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## **C&D Property Management Group Co., Ltd**

**建發物業管理集團有限公司**

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock Code: 2156)**

### **CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 25% EQUITY INTEREST IN XIAMEN ZHAOHUI**

#### **THE EQUITY TRANSFER AGREEMENT**

The Board is pleased to announce that on 22 December 2022 (after trading hours), Xiamen Yirui, an indirect wholly-owned subsidiary of the Company, and Yi Yue entered into the Equity Transfer Agreement, pursuant to which, among other things, Xiamen Yirui agreed to sell and Yi Yue agreed to purchase 25% equity interest in Xiamen Zhaohui. The consideration under the Equity Transfer Agreement shall be RMB3,393,475.

As at the date of this announcement, Xiamen Yirui holds the entire equity interests in Xiamen Zhaohui. Upon completion of the Disposal, Xiamen Zhaohui will be held by Xiamen Yirui and Yi Yue as to 75% and 25%, respectively. As such, Xiamen Zhaohui will remain an indirect subsidiary of the Company and its financial results will continue to be consolidated into the consolidated financial statements of the Company.

#### **LISTING RULES IMPLICATIONS**

As Yi Yue is an indirect wholly-owned subsidiary of CDI and CDI is the controlling shareholder of the Company, Yi Yue is a connected person of the Company. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 22 December 2022 (after trading hours), Xiamen Yirui, an indirect wholly-owned subsidiary of the Company, and Yi Yue entered into the Equity Transfer Agreement, pursuant to which, among other things, Xiamen Yirui agreed to sell and Yi Yue agreed to purchase 25% equity interests in Xiamen Zhaohui. The consideration under the Equity Transfer Agreement shall be RMB3,393,475. The principal terms of the Equity Transfer Agreement are set out below:

<b>Date:</b>	22 December 2022 (after trading hours)
<b>Parties:</b>	Vendor: Xiamen Yirui, an indirect wholly-owned subsidiary of the Company  Purchaser: Yi Yue
<b>Subject matter:</b>	25% equity interest in Xiamen Zhaohui beneficially owned by Xiamen Yirui
<b>Consideration:</b>	RMB3,393,475, which shall be paid by Yi Yue within 90 days from the signing of the Equity Transfer Agreement
<b>Completion:</b>	The date on which the Sale Shares are registered under the name of Yi Yue

The consideration was determined after arm's length negotiations between the parties to the Equity Transfer Agreement with reference to the appraised value of the entire equity interests of Xiamen Zhaohui as at the Benchmark Date appraised by the Valuer. The Directors (including the independent non-executive Directors) are of the view that the consideration under the Equity Transfer Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, Xiamen Yirui holds the entire equity interests in Xiamen Zhaohui. Upon completion of the Disposal, Xiamen Zhaohui will be held by Xiamen Yirui and Yi Yue as to 75% and 25%, respectively. As such, Xiamen Zhaohui will remain an indirect subsidiary of the Company and its financial results will continue to be consolidated into the consolidated financial statements of the Company.

## VALUATION

According to the Valuation Report, the appraised value of the entire equity interests of Xiamen Zhaohui as at the Benchmark Date using the discounted cash flow approach of the income method amounted to RMB13,573,900. As the discounted cash flow method under the income approach was applied in the Valuation, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, the requirements under Rules 14A.68(7) and 14.62 of the Listing Rules are applicable.

Pursuant to Rule 14.62 of the Listing Rules, details of the principal assumptions upon which the profit forecast is based are as follows:

### **General assumptions**

1. *Transaction assumption:*

It is assumed that all appraised assets are assumed to be in the course of transaction and the Valuer conducts Valuation based on simulated market including the conditions of transaction of the target assets.

2. *Open market assumption:*

Both parties to the assets transaction or the proposed assets transaction in the market are assumed to be in equal position and have opportunities and time to obtain sufficient market information in order to make rational judgments on the assets including their functions, purposes and transaction prices.

