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DAFA LAND

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)

MAJOR TRANSACTION

**DISPOSAL OF 100% EQUITY INTEREST IN
SHANGHAI KAIYANG REAL ESTATE CO., LTD.**

INTRODUCTION

The Board hereby announces that on 27 October 2020, Shanghai Kaiyang Industrial (an indirect wholly-owned subsidiary of the Company), YinYi Hong Kong (an indirect wholly-owned subsidiary of the Company) and Shanghai Mailiang entered into the Equity Transfer Agreement, pursuant to which Shanghai Kaiyang Industrial and YinYi Hong Kong have agreed to sell and Shanghai Mailiang has agreed to purchase 100% equity interest in the Target Company at a total consideration of RMB24,631,629.43, subject to adjustment.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 25% but all are below 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, no Shareholder has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder and accordingly, no Shareholder is required to abstain from voting on the Equity Transfer Agreement and the transactions contemplated thereunder if a Shareholders' meeting were to be convened.

On 27 October 2020, the Controlling Shareholders have given their written approval to the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder. Accordingly, the Company is exempted from the requirement to hold a general meeting to approve the Equity Transfer Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) further details in relation to the Equity Transfer Agreement and the transactions contemplated thereunder; and (ii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 17 November 2020.

INTRODUCTION

The Board hereby announces that on 27 October 2020, Shanghai Kaiyang Industrial (an indirect wholly-owned subsidiary of the Company), YinYi Hong Kong (an indirect wholly-owned subsidiary of the Company) and Shanghai Mailiang entered into the Equity Transfer Agreement, pursuant to which Shanghai Kaiyang Industrial and YinYi Hong Kong have agreed to sell and Shanghai Mailiang has agreed to purchase 100% equity interest in the Target Company at a total consideration of RMB24,631,629.43, subject to adjustment.

THE EQUITY TRANSFER AGREEMENT

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

Date

27 October 2020

Parties

- (a) Shanghai Kaiyang Industrial (as vendor);
- (b) YinYi Hong Kong (as vendor); and
- (c) Shanghai Mailiang (as purchaser).

Subject Matter

Pursuant to the terms and conditions of the Equity Transfer Agreement, each of Shanghai Kaiyang Industrial and YinYi Hong Kong has agreed to sell 38.43% and 61.57% of the equity interest in the Target Company at a consideration of RMB9,465,935.19 and RMB15,165,694.24, respectively, and Shanghai Mailiang has agreed to purchase such equity interest held by each of Shanghai Kaiyang Industrial and YinYi Hong Kong.

As at the date of this announcement, the Target Company is directly held by Shanghai Kaiyang Industrial and YinYi Hong Kong as to 38.43% and 61.57%, respectively.

Consideration

The total consideration payable by Shanghai Mailiang for the acquisition of the Target Equity Interest shall be RMB24,631,629.43.

The consideration for the Target Equity Interest was determined after arm's length negotiations amongst Shanghai Kaiyang Industrial, YinYi Hong Kong and Shanghai Mailiang, taking into account (i) the unaudited net asset value of the Target Company of approximately RMB267,060,000 as at 30 September 2020 less the proposed capital reduction of RMB249,150,000 of the Target Company; and (ii) the valuation of the property interest held by the Target Company of approximately RMB278,000,000 by an independent third party property valuer.

In the event that the proposed capital reduction of RMB249,150,000 by the Target Company is not completed on or before 13 November 2020, the consideration for the Target Equity Interest will be increased from RMB24,631,629.43 to RMB273,781,629.43.

As at the date of this announcement, the Target Company has filed the application for the proposed capital reduction with the relevant PRC governmental authority.

Payment terms

As at the date of this announcement, Shanghai Kaiyang Industrial is an indirect wholly-owned subsidiary of YinYi Hong Kong. Pursuant to the terms of the Equity Transfer Agreement, YinYi Hong Kong confirms that the consideration of RMB15,165,694.24 receivable by YinYi Hong Kong, will be paid to Shanghai Kaiyang Industrial on its behalf.

The total consideration of the Target Equity Interest of RMB24,631,629.43 shall be paid by Shanghai Mailiang to Shanghai Kaiyang Industrial in one lump sum before 30 November 2020.

Completion

Within 5 days after the signing of the Equity Transfer Agreement, the parties shall sign all the documents required for the registration of equity transfer contemplated under the Equity Transfer Agreement and assist the Target Company with the registration filings for such equity transfer with the relevant industrial and commercial authorities in the PRC.

The completion of the Equity Transfer Agreement shall take place on the date on which (i) the Target Equity Interest has been transferred by Shanghai Kaiyang Industrial and YinYi Hong Kong to Shanghai Mailiang; and (ii) the industrial and commercial registration of such equity transfer has been completed.

Upon completion, Shanghai Mailiang 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, and upon completion, the Target Company will cease to be a subsidiary of the 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. As at the date of this announcement, the principal assets of the Target Company are an investment property and several completed properties held for sale, including parking spaces, with an aggregate GFA of approximately 28,000 sq.m. of Dafa Bliss Four Seasons Project* (大發融悦四季項目), which is a residential property project located at intersection of Xiuze Road and Huijin Road, Qingpu District, Shanghai, the PRC and the construction of which was completed as at the date of this announcement.

