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If you have sold or transferred all your shares in DaFa Properties Group Limited, you should at once hand this circular, the form of proxy and the reply slip to the purchaser or transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

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

Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 11 of this circular.

The Disposal has been approved by written shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

25 November 2020

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“Capital Reduction”	the application made by the Company for the proposed capital reduction of the Target Company by RMB249,150,000
“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

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	20 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of the Listed Issuers, as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“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
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of HK\$0.001 each
“Shareholder(s)”	holder(s) of the Shares
“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

DEFINITIONS

“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

* *For identification purposes only.*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. GE Yiyang (*Chairman*)
Mr. LIAO Lujiang (*Chief Executive Officer*)
Mr. CHI Jingyong
Mr. YANG Yongwu

Independent non-executive Directors:

Mr. GU Jiong
Mr. SUN Bing
Mr. FOK Ho Yin Thomas

Registered office:

The offices of Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

*Headquarters and principal place of business
in the PRC:*

No. 2, Lane 1188
Shenhong Road
Minhang District
Shanghai
the PRC

Principal place of business in Hong Kong:

Rooms 2805-06, 28th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

25 November 2020

To the Shareholders

Dear Sir or Madam,

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

I. INTRODUCTION

Reference is made to the announcement dated 27 October 2020 in relation to the Disposal.

LETTER FROM THE BOARD

As disclosed in the announcement of the Company dated 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 in relation to the Capital Reduction.

The purpose of this circular is to provide you with, 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.

II. 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 Latest Practicable Date, the Target Company was 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 (subject to adjustment in relation to the Capital Reduction).

LETTER FROM THE BOARD

Pursuant to the terms and conditions of the Equity Transfer Agreement, in the event that the 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 shall be increased from RMB24,631,629.43 to RMB273,781,629.43 and to be paid as a one-off payment.

Pursuant to relevant general practice in the PRC, the consideration of the equity interest in a target company should be determined based on its net asset value or fair value, and the consideration should be settled immediately before the relevant industrial and commercial registration of the equity transfer is completed. Pursuant to the Capital Reduction, the registered capital of the Target Company will be reduced by RMB249,150,000 to RMB10,000,000 which is the minimum level of registered capital for companies engaged in property development business pursuant to general practice in the PRC for real estate enterprises, and the payable of the Target Company to its existing shareholders (i.e. Shanghai Kaiyang Industrial and YinYi Hong Kong) shall be increased by the same amount. As a result, the net asset value and the consideration will be reduced by the same amount. Therefore, to potentially reduce the consideration payable in respect of the equity interest (and hence to allow Shanghai Mailang greater flexibility in payment of RMB249,150,000 without affecting the timing for completion of the industrial and commercial registration), the parties, after arm's length negotiations, proposed that the Capital Reduction be conducted prior to 13 November 2020.

As at the Latest Practicable Date, the Capital Reduction had not been completed and the Company will not proceed with such Capital Reduction. Therefore, the final total consideration for the Disposal is RMB273,781,629.43. Accordingly, the consideration payable to each of Shanghai Kaiyang Industrial and YinYi Hong Kong shall be RMB105,214,280.19 and RMB168,567,349.24, respectively.

The final total consideration (being RMB273,781,629.43 given the Capital Reduction was not completed by 13 November 2020) for the Target Equity Interest was determined after arm's length negotiations amongst Shanghai Kaiyang Industrial, YinYi Hong Kong and Shanghai Mailiang, primarily taking into account (i) the unaudited net asset value of the Target Company of RMB267,060,047.73 as at 30 September 2020; (ii) the valuation of properties of the Target Company as at 30 September 2020 (as set out in the property valuation report in Appendix II to this circular) (which determined the estimated appreciation of properties held for sale of approximately RMB4,758,000); and (iii) potential transaction costs to be incurred by the Company in relation to the Disposal of approximately RMB2,000,000 (including legal fees and other professional fees).

Taking into account the factors above, the Board is of the view that the consideration for the Target Equity Interest is fair and reasonable.

LETTER FROM THE BOARD

Payment terms

As at the Latest Practicable Date, Shanghai Kaiyang Industrial was 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 RMB168,567,349.24 receivable by YinYi Hong Kong, will be paid to Shanghai Kaiyang Industrial on its behalf.

The total consideration of the Target Equity Interest of RMB273,781,629.43 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 shareholding interests in 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.