3. *Going-concern assumption:*

The enterprise, as an operating entity, will operate continuously in accordance with its business objectives under its external environment. The person(s) operating the enterprise is/are accountable for and capable of assuming responsibilities; the enterprise conducts lawful operations and is able to generate appropriate profit to maintain its operation. The operating assets of the enterprise will continue to be used according to their current functions and methods, scale, frequency and environment, or used on the basis of the certain changes thereof.

### **Special assumptions**

1. There are no material changes in the existing macroeconomic, financial and industry policy of the countries or regions where Xiamen Zhaohui operates;
2. There are no material changes in the social-economic environment and policies on taxes and tax rates implemented during the future operating period where Xiamen Zhaohui operates;
3. During the future operating period, the management of Xiamen Zhaohui would duly perform their duties and maintain the existing operational management model as at the Benchmark Date for continuous operation;
4. The acquisition and utilisation methods of the production and operation sites of Xiamen Zhaohui remain consistent with the Benchmark Date without changes;
5. The funds to be invested by Xiamen Zhaohui for the construction of the assets of the principal business-related entities will arrive in full and in a timely manner, and there are no significant changes in the cost of funds as compared to its current financing costs;

6. The management of Xiamen Yirui and Xiamen Zhaohui could implement the future operation plan as scheduled, and if the actual operation of the enterprise deviates from the operation plan, Xiamen Zhaohui and its then management could take corresponding measures to remedy the deviation;
7. During the future operating period, the composition of Xiamen Zhaohui's assets, the structure of its principal business and products, the composition of its revenues and expenses, as well as its sales strategy, cost control and settlement cycle, etc., will continue to be the same as they were on the Benchmark Date without material changes. The changes in the size and composition of assets and the structure of principle business and products as a result of changes in the management, business strategies and business environment in the future are not taken into account;
8. There is no material change in Xiamen Zhaohui's revenues in the way it operates during the future operating period;
9. Xiamen Zhaohui's revenue, costs, expenses and taxes from its principal business are incurred during each forecast period;
10. The lease of Xiamen Zhaohui's business premises is normally performed, and the lease can be renewed upon expiration of the lease term as agreed in the contract. There are no factors such as government expropriation, natural disasters, force majeure, etc. that make the lease impossible to be performed;
11. All basic information and financial information provided by Xiamen Yirui and Xiamen Zhaohui are true, correct and complete.

The Board has reviewed the principal assumptions upon which the profit forecast was based on and is of the view that the profit forecast has been made after due and careful enquiry.

Grant Thornton Hong Kong Limited (the "**Auditor**"), the reporting accountant of the Company, has also reviewed the calculations for the profit forecast in the Valuation Report and has reported on the calculations of the discounted future cash flows upon which the Valuation was based on. The discounted future cash flows do not involve the adoption of the accounting policies.

A letter from each of the Board and the Auditor are included in the appendices to this announcement for the purpose of Rules 14A.68(7) and 14.62 of the Listing Rules.

## Experts and consents

The following are the qualifications of the experts who have given their opinion and advice in this announcement:

<b>Name</b>	<b>Qualification</b>
Grant Thornton Hong Kong Limited	Certified Public Accountants
Xiamen Dacheng Fanghua Assets Appraisal Land Real Estate Assessment Co., Ltd.* (廈門大成方華資產評估土地房地產估價有限公司)	Independent professional valuer

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, the experts are third parties independent of the Group and its connected persons. As at the date of this announcement, each of the experts:

- (i) has given, and has not withdrawn, its written consent to the publication of this announcement that includes its letter and all references to its name in the form and context in which they appear; and
- (ii) does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate any person to subscribe for securities in any member of the Group.

## INFORMATION OF XIAMEN ZHAOHUI

Xiamen Zhaohui is a company established with limited liability in the PRC, and is principally engaged in software development, information system integration services, information technology consulting services and computer, software and auxiliary equipment wholesale businesses.

