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DaFa Properties Group Limited

大发地产集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6111)

DISCLOSEABLE TRANSACTION

IN RELATION TO

DISPOSAL OF 33% EQUITY INTEREST IN CHENGDU YUEHU LIXIN REAL ESTATE CO., LTD.

INTRODUCTION

The Board hereby announces that on 4 January 2022, Chengdu Hanwei (an indirect non-wholly-owned subsidiary of the Company) has entered into the Equity Transfer Agreement with Xiamen Chenxuan, pursuant to which Chengdu Hanwei has agreed to sell and Xiamen Chenxuan has agreed to acquire, 33% equity interest in the Target Company at a total consideration of RMB194,895,187.07.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but all are below 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that on 4 January 2022, Chengdu Hanwei (an indirect non-wholly-owned subsidiary of the Company) has entered into the Equity Transfer Agreement with Xiamen Chenxuan, pursuant to which Chengdu Hanwei has agreed to sell and Xiamen Chenxuan has agreed to acquire, 33% equity interest in the Target Company at a total consideration of RMB194,895,187.07.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are as follows:

Date

4 January 2022

Parties

- (a) Chengdu Hanwei (as vendor); and
- (b) Xiamen Chenxuan (as purchaser).

Subject Matter

Pursuant to the terms and conditions of the Equity Transfer Agreement, Chengdu Hanwei has agreed to sell and Xiamen Chenxuan has agreed to acquire, 33% of the equity interest in the Target Company at the total consideration of RMB194,895,187.07.

As at the date of this announcement, the Target Company is directly held by Chengdu Hanwei (an indirect non-wholly-owned subsidiary of the Company), Chengdu Hesa Enterprise Management Co., Ltd.* (成都和薩企業管理有限公司) (being an independent third party of the Company) and Chengdu Baofeng Investment Company Limited* (成都市保豐投資有限公司) (being an independent third party of the Company) as to 33%, 34% and 33%, respectively.

Consideration

The total consideration payable by Xiamen Chenxuan for the acquisition of 33% equity interest in the Target Company shall be RMB194,895,187.07.

The total consideration for the Disposal was determined after arm's length negotiations between Chengdu Hanwei and Xiamen Chenxuan, taking into account (i) the unaudited net asset value of the Target Company as at 1 December 2021; and (ii) the property market dynamics in Xindu District, Chengdu City, Sichuan Province, the PRC.

Payment terms

Pursuant to the Equity Transfer Agreement, the consideration shall be payable by Xiamen Chenxuan in the following manner:

- (i) within one business day after the signing of the Equity Transfer Agreement, Xiamen Chenxuan shall open the Joint Account and deposit an amount of RMB120,000,000 into the Joint Account;

- (ii) within one business day after deposit of RMB120,000,000 by Xiamen Chenxuan into the Joint Account under paragraph (i) above, Chengdu Hanwei, accompanied by Xiamen Chenxuan, shall submit the relevant materials for the registration and filing of the relevant changes in respect of 33% equity interest in the Target Company (including but not limited to, changes to shareholders, articles of association, directors and supervisors of the Target Company) to the market supervision and management department responsible for the industrial and commercial registration of the Target Company, and obtain the acceptance without objection from such department;
- (iii) within one business day upon completion of the procedures under paragraph (ii) above, Chengdu Hanwei shall transfer all the documents, materials, seals, items and other assets related to the Target Company in its custody to Xiamen Chenxuan; and
- (iv) within two business days after completion of transfer of relevant documents under paragraph (iii) above and the registration of Xiamen Chenxuan as a shareholder of the Target Company, Xiamen Chenxuan shall pay the total consideration of RMB194,895,187.07 to Chengdu Hanwei by (i) releasing RMB120,000,000 from the Joint Account to the designated account of Chengdu Hanwei; and (ii) payment of the remaining consideration in the amount of RMB74,895,187.07 to such designated account of Chengdu Hanwei.

Completion

The completion of the Equity Transfer Agreement shall take place on the date on which (i) the 33% equity interest in the Target Company has been transferred by Chengdu Hanwei to Xiamen Chenxuan; (ii) the industrial and commercial registration of such equity transfer has been completed; and (iii) settlement of the total consideration by Xiamen Chenxuan to Chengdu Hanwei.