III. 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 Latest Practicable Date, the principal assets of the Target Company were 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* (大發融悅四季項目), which is a residential property project located at intersection of Xiuze Road and Huijin Road, Qingpu District, Shanghai, the PRC.

LETTER FROM THE BOARD

The construction of the DaFa Bliss Four Seasons Project* (大發融悅四季項目) was completed in 2019. As at the valuation date of 30 September 2020, most of the saleable properties had been sold and delivered to the customers. The remaining properties held by the Target Company were several unsold commercial properties, unsold parking spaces and an apartment held for investment of a total GFA of approximately 28,000 sq.m. (representing approximately 32.6% of total GFA for the project).

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

For the year ended 31 December 2018, the Target Company recorded a net loss before taxation of approximately RMB37,526,000 as its residential property project was at its construction phase, with selling and distribution expenses and administrative expenses incurred of approximately RMB15,037,000 and RMB22,785,000, respectively. However, no revenue had been generated at the time as the construction of its residential property project was not completed, therefore no properties were delivered to the customers. For the year ended 31 December 2019, the Target Company had recorded a net profit before taxation of approximately RMB332,143,000 since the construction of its residential property project had been completed, therefore those properties pre-sold were delivered to the customers. As a result, the Target Company recorded a revenue of approximately RMB1,519,783,000 for the year ended 31 December 2019.

The unaudited net asset value of the Target Company as at 30 September 2020 was approximately RMB267,060,000. Based on the management accounts of the Target Company as at 30 September 2020, other than the property interest held by the Target Company, namely, Dafa Bliss Four Seasons Project* (大發融悅四季項目), the major assets of the Target Company comprise amounts due from other subsidiaries of the Group incurred in its ordinary course of business in the amount of approximately RMB306,542,000, and the major liabilities of the Target Company comprise amounts due to other subsidiaries of the Group incurred in its ordinary course of business in the amount of approximately RMB177,895,000. It is anticipated that such amounts due from/due to other subsidiaries of the Group will be offset, and the remaining amounts due from other subsidiaries of the Group of approximately RMB128,647,000 shall be settled by the Group before 31 December 2020.

LETTER FROM THE BOARD

IV. 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 RMB273,781,629.43; and (ii) the unaudited net asset value of the Target Company of approximately RMB267,060,000 as at 30 September 2020. 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.

Following completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and the financial results (including the earnings) of the Target Company will no longer be consolidated into the accounts of the Group. Based on the management accounts of the Target Company as at 30 September 2020, after excluding intra-group balances which would be eliminated in the consolidated financial statements of the Group according to the International Financial Reporting Standards, it is expected that the Disposal would lead to a decrease of the unaudited consolidated total assets of the Group by approximately RMB301,822,000 and a decrease of the unaudited consolidated total liabilities of the Group by approximately RMB163,410,000 in the unaudited consolidated statement of financial position of the Group, assuming that the completion of the Disposal took place on 30 September 2020.

The Group currently anticipates that (i) approximately 20% of the proceeds, being approximately RMB54.8 million, would be used for general working capital including payment for selling and distribution expenses and administrative expenses within the next year; and (ii) approximately 80% of the proceeds, being RMB219 million, would be used for potential acquisitions and investments in future property projects within the next year.

V. 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.

LETTER FROM THE BOARD

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.

VI. 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* (大發融悅四季項目). The principal assets of the Target Company comprised of an investment property and several completed properties held for sale, including parking spaces, with an aggregate GFA of approximately 28,000 sq.m. Excluding the investment property, those unsold parking spaces and unsold completed properties held for sale have not generated any rental income for the Group since their completion in 2019.

The Directors consider that the Disposal can revitalize the Group's project assets and the Disposal can recognise a gain, and enhance the overall shareholders' return of the Group. The Company further 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.

LETTER FROM THE BOARD

VII. 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.

As at the Latest Practicable Date, 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 Latest Practicable Date (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 thereunder pursuant to Rule 14.44 of the Listing Rules.