The following is a summary of the audited consolidated financial information of Xiamen Zhaohui, for the periods as stated below:

	<b>For the year ended/as at</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>(Audited)</b>	<b>(Audited)</b>
	<i>RMB</i>	<i>RMB</i>
Profit before taxation	4,873,400	522,200
Profit after taxation	4,072,400	354,800
Total assets	36,745,100	14,153,200
Revenue	38,596,300	22,509,800

## **FINANCIAL EFFECT OF THE DISPOSAL**

Prior to completion of the Disposal, Xiamen Zhaohui is indirectly held by the Company as to 100%. Upon completion of the Disposal, Xiamen Zhaohui will be indirectly held by the Company as to 75% and continues to be qualified as a “subsidiary” under Rule 1.01 of the Listing Rules. The Group expects to record an increase of RMB3,393,475 (amount of consideration) in cash at banks and on hand upon completion of the Disposal, and there will be no significant impact on net profit.

## **INFORMATION ABOUT THE PARTIES TO THE EQUITY TRANSFER AGREEMENT**

Yi Yue is a company established with limited liability in the PRC and is an indirect wholly-owned subsidiary of CDI. It is principally engaged in the property investment and development businesses.

Xiamen Yirui is a company established with limited liability in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment management and consulting business.

## **INFORMATION OF THE GROUP**

The Company is a BVI business company incorporated in the BVI with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in property management services, community value-added and synergy services and value-added services to non-property owners in the PRC. As at the date of this announcement, CDI held 505,511,388 issued Shares, representing approximately 37.83% of the issued Shares, and has the right to exercise the voting rights in respect of 213,801,777 issued Shares directly held by Well Land. Well Land held 85,697,941 issued Shares (excluding 213,801,777 issued Shares, the voting rights of which has been entrusted to CDI), representing approximately 6.41% of the issued Shares.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

Xiamen Zhaohui is the main operating subsidiary of the smart community services of the Group, which provides services in relation to intelligent design, intelligent engineering, intelligent community and intelligent home. In recent years, the Group has continued to expand the scope and scale of its smart community services business. Since the success of Xiamen Zhaohui’s smart community services business hinges on its capability to serve the evolving needs and requirements of the property developers, the Disposal will be beneficial for Xiamen Zhaohui to obtain more information about the upstream industry chain and to optimize and enhance its customized services for property developers, thereby promoting the further development of the relevant business. Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are normal commercial terms, which are fair and reasonable and in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

Upon completion of the Disposal, the Company will be interested in 75% equity interest in Xiamen Zhaohui, Xiamen Zhaohui will remain an indirect subsidiary of the Company and its business and operational management will remain consistent and stable.

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

## **BOARD CONFIRMATION**

As Mr. Lin Weiguo is a director of CDI, he is required to abstain from voting on the board resolution to consider and approve the transaction contemplated under the Equity Transfer Agreement. Save as aforesaid, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the other Directors had material interest in the transaction contemplated under the Equity Transfer Agreement, and accordingly none of them was required to abstain from voting on the board resolution in relation to the approval of the transaction contemplated under the Equity Transfer Agreement.

## **LISTING RULES IMPLICATIONS**

As Yi Yue is an indirect wholly-owned subsidiary of CDI and CDI is the controlling shareholder of the Company, Yi Yue is a connected person of the Company. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings:

“Benchmark Date”	30 September 2022
“Board”	the board of Directors
“CDI”	C&D International Investment Group Limited (建發國際投資集團有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and a controlling shareholder of the Company
“Company”	C&D Property Management Group Co., Ltd 建發物業管理集團有限公司, a BVI business company incorporated in the BVI with limited liability and the Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules



“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares from Xiamen Yirui to Yi Yue in accordance with the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between Xiamen Yirui and Yi Yue on 22 December 2022 (after trading hours), pursuant to which, among other things, Xiamen Yirui agreed to sell and Yi Yue agreed to purchase the Sale Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 25% equity interest in Xiamen Zhaohui
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation”	the valuation of the entire equity interests of Xiamen Zhaohui as at the Benchmark Date using the discounted cash flow method of the income approach prepared by the Valuer
“Valuation Report”	the valuation report prepared by the Valuer in respect of entire equity interests of Xiamen Zhaohui for the purpose of the Disposal dated 1 November 2022
“Valuer”	Xiamen Dacheng Fanghua Assets Appraisal Land Real Estate Assessment Co., Ltd.* (廈門大成方華資產評估土地房地產估價有限公司), a third party independent of the Group and CDI and their respective connected persons



