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廣州富力地產股份有限公司
GUANGZHOU R&F PROPERTIES CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 2777)

MAJOR TRANSACTION

**DISPOSAL OF 30% INTEREST IN
GUANGZHOU INTERNATIONAL AIRPORT R&F INTEGRATED LOGISTICS PARK**

References are made to the Company's announcements dated 9 November 2020 and 19 January 2021 in relation to the Merger which became effective on 19 January 2021. As at the date of this Announcement, the Surviving Company is owned as to 30% by the Seller (a wholly-owned subsidiary of the Company) and 70% by the Purchaser, and it indirectly holds the Properties through other members of the Target Group.

On 6 December 2021, the Seller and the Purchaser entered into the Agreement, pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, the Equity Interests on and subject to the terms and conditions of the Agreement. Immediately upon Closing, the Company will cease to have any shareholding or ownership interest in the Target Group and the Properties. Subject to Closing being consummated, the Put Option will be terminated.

By virtue of Rule 14.22 of the Listing Rules, the Disposal and the Merger are aggregated for the purpose of Chapter 14 of the Listing Rules as these transactions involve the disposal of equity interest in the same group of companies (that is, the Target Group which holds the Properties) completed within 12 months. As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal, after aggregation with the Merger, is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Disposal has been approved by written shareholders' approval obtained from the Major Shareholders pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Disposal; (ii) financial information of the Group; and (iii) property valuation report on the Properties pursuant to Chapter 5 of the Listing Rules, shall be dispatched within 15 business days after publication of this announcement for the Shareholders' information. As additional time is required to prepare the information and property valuation report to be included in the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules from the Stock Exchange so that the despatch date of the circular can be postponed to a date more than 15 business days after publication of this announcement, which is expected to be on or before 31 January 2022.

BACKGROUND

References are made to the Company's announcements dated 9 November 2020 and 19 January 2021 in relation to the Merger which became effective on 19 January 2021. As at the date of this Announcement, the Surviving Company is owned as to 30% by the Seller (a wholly-owned subsidiary of the Company) and 70% by the Purchaser, and it indirectly holds the Properties through other members of the Target Group.

On 6 December 2021, the Seller and the Purchaser entered into the Agreement, pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, the Equity Interests on and subject to the terms and conditions of the Agreement. The principal terms and conditions of the Agreement are set forth below.

THE AGREEMENT

Date

6 December 2021

Parties

- (1) the Seller
- (2) the Purchaser

Subject Matter

Pursuant to the Agreement, the Seller conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 30% of the issued shares of the Surviving Company, representing all the issued shares of the Surviving Company which are owned by the Seller as at Closing (the "**Equity Interests**").

Consideration

The consideration for the Equity Interests (the “**Consideration**”) shall be 30% of (a) the Property Value RMB7.3 billion, subject to adjustment (which may be zero, positive or negative) for the value of the relevant facilities of the Properties awaiting title certificates, which value is calculated by multiplying the gross floor area of the relevant facilities by an agreed value per sqm; plus (b) the net asset value of the Target Group as at the Closing Date.

The Consideration was arrived at after arm’s length negotiations between the Seller and the Purchaser with reference to the Property Value (subject to adjustment as aforesaid to the extent applicable) and the net asset value of the Target Group, in each case as attributable to the Equity Interests. The Properties include both developed properties and land for future development. The Property Value was arrived at after arm’s length negotiations between the Seller and the Purchaser with reference to the average market unit price of comparable transactions of a similar nature of the developed properties and value of land for future development. The Directors consider that the Consideration was fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration shall be settled in the following manner:

- (a) the Purchaser shall pay an amount of USD10 million (the “**Deposit**”) in cash into the Escrow Account within two (2) Business Days after the Escrow Account is opened and active for use;
- (b) at Closing, the Purchaser shall pay an amount of RMB1 billion (the “**Closing Payment**”) minus the Deposit in USD in cash to the Seller, and the Deposit shall be released to the Seller and applied towards the Closing Payment;
- (c) after Closing, the Purchaser shall pay the balance, being the amount of the Consideration minus the Closing Payment, in USD in cash to the Seller within six (6) Business Days after the satisfaction of the following conditions:-
 - (i) the Seller having paid all applicable taxes payable by it in connection with the transaction contemplated under the Agreement pursuant to the applicable laws in the PRC;
 - (ii) the Seller having obtained written confirmation from the relevant governmental authority addressed to Dingfu and Huawei to clarify the permitted usage of certain land parcels held by Dingfu and Huawei constituting part of the Properties; and
 - (iii) the conditions precedent to payment of the holdback amounts under the merger agreement dated 9 November 2020 (as amended or supplemented from time to time) having been satisfied, including, among others, the Seller having obtained certificates and permits of certain work relating to the Properties.

