditions above have been fulfilled or waived (as the case may be) or such other date as the Company and the Purchaser may agree.

INFORMATION ON THE COMPANY

The Company is an investment holding company incorporated in Bermuda. The principal business activities of the Group are the provision of (i) property management services in the PRC; and (ii) hotel advisory and exhibition services in the PRC.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated under the laws of the BVI and is indirectly wholly-owned by Huafa Properties. The principal business activity of the Purchaser is investment holding.

INFORMATION ON THE TARGET COMPANY

The Target Company is a direct wholly-owned subsidiary of the Company. The Target Company is an investment holding company whose principal asset is the investment of the 30% equity interests in the JV Company. The JV Company was formed for the purpose of engaging in the (a) development of online training content and provision of related consultancy and training; (b) development of e-learning software and hardware; (c) design and development of webpages; and (d) other related information services (the “**Online Training Business**”), with a view to meet the market demand for online early childhood training services in the PRC.

Set out below are the unaudited consolidated financial information of the Target Company Group as extracted from its unaudited consolidated financial statements for the year ended 31 December 2019 and unaudited consolidated financial statements for the year ended 31 December 2020 respectively:

	For the year ended 31 December 2019 <i>HK\$'000</i> (unaudited)	For the year ended 31 December 2020 <i>HK\$'000</i> (unaudited)
Revenue	–	–
Profit (Loss) before taxation	(178)	570
Profit (Loss) after taxation	(178)	570

As at 31 December 2020, the unaudited consolidated net asset value of the Target Company Group was approximately HK\$40.0 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

After the completion of acquisition of Huafa Property Management Services (Hong Kong) Limited (華發物業管理服務(香港)有限公司) (formerly known as Concord Bright Holdings Limited (和輝集團有限公司)), the Company's core businesses lies in the provision of property management services in addition to the hotel advisory and exhibition services in the PRC, the Directors consider that the Disposal allows the Company to (i) dispose non-core asset of the Group and allow the Group to have a more defined business focus on core businesses, and (ii) realise the investment at its original investment costs in the Target Company which enables the Group to reallocate its financial resources in enhancing the Group's working capital.

Based on the above, the Directors (including the independent non-executive Directors but excluding the executive Directors and Ms. Zhou Youfen, who abstained from voting) are of the view that the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms, and that the Disposal is in the interests of the Company and its shareholders as a whole.

USE OF PROCEEDS

It is expected that the proceeds from the Disposal will be applied towards (i) reserve for business development of the core business, (ii) general working capital and (iii) repayment of outstanding debts of the Group.

FINANCIAL EFFECTS OF THE DISPOSAL

Immediately following the Completion, the Target Company will cease to be a subsidiary of the Company. Therefore, the financial results of the Target Company will no longer be consolidated with the financial statements of the Group since then.

Based on the Consideration, the Group does not expect any gains or losses to be generated from the Disposal. However, the actual gain or loss arising from the Disposal to be recognised by the Company will depend on the actual net carrying value of the net assets of the Target Company recorded on the Company's financial statements at the Completion Date and is subject to final audit to be performed by the Company's auditor.

LISTING RULES IMPLICATION

As at the date of this announcement, the Purchaser is an indirectly wholly-owned subsidiary of Huafa Properties and is an indirectly non-wholly owned subsidiary of Zhuhai Huafa. As Zhuhai Huafa is an indirect controlling shareholder of the Company holding approximately 36.88% of the total issued share capital of the Company, the Purchaser is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Disposal exceed 0.1% but all are less than 5%, the Disposal 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 Chapter 14A of the Listing Rules.

GENERAL INFORMATION

Since all executive Directors and Ms. Zhou Youfen, a non-executive Director, are also directors or senior management members of Zhuhai Huafa and therefore are deemed to have material interests in the Disposal and the Sale and Purchase Agreement, each of them has abstained from voting on the board resolutions approving the Disposal and the transactions contemplated under the Sale and Purchase Agreement.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday and Sunday) on which commercial banks in Hong Kong are open for general business
“BVI”	British Virgin Islands
“Company”	Huafa Property Services Group Company Limited (華發物業服務集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 982)
“Completion”	the completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement
“Completion Date”	the date on which Completion takes place
“Condition(s)”	the conditions precedent of the Sale and Purchase Agreement as set out in the section title “Conditions Precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of the Disposal, being HK\$40,000,000
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Company pursuant to the terms and conditions of the Sale and Purchase Agreement

“Greater Treasure”	Greater Treasure Limited, a company incorporated in the BVI with limited liability and an Independent Third Party
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Highly Ventures”	Highly Ventures Limited, a company incorporated with limited liability under the laws of the BVI and directly wholly-owned by the Target Company
“Huafa Properties”	Zhuhai Huafa Properties Co., Ltd. (珠海華發實業股份有限公司), a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (Stock code: 600325.SH), a non-wholly-owned direct subsidiary of Zhuhai Huafa
“Independent Third Party(ies)”	independent third party(ies) who is(are) not connected with the Company and its connected persons (as defined in the Listing Rules)
“JV Company”	Dreamy City Limited, a company incorporated with limited liability under the laws of the BVI and owned as to 30% by Highly Ventures and 70% by Greater Treasure
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2021, or such other date as extended in accordance with the Sale and Purchase Agreement, or as the Company and the Purchaser may agree in writing
“PRC”	the People’s Republic of China
“Purchaser”	Guang Jie Investment Holding Limited, a company incorporated with limited liability under the laws of the BVI and indirectly wholly-owned by Huafa Properties
“Sale and Purchase Agreement”	the agreement for the sale and purchase of the Sale Shares dated 19 May 2021 and entered into between the Company and the Purchaser
“Sale Shares”	the entire issued share capital of the Target Company

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hazel Trend Limited, a company incorporated with limited liability under the laws of the BVI and directly wholly-owned by the Company
“Target Company Group”	collectively, the Target Company, Highly Ventures, the JV Company and its subsidiaries
“Zhuhai Huafa”	Zhuhai Huafa Group Co., Ltd. * (珠海華發集團有限公司), a state-owned enterprise wholly-owned by Zhuhai State-owned Asset Supervision and Administration Commission of Zhuhai Municipal People’s Government and a controlling shareholder of the Company

By order of the Board
Huafa Property Services Group Company Limited
Li Guangning
Executive Director and Chairman

Hong Kong, 20 May 2021

As at the date of this announcement, the Board of the Company comprises Mr. Li Guangning (Executive Director and Chairman), Mr. Xie Wei (Executive Director and Chief Executive Officer), Ms. Guo Jin and Mr. Tze Kan Fat (all being Executive Directors); Ms. Zhou Youfen and Mr. Shong Hugo (all being Non-Executive Directors); Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai (all being Independent Non-Executive Directors).

* *For identification purpose only*