“Well Land”	Well Land International Limited (益能國際有限公司), a company incorporated in the BVI with limited liability, and a controlling shareholder of the Company
“Xiamen Yirui”	Xiamen Yirui Investment Management Co., Ltd.* (廈門益睿投資管理有限公司), a company established with limited liability in the PRC on 19 July 2016 and an indirect wholly-owned subsidiary of the Company
“Xiamen Zhaohui”	Xiamen Zhaohui Network Technology Co., Ltd.* (廈門兆慧網絡科技有限公司), a company established with limited liability in the PRC on 7 September 2015 and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Yi Yue”	Xiamen Yi Yue Property Company Limited* (廈門益悅置業有限公司), a company established with limited liability in the PRC and an indirect wholly-owned subsidiary of CDI
“%”	per cent.

By Order of the Board  
**C&D Property Management Group Co., Ltd**  
**Lin Weiguo**  
*Chairman and Non-executive Director*

Hong Kong, 22 December 2022

*As at the date of this announcement, Ms. Qiao Haixia (Chief Executive Officer) and Mr. Huang Danghui are executive directors; Mr. Lin Weiguo (Chairman) and Mr. Xu Yixuan are non-executive directors; and Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai are independent non-executive directors.*

\* *For identification purpose only*

## APPENDIX I — LETTER FROM THE BOARD OF DIRECTORS

22 December 2022

**The Listing Division**  
**The Stock Exchange of Hong Kong Limited**  
12/F, Two Exchange Square,  
8 Connaught Place,  
Central,  
Hong Kong

Dear Sir/Madam,

Reference is made to the announcement of C&D Property Management Group Co., Ltd (“**the Company**”) dated 22 December 2022 (the “**Announcement**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in the Announcement shall have the same meanings as ascribed to them in this letter.

Reference is made to the Valuation Report issued by the Valuer in respect of the valuation of the entire equity interests of Xiamen Zhaohui as at the Benchmark Date using the discounted cash flow approach of the income method, which constitutes a profit forecast as defined under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer various aspects of the basis and assumptions on which the Valuation was prepared and reviewed the Valuation (for which the Valuer is responsible). In respect of the report on profit forecast issued by the Auditor dated 22 December 2022, we have also considered whether its calculations have been properly prepared in all material respects on the basis and assumptions set out in the Valuation Report. We note that the profit forecast in the Valuation was accurately calculated and, to all material aspects, consistent with the existing accounting policy adopted by the Company.

We hereby confirm that, based on the Valuation Report, the profit forecast has been made after due and careful inquiry by the Board.

By Order of the Board  
**C&D Property Management Group Co., Ltd**  
**Lin Weiguo**  
*Chairman and Non-executive Director*

## APPENDIX II — REPORT FROM THE REPORTING ACCOUNTANT

*The following is the text of a report received from the Company's reporting accountant, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for inclusion in this announcement.*



### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CALCULATIONS OF THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF XIAMEN ZHAOHUI NETWORK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARY

#### TO THE BOARD OF DIRECTORS OF C&D PROPERTY MANAGEMENT GROUP CO., LTD

We refer to the discounted future cash flows on which the business valuation (the “**Valuation**”) dated 1 November 2022 prepared by Xiamen Dacheng Fanghua Assets Appraisal Land Real Estate Assessment Co., Ltd.\* (廈門大成方華資產評估土地房地產估價有限公司) in respect of the appraisal of the fair value of the 100% equity interests in Xiamen Zhaohui Network Technology Co., Ltd. and its subsidiary (the “**Disposal Group**”) as at 30 September 2022 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### Directors' Responsibilities for the Discounted Future Cash Flows

The Directors of C&D Property Management Group Co., Ltd are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors as set out in the Valuation. These responsibilities include carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

\* For identification purpose only

## **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Reporting Accountant’s Responsibilities**

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

## **Basis of Opinion**

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether the discounted future cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions determined by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors as set out in the Valuation. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

## **Opinion**

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions determined by the Directors as set out in the Valuation.

## **Other Matters**

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Disposal Group or an expression of an audit or review opinion on the Valuation. The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

22 December 2022