VIII. RECOMMENDATION

The Board considers 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. Although a general meeting was not convened by the Company to approve the Equity Transfer Agreement and the transactions contemplated thereunder, if such a general meeting were to be convened by the Company, the Board would have recommended the Shareholders to vote in favour of the resolution(s) to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

IX. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
DaFa Properties Group Limited
GE Yiyang
Chairman

* *For identification purposes only.*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the two years ended 31 December 2018 and 31 December 2019 and the six months ended 30 June 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.dafaland.com) and can be accessed at the website addresses below:

- For the annual report of the Group for the year ended 31 December 2018, please see: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291068.pdf>
- For the annual report of the Group for the year ended 31 December 2019, please see: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042400948.pdf>
- For the interim report of the Group for the six months ended 30 June 2020, please see: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0909/2020090900239.pdf>

2. INDEBTEDNESS

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Group had outstanding indebtedness of approximately:

As at the close of business on 30 September 2020, the Group's total indebtedness, which includes interest-bearing bank and other borrowings and senior notes, is set forth as the following table.

	As at 30 September 2020
	<i>RMB'000</i>
Current	
Bank loans – secured	1,055,804
Other loans – secured	626,170
Other loans – unsecured	178,000
Current portion of long term bank loans – secured	114,993
Current portion of long term other loans – unsecured	5,000
Senior notes – unsecured	3,625,164
	<hr/>
Subtotal	5,605,131
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Non – current	
Bank loans – secured	3,545,497
Other loans – secured	490,000
Other loans – unsecured	216,143
Senior notes – unsecured	1,021,515
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Subtotal	5,273,155
	<hr/>
Total	10,878,286
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As at the close of business on 30 September 2020, the Group had lease liabilities of RMB4,850,113, consisting of current portion of RMB2,278,292 and non-current portion of RMB2,571,821.

As at the close of business on 30 September 2020, the Group had guarantees given in favour of the banks in respect of mortgage facilities granted to certain purchasers of the Group's property units in the amount of approximately RMB4,665,174,500.

As at the close of business on 30 September 2020, the Group provides guarantees to bank and other institutions of approximately RMB1,963,407,000 in connection with facilities granted to the joint ventures and associates of the Group.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, as at the close of business on 30 September 2020, the Group did not have any material:

- (i) debt securities issued and outstanding, or authorised or otherwise created but unissued;
- (ii) term loans;
- (iii) borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or lease liabilities;
- (iv) mortgages or charges; or
- (v) contingent liabilities or guarantees.

The Directors confirm that, save as disclosed above, the Group does not have any plans for material external debt financing and no material changes in the indebtedness and contingent liabilities of the Group since 30 September 2020 up to and including the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the cash flow generated from the operating activities, the financial resources available to the Group including cash and cash equivalents on hand, the internally generated funds and the available banking facilities, the Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirements in at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the first half of 2020, China's economic development was significantly impacted by the novel coronavirus, and thus the property sales volume and selling price in the real estate market declined in the short term. Since March 2020, the domestic epidemic has been effectively controlled. With the gradual effects of central and local governments' policies, such as several rounds of interest rate reduction, policy support for both sides and the implementation of major plans, the real estate market has gradually recovered, and various economic indicators have shown signs of improvement. According to the National Bureau of Statistics of China, the gross domestic product decreased by 6.8% year-on-year in the first quarter of 2020, while increased by 3.2% year-on-year and 11.5% quarter-on-quarter in the second quarter, showing a steady recovery of China's economy. At the same time, apart from deepening the new urbanization, the central government also emphasized speeding up the implementation of regional development strategies, facilitated the coordinated development of Beijing-Tianjin-Hebei, the integrated development of the Yangtze River Delta Region and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, as well as promoted the construction of the Chengyu Region Economic Circle.

The Group is a real estate developer deeply engaged in the Yangtze River Delta Region with a focus on the development and sales of residential properties. The market witnessed gradual recovery in the second quarter of 2020, and cities in the Yangtze River Delta Region recorded particularly outstanding performance in terms of property sales volume and selling price, indicating significant recovery of the real estate market in this region. The Group adhered to the "1+5+X" strategic layout for deep regional penetration so as to further stabilize its contracted sales and optimize our land reserves. Riding on its sound business performance and persistence in brand value, the Group expects that it will be able to maintain sufficient liquidity and moderate debt levels while ensuring stable growth in scale in the future, with annual improvement in financial stability.