Conditions precedent

The obligations of the Purchaser to proceed to the Closing shall be subject to the satisfaction (or written waiver by the Purchaser) of, among others, the following conditions on or prior to the Closing Date (as applicable) (the “**Seller’s Closing Conditions Precedent**”):

- (i) as of the Closing Date, there shall not be (i) in effect any applicable laws or government order or (ii) any action commenced or notification given by any government authority seeking to restrain or materially and adversely alter the transaction contemplated under the Agreement, which renders or is likely to render it impossible or unlawful to consummate the transaction contemplated under the Agreement;
- (ii) as of the Closing Date, there shall not be any mandatory acquisition or expropriation by any government authority against the Properties or part thereof;
- (iii) no material adverse effect shall have occurred which is incapable of being cured or, if curable, is not cured by the earlier of the date which is thirty (30) days after written notice thereof by the Purchaser and the Long Stop Date;
- (iv) the representations and warranties made by the Seller shall be true and correct, subject to certain materiality qualifiers; and
- (v) each of the covenants and obligations set forth in the Agreement that the Seller is required to comply with or perform at or prior to the Closing shall have been duly complied with or performed in all material respects; and
- (vi) the Target Group having obtained title certificates for the relevant facilities of the Properties, which title certificates shall have an aggregate gross floor area of not less than 364,638 sqm.

The obligations of the Seller to proceed to the Closing shall be subject to the satisfaction (or written waiver by the Seller) of, among others, the following conditions on or prior to the Closing Date (as applicable) (the “**Purchaser’s Closing Conditions Precedent**”):

- (i) as of the Closing Date, there shall not be (i) in effect any applicable laws or government order or (ii) any action commenced or notification given by any government authority seeking to restrain or materially and adversely alter the transaction contemplated under the Agreement, which renders or is likely to render it impossible or unlawful to consummate the transaction contemplated under the Agreement;

- (ii) the representations and warranties made by the Purchaser shall be true and correct, subject to certain materiality qualifiers; and
- (iii) each of the covenants and obligations set forth in the Agreement that the Purchaser is required to comply with or perform at or prior to the Closing shall have been duly complied with or performed in all material respects.

In the event that any Purchaser's Closing Conditions Precedent (in the case of the Seller exercising this termination right) or any Seller's Closing Conditions Precedent (in the case of the Purchaser exercising this termination right) under the Agreement shall not have been, or if it becomes apparent that any of such conditions will not be satisfied in time such that the Closing can occur on or before the Long Stop Date, the Agreement and the transactions contemplated thereunder may be terminated by the Seller or the Purchaser upon written notice to other party; provided that, such party shall not have the right of termination if the failure to fulfill such conditions is due to the failure of such party to comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing.

Closing

Subject to satisfaction and/or waiver of the conditions precedent set out in the Agreement, Closing shall take place on the fifth (5th) Business Day following the satisfaction and/or waiver of each of the conditions precedent (other than the conditions which are required to be satisfied on the Closing Date) or at such other time and place as the parties may mutually agree upon in writing.

Immediately upon Closing, the Company will cease to have any shareholding or ownership interest in the Target Group and the Properties.

Put Option

Subject to Closing being consummated, the Put Option will be terminated.

INFORMATION ON THE PARTIES

The Seller

The Seller is a company established under the laws of Hong Kong and a wholly owned subsidiary of the Company.

As at the date of this announcement, the Seller is principally engaged in investment holding.

The Purchaser

The Purchaser is an exempted company established under the laws of the Cayman Islands with limited liability.

The Purchaser is a subsidiary of funds affiliated with Blackstone Inc. as at the date of this announcement. Blackstone Inc. is listed on the New York Stock Exchange (NYSE: BX). The Purchaser is an investment holding company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent of the Company and its connected persons.

INFORMATION ON THE TARGET GROUP

The Surviving Company is an exempted company established under the laws of the Cayman Islands with limited liability on 25 September 2020. As at the date of this announcement, the Surviving Company is the holding company of the Target Group and is principally engaged in investment holding. Each of Airport Logistics, Huawei and Dingfu is a wholly owned subsidiary of the Surviving Company and is principally engaged in holding and developing the Properties.

The unaudited financial information of Airport Logistics for the two years ended 31 December 2019 and 2020 are set out below:

	For the year ended 31 December	
	2019	2020
	<i>RMB</i>	<i>RMB</i>
Net profit before tax	8,082,685	2,951,758
Net profit after tax	6,053,348	2,370,879

The unaudited financial information of Huawei for the two years ended 31 December 2019 and 2020 are set out below:

	For the year ended 31 December	
	2019	2020
	<i>RMB</i>	<i>RMB</i>
Net profit before tax	91,428,984	34,415,957
Net profit after tax	68,782,337	24,900,197

Dingfu was established on 24 September 2020. For the period from the date of its establishment to 31 December 2020 (both dates inclusive), the unaudited net loss before tax and after tax of Dingfu were RMB7,545,884 and RMB5,659,413 respectively.