Upon completion of the Equity Transfer Agreement, Xiamen Chenxuan shall be entitled to the rights and obligations as a shareholder of the Target Company in accordance with its capital contribution to the Target Company and the articles of association of the Target Company.

Upon completion of the Disposal, the Group will no longer hold any equity interest in the Target Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability. It is principally engaged in property development. The principal asset of the Target Company is Huguang Liyuan Project* (湖光里院項目), which is a residential property project located in Chengdu, Sichuan Province, the PRC, currently under construction.

Set out below is the net loss (both before and after taxation) of the Target Company (as prepared in accordance with International Financial Reporting Standards) for the period from 7 July 2020 (date of incorporation of the Target Company) to 31 December 2020.

	Period from 7 July 2020 (date of incorporation) to 31 December 2020 (Unaudited) (RMB'000)
Net loss before taxation	(90)
Net loss after taxation	(68)

The unaudited net asset value of the Target Company as at 1 December 2021 was approximately RMB828,126,000.

FINANCIAL EFFECTS FROM THE DISPOSAL

Upon completion of the Disposal, it is estimated that the Company would record a loss on the Disposal (before taxation) of approximately RMB78.4 million, being the difference between the total consideration for 33% equity interest in the Target Company of RMB194,895,187.07 and the carrying amount of 33% equity interest in the Target Company of approximately RMB273,282,000 as at 1 December 2021. The actual gain or loss as a result of the Disposal to be recorded by the Group shall be subject to final audit to be performed by the Company's auditors.

The Group intends to apply the sale proceeds from the Disposal for general working capital.

INFORMATION ON THE RELEVANT PARTIES

The Group

The Group is principally engaged in property development and property investment in the PRC, among which, property development is the main source of the income for the Group.

Chengdu Hanwei

Chengdu Hanwei is a company incorporated in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Xiamen Chenxuan

Xiamen Chenxuan is a limited partnership established in the PRC. It is principally engaged in investment holding.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is an expanding real estate developer focusing on the development and sales of residential properties. Headquartered in Shanghai, the Group has an active presence in the Yangtze River Delta Region and Chengdu-Chongqing Metropolitan Area.

The Target Company mainly holds the Huguang Liyuan Project* (湖光里院項目). The Company expects that the Disposal will improve the Group's asset turnover rate and generate additional cash inflow for general working capital.

On the basis of the above, the Directors are of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but all are below 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Chengdu Hanwei”	Chengdu Hanwei Real Estate Co., Ltd.* (成都瀚維置業有限公司), a limited liability company incorporated in Hong Kong and an indirect non-wholly-owned subsidiary of the Company
“Company”	DaFa Properties Group Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6111)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company

“Disposal”	the disposal of 33% equity interest in the Target Company by Chengdu Hanwei to Xiamen Chenxuan pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 4 January 2022 entered into between Chengdu Hanwei (an indirect non-wholly-owned subsidiary of the Company) and Xiamen Chenxuan in respect of the disposal of 33% equity interest held by Chengdu Hanwei in the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Account”	a bank account to be opened in the name of Chengdu Hanwei and Xiamen Chenxuan which shall be jointly controlled by Chengdu Hanwei and Xiamen Chenxuan pursuant to the terms of the Equity Transfer Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Chengdu Yuehu Lixin Real Estate Co., Ltd.* (成都悦湖利鑫置業有限公司), a limited liability company established in the PRC, which is held as to 33% by Chengdu Hanwei
“Xiamen Chenxuan”	Xiamen Chenxuan Enterprise Management Partnership (Limited Partnership)* (廈門辰軒企業管理合夥企業(有限合夥)), a limited partnership established in the PRC
“%”	per cent

By Order of the Board
DaFa Properties Group Limited
Ge Yiyang
Chairman

Hong Kong, 4 January 2022

As at the date of this announcement, the Board comprises Mr. Ge Yiyang, Mr. Liao Lujiang, Mr. Chi Jingyong and Mr. Yang Yongwu as the executive Directors, and Mr. Gu Jiong, Mr. Sun Bing and Mr. Fok Ho Yin Thomas as the independent non-executive Directors.

* For identification purposes only.