5. NO MATERIAL ADVERSE CHANGE

Reference is made to the profit warning announcement of the Company dated 17 August 2020 in relation to the expected decrease in its consolidated net profit for the six months ended 30 June 2020 of about 45% as compared with the six months ended 30 June 2019 and the unaudited interim results announcement for the six months ended 30 June 2020 dated 25 August 2020. The decrease in the consolidated net profit of the Group for the six months ended 30 June 2020 was mainly attributable to the decrease in the revenue recognised from properties sold for the six month ended 30 June 2020, which was partly affected by the outbreak of the COVID-19 pandemic.

Save as disclosed above, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date.

6. RECONCILIATION STATEMENT

Property Interests and Property Valuation

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued the Target Company's property interests as of 30 September 2020 and is of the opinion that the aggregate value of such property interests as of such date was RMB278,000,000. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix II to this circular.

A reconciliation of the net book value of the Target Company's properties as of 30 June 2020 to their fair value as of 30 September 2020 as stated in the property valuation report set out in "Valuation Report" in Appendix II is set out below:

	<i>RMB'000</i>
Net book value of the following properties of the Target Company as of 30 June 2020	
Investment properties	134,600
Completed properties held for sale	135,115
Addition, at cost, for the three months ended 30 September 2020	<u>3,527</u>
Net book value of the properties of the Target Company as of 30 September 2020	273,242
Valuation surplus, before tax	
Completed properties held for sale	<u>4,758</u>
Valuation of properties of the Target Company as of 30 September 2020 as set out in the Valuation Report in Appendix II	<u><u>278,000</u></u>

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 30 September 2020 of the property interest held by Shanghai Kaiyang Real Estate Co., Ltd. (the “Target Company”).



仲量聯行

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979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

25 November 2020

The Board of Directors
DaFa Properties Group Limited
No. 2, Lane 1188
Shenhong Road
Minhang District
Shanghai
the PRC

Dear Sirs,

On 27 October 2020, Shanghai Kaiyang Industrial Development Co., Ltd. (the “**Vendor**” or “**Shanghai Kaiyang Industrial**”), an indirectly wholly-owned subsidiary of DaFa Properties Group Limited (the “**Company**”), YinYi Holdings (Hong Kong) Limited (the “**Vendor**” or “**YinYi Hong Kong**”), an indirectly wholly-owned subsidiary of the Company and Shanghai Mailiang Industrial Development Co., Ltd. (the “**Purchaser**” or “**Shanghai Mailiang**”), an independent third party, entered into the Equity Transfer Agreement, pursuant to which Shanghai Kaiyang Industrial and YinYi Hong Kong have agreed to sell 38.43% and 61.57% respectively of the equity interest in Shanghai Kaiyang Real Estate Co., Ltd. (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. Pursuant to the terms and conditions of the Equity Transfer Agreement, in the event that the Capital Reduction of RMB249,150,000 by the Target Company was not completed on or before 13 November 2020, the consideration for the Target Equity Interest shall be increased from RMB24,631,629.43 to RMB273,781,629.43 and to be paid as a one-off payment. As at the Latest Practicable Date, the Capital Reduction had not been completed and the Company will not proceed with such Capital Reduction. Therefore, the final total consideration for the Disposal is RMB273,781,629.43. Accordingly, the consideration payable to each of Shanghai Kaiyang Industrial and YinYi Hong Kong shall be RMB105,214,280.19 and RMB168,567,349.24 respectively.

In accordance with your instructions to value the property interest held by the Target Company in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 30 September 2020 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued portions of the property interest in Group I which are held for sale by the Target Company by the comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

In valuing portions of the property interest in Group II which are held for investment by the Target Company, we have adopted the income approach by taking into account the rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and the Target Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of State-owned Land Use Rights Grant Contract, Real Estate Title Certificates and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company’s PRC legal adviser – Jincheng Tongda & Neal, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