Set out below is the net profit or loss (both before and after taxation) of the Target Company (as prepared in accordance with International Financial Reporting Standards) for the two years ended 31 December 2018 and 31 December 2019:

	For the year ended 31 December	
	2018	2019
	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)
Net (loss)/profit before taxation	(37,526)	332,143
Net (loss)/profit after taxation	(28,303)	218,062

The unaudited net asset value of the Target Company as at 30 September 2020 was approximately RMB267,060,000. As at the date of this announcement, the Target Company has filed the application to reduce its registered capital by RMB249,150,000, after which the unaudited net asset value of the Target Company would decrease accordingly.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon completion of the Disposal, it is estimated that the Company would record a gain on the Disposal (before taxation) of approximately RMB6,722,000, being the difference between (i) the total consideration for the Target Equity Interest of RMB24,631,629.43; and (ii) the unaudited net asset value of the Target Company of approximately RMB267,060,000 as at 30 September 2020 less the proposed capital deduction of RMB249,150,000 of the Target Company. The actual gain 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 proceeds from the Disposal for general working capital and potential acquisitions and investments as and when opportunities arise.

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.

Shanghai Kaiyang Industrial

Shanghai Kaiyang Industrial is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development.

YinYi Hong Kong

YinYi Hong Kong is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Shanghai Mailiang

Shanghai Mailiang is a company established under the laws of the PRC with limited liability. It is principally engaged in investment holding and its sole shareholder is Zhang Huan (張歡).

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

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT

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

The Target Company mainly holds the Dafa Bliss Four Seasons Project* (大發融悦四季項目). The Company expects that the Disposal will improve the Group's asset turnover rate and generate additional cash inflow, which would enhance the Group's ability to acquire or invest in other land parcels or property projects.

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 25% but all are below 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDER’S APPROVAL

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, no Shareholder has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder and accordingly, no Shareholder is required to abstain from voting on the Equity Transfer Agreement and the transactions contemplated thereunder if a Shareholders’ meeting were to be convened.

On 27 October 2020, Mr. Ge Hekai (Mr. Ge Yiyang’s father), Ms. Jin Linyin (Mr. Ge Yiyang’s mother), Mr. Ge Heming (Mr. Ge Yiyang’s uncle) and Mr. Ge Yiyang (an executive Director and the Chairman of the Board), being the Ultimate Controlling Shareholders, together with their respective wholly-owned holding companies (namely Splendid Sun Limited, Sound Limited, Shade (BVI) Limited, Glorious Villa Limited and He Hong Limited and each being a direct Controlling Shareholder), interested in a total of 600,000,000 Shares pursuant to the Deed of Act-in-Concert as at the date of this announcement (representing approximately 72.47% of the issued share capital of the Company), have given their written approval to the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder. Accordingly, the Company is exempted from the requirement to hold a general meeting to approve the Equity Transfer Agreement and the transactions contemplated thereby pursuant to Rule 14.44 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) further details in relation to the Equity Transfer Agreement and the transactions contemplated thereunder; and (ii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 17 November 2020.

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
“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
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in case of the Company, namely Mr. Ge Hekai, Mr. Ge Yiyang, Mr. Ge Heming, Ms. Jin Linyin, Splendid Sun Limited, Sound Limited, Shade (BVI) Limited, Glorious Villa Limited and He Hong Limited
“Deed of Act-in-Concert”	A deed of act-in-concert dated 16 April 2018 entered into among the Ultimate Controlling Shareholders, as further described in the prospectus of the Company dated 28 September 2018
“Director(s)”	director(s) of the Company

“Disposal”	the disposal of 100% equity interest in the Target Company by Shanghai Kaiyang Industrial and YinYi Hong Kong to Shanghai Mailiang pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 27 October 2020 entered into among Shanghai Kaiyang Industrial (an indirect wholly-owned subsidiary of the Company), YinYi Hong Kong (an indirect wholly-owned subsidiary of the Company) and Shanghai Mailiang in respect of the Disposal
“GFA”	gross floor area
“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 of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Kaiyang Industrial”	Shanghai Kaiyang Industrial Development Co., Ltd.* (上海凱陽實業發展有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Shanghai Mailiang”	Shanghai Mailiang Industrial Development Co., Ltd.* (上海邁亮實業發展有限公司), a limited liability company established in the PRC
“Shareholder(s)”	holder(s) of share(s) of the Company
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Kaiyang Real Estate Co., Ltd.* (上海凱陽置業有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company, which is held as to 38.43% and 61.57% by Shanghai Kaiyang Industrial and YinYi Hong Kong respectively
“Target Equity Interest”	100% equity interest in the Target Company, of which 38.43% is held by Shanghai Kaiyang Industrial and 61.57% is held by YinYi Hong Kong

“Ultimate Controlling Shareholders”	collectively, Mr. Ge Hekai, Ms. Jin Linyin, Mr. Ge Heming and Mr. Ge Yiyang
“YinYi Hong Kong”	YinYi Holdings (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 27 October 2020

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.*