The unaudited consolidated net asset value of the Target Group as at 30 September 2021 was approximately RMB4,146,313,122.

INFORMATION ON THE PROPERTIES

The Properties are located in Guangzhou International Airport R&F Integrated Logistics Park, which is located in Huadong County, Huadu District, Guangzhou, the PRC and covers a total area of 1,470 mu, with a planned total construction area of over 1.2 million sqm. About 889,820 sqm of rentable area of high-standard warehouses, plants and cold storage are currently completed, and there are also completed supporting facilities, and a net undeveloped land area for warehouse is about 210 mu.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Subject to the final Consideration as set forth under “THE AGREEMENT – Consideration” above and taking into account the Seller’s good faith estimate of the applicable taxes and other costs and expenses payable by it in respect of the Disposal, it is estimated that the Company will receive cash payment of roughly RMB1,263 million from the Disposal. Subject to final audit, it is estimated that the Company will not record a substantial gain or loss on disposal with reference to the book value of the assets to be disposed as at 30 November 2021.

The Board intends to apply the net proceeds from the Disposal to lower the gearing and as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the PRC.

The Disposal enables the Group to monetize the value in its investment in the Properties accumulated over a period of time since investment and represents an opportunity to enhance the financial flexibility of the Group.

The Disposal is beneficial to the Group in optimizing the allocation of resources, focusing on the development of its core business, increasing its capital reserve and reducing its gearing ratio, which is conducive to the Group's ability to reduce risks and achieve long-term stable and healthy development. With available cash resources from the Disposal, the Group will consider various options available to improve the Group's overall liquidity including but not limited to repayment, open market purchases of available notes, or early repayment of other debt. There is no certainty that such actions can be consummated and will depend on various circumstances that may not be in the Group's control.

The availability of cash resources from the Disposal will assist the Group to address its near term maturities, including but not limited to offshore senior notes. The Group is working on generating sufficient offshore cash flow to meet its offshore financial commitments and the Disposal is one of several milestones that the Group needs to achieve in order to meet its financial commitments. However, there is no assurance that the Group will be able to complete these milestones as planned, which may adversely affect the Group's offshore liquidity.

Given that the terms of the Agreement were concluded after arm's length negotiations and were on normal commercial terms, the Directors (including the independent non-executive Directors) consider that the Disposal was fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Merger became effective on 19 January 2021, which is within 12 months from the date of the Agreement. By virtue of Rule 14.22 of the Listing Rules, the Disposal and the Merger are aggregated for the purpose of Chapter 14 of the Listing Rules as these transactions involve the disposal of equity interest in the same group of companies (that is, the Target Group which holds the Properties) completed within 12 months. As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal, after aggregation with the Merger, is more than 25% but less than 75%, the Disposal, after aggregation with the Merger, constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written shareholders' approval for the Disposal has been obtained from the Major Shareholders, who together (by themselves, through their respective spouses and through a corporation controlled by Dr. Li and his spouse at 50% each) hold an aggregate of 2,129,238,944 H Shares, representing approximately 56.74% of the issued share capital of the Company as at the date of such written approval. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders had any material interest in the Disposal and therefore no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Disposal; (ii) financial information of the Group; and (iii) property valuation report on the Properties pursuant to Chapter 5 of the Listing Rules, shall be dispatched within 15 business days after publication of this announcement for the Shareholders' information. As additional time is required to prepare the information and property valuation report to be included in the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules from the Stock Exchange so that the despatch date of the circular can be postponed to a date more than 15 business days after publication of this announcement, which is expected to be on or before 31 January 2022.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Agreement”	the agreement dated 6 December 2021 between the Seller and the Purchaser in relation to the Disposal
“Airport Logistics”	廣州富力國際空港綜合物流園有限公司 (Guangzhou Fuli International Airport Integrated Logistics Park Co., Ltd.*), a company established in the PRC with limited liability and a wholly owned subsidiary of the Surviving Company as at the date of this announcement
“Board”	the board of Directors
“Business Day”	a day other than Saturday, Sunday, any day on which banks with business license located in the PRC, Cayman Islands, Singapore, Hong Kong and New York are authorized or obligated to close, or any public holiday authorized by the State Council of the PRC
“Closing”	completion of the Disposal
“Closing Date”	the date on which Closing takes place
“Closing Payment”	has the meaning ascribed to this term under “THE AGREEMENT – Consideration” of this announcement
“Company”	Guangzhou R&F Properties Co., Ltd.* (廣州富力地產股份有限公司), a joint stock company incorporated in the PRC with limited liability and the H Shares of which are listed on the main board of the Stock Exchange (stock code: 2777)
“connected persons”	has the meaning ascribed to this term under the Listing Rules

“Consideration”	has the meaning ascribed to this term under “THE AGREEMENT – Consideration” of this announcement
“Deposit”	has the meaning ascribed to this term under “THE AGREEMENT – Consideration” of this announcement
“Dingfu”	廣州鼎富商業運營有限公司 (Guangzhou Dingfu Business Operation Co., Ltd.*), a company established in the PRC with limited liability and a wholly owned subsidiary of the Surviving Company as at the date of this announcement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Equity Interests by the Seller to the Purchaser pursuant to the Agreement
“Dr. Li”	Dr. Li Sze Lim, an executive Director and a substantial shareholder of the Company
“Equity Interests”	has the meaning ascribed to this term under “THE AGREEMENT – Subject Matter” of this announcement
“Escrow Account”	an escrow account opened in the name of an escrow agent and jointly controlled by the Seller and the Purchaser
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) in the capital of the Company, with a nominal value of RMB1 each, which are listed on the main board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huawei”	廣州市華維裝飾材料有限公司 (Guangzhou Huawei Decoration Material Co., Ltd.*), a company established in the PRC with limited liability and a wholly owned subsidiary of the Surviving Company as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2021, or such later date as the Seller and the Purchaser may agree in writing from time to time
“Major Shareholders”	Dr. Li and Mr. Zhang

“Merger”	the business combination between Sonic Holdings II Limited and Lofty Express Limited pursuant to the merger agreement dated 9 November 2020, details of which are set out in the Company’s announcement dated 9 November 2020
“Mr. Zhang”	Mr. Zhang Li, an executive Director and a substantial shareholder of the Company
“PRC”	the People’s Republic of China
“Properties”	the land located in Huadu District, Guangzhou, the PRC, with the title certificates of Yue (2021) Guangzhou Shi Real Estate Title Certificate No. 08003265 (粵(2021)廣州市不動產權第08003265號), Yue (2021) Guangzhou Shi Real Estate Title Certificate No. 08003266 (粵(2021)廣州市不動產權第08003266號), Yue (2021) Guangzhou Shi Real Estate Title Certificate No. 08059301 (粵(2021)廣州市不動產權第08059301號), Yue (2021) Guangzhou Shi Real Estate Title Certificate No. 08059107 (粵(2021)廣州市不動產權第08059107號), Yue (2021) Guangzhou Shi Real Estate Title Certificate No. 08060239 (粵(2021)廣州市不動產權第08060239號), Yue (2021) Guangzhou Shi Real Estate Title Certificate No. 08058090 (粵(2021)廣州市不動產權第08058090號), Yue (2020) Guangzhou Shi Real Estate Title Certificate No. 08403649 (粵(2020)廣州市不動產權第08403649號), Sui Guo Yong (2013) No. 00722071 (穗國用(2013)第00722071號) and an aggregate land area of 1,671 mu, and all completed facilities erected thereon
“Property Value”	the value of the Properties agreed by the Seller and the Purchaser, being RMB7.3 billion
“Purchaser”	Sonic Holdings I Limited, an exempted company established under the laws of the Cayman Islands with limited liability
“Purchaser’s Closing Conditions Precedent”	has the meaning ascribed to this term under “THE AGREEMENT – Conditions Precedent” of this announcement
“Put Option”	the put option granted to the Purchaser under the put option deed dated 19 January 2021 by, among others, the Seller and the Purchaser
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	R&F Properties (HK) Company Limited (富力地產(香港)有限公司), a company established under the laws of Hong Kong and a wholly owned subsidiary of the Company as at the date of this announcement

“Seller’s Closing Conditions Precedent”	has the meaning ascribed to this term under “THE AGREEMENT – Conditions Precedent” of this announcement
“Shareholder(s)”	shareholder(s) of the Company
“sqm”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to this term under the Listing Rules
“Surviving Company”	Sonic Holdings II Limited, an exempted company established under the laws of the Cayman Islands with limited liability, and the surviving company following the Merger
“Target Group”	the Surviving Company and its subsidiaries, including Airport Logistics, Dingfu and Huawei
“USD”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

By order of the Board
Guangzhou R&F Properties Co., Ltd.
Li Sze Lim
Chairman

Hong Kong, 7 December 2021

As at the date of this announcement, the executive directors of the Company are Dr. Li Sze Lim, Mr. Zhang Li, Mr. Zhang Hui and Mr. Xiang Lijun; the non-executive directors are Ms. Zhang Lin and Ms. Li Helen; and the independent non-executive directors are Mr. Zheng Ercheng, Mr. Ng Yau Wah, Daniel and Mr. Wong Chun Bong.

* *For identification purpose only*