The site inspection was carried out on 14 October 2020 by Ms. Joan Zhu who is China Qualified Land Valuer and has 8 years' valuation experience in the real estate industry of the PRC. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and the Target Company. We have also sought confirmation from the Target Company and the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in these particular market sectors remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of the property under frequent review.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest held by the Target Company in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2020 RMB
Portions of Dafa Bliss Four Seasons located at the junction of Huijin Road and Xiuze Road Qingpu District Shanghai The PRC	<p data-bbox="496 480 884 689">Dafa Bliss Four Seasons (the “Project”) is located at the the junction of Huijin Road and Xiuze Road in Qingpu District in Shanghai. It is well served by public transportation. The locality is a mature residential and commercial area.</p> <p data-bbox="496 725 884 981">The Project occupies a parcel of land with a site area of approximately 27,508.30 sq.m., which had been developed into a residential and commercial development. The Project was completed in June 2019, and the unsold portions (the “unsold units”) were partly held for sale and partly held for investment as at the valuation date.</p> <p data-bbox="496 1017 884 1193">As at the valuation date, the property comprised the unsold units of the Project with a total gross floor area of approximately 27,878.83 sq.m. The classification, usage and gross floor area details of the property are set out in note 9.</p> <p data-bbox="496 1229 884 1355">The land use rights of the property have been granted for the terms expiring on 25 January 2086 for residential use and 25 January 2056 for commercial use.</p>	As at the valuation date, portion of the property was vacant for sale, and the remaining portion of the property was rented to an independent third party for apartment use.	278,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Hu Qing Gui Tu (2015) Chu Rang He Tong Di No. 36 dated 2 December 2015 and a Supplementary Contract dated 5 January 2016, the land use rights of a parcel of land with a site area of approximately 27,508.30 sq.m. (including the land use rights of the property) were contracted to be granted to the Target Company for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB860,000,000. According to the information provided by the Target Company, as at the valuation date, the total cost (including construction cost and the respective apportioned land cost) expended on the property was approximately RMB264,585,000.
2. Pursuant to a Construction Land Planning Permit – Hu Qing Di (2016) EA31011820164296, permission towards the planning of the aforesaid land parcel with a site area of approximately 30,876.00 sq.m. (including the property) has been granted to the Target Company.
3. Pursuant to a Real Estate Title Certificate (for land) – Hu Fang Di Qing Zi (2016) Di No. 007960, the land use rights of the aforesaid land parcel with a site area of approximately 27,508.30 sq.m. (including the land use rights of the property) have been granted to the Target Company for the terms expiring on 25 January 2086 for residential use and 25 January 2056 for commercial use.

4. Pursuant to a Construction Work Planning Permit – Hu Qing Jian (2016) FA31011820165093 in favour of the Target Company, the Project with a total gross floor area of approximately 85,534.11 sq.m. (including the property) has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit – No. 1602QP0267D01 in favour of the Target Company, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 85,534.11 sq.m. (including the property).
6. Pursuant to 4 Pre-sale Permits – Qing Pu Fang Guan (2017) Yu Zi No. 0000185, Qing Pu Fang Guan (2018) Yu Zi Nos. 0000304 and 0000312, and Qing Pu Fang Guan (2019) Di No. 20190527 in favour of the Target Company, the Target Company is entitled to sell portions of the Project (representing a total gross floor area of approximately 71,623.90 sq.m.) to purchasers.
7. Pursuant to a Construction Work Completion and Inspection Certificate – No. LS190500502YS001 in favour of the Target Company, the construction of the Project with a total gross floor area of approximately 78,936.60 sq.m. (including the property) has been completed and passed the inspection acceptance.
8. Pursuant to 2 Real Estate Title Certificates – Hu (2019) Qing Zi Bu Dong Chan Quan Di Nos. 031852 and 031881, the building ownership rights of the Project with a total gross floor area of approximately 76,746.11 sq.m. (including the property) are held by the Target Company and the relevant land use rights have been granted for the terms expiring on 25 January 2086 for residential use and 25 January 2056 for commercial use.
9. According to the information provided by the Company, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	No. of car parking space
Group I – held for sale by the Target Company	Retail	2,810.25	
	Car parking spaces	20,565.73	558
	Sub-total:	23,375.98	558
Group II – held for investment by the Target Company	Apartment	4,502.85	
	Sub-total:	4,502.85	
	Total:	27,878.83	558

10. Pursuant to a Tenancy Agreement, portion of the property with a gross floor area of approximately 4,502.85 sq.m. is leased to a tenant for apartment use with the expiry date on 31 July 2025, and the monthly rent receivable as at the valuation date was approximately RMB675,000, exclusive of management fees, water and electricity charges.
11. Our valuation has been made on the following basis and analysis:
 - a. For the portion of the property in Group I, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are retail units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2020. The unit price of these comparable properties ranges from RMB26,000 to RMB36,000 per sq.m. for retail units on the first floor and RMB100,000 to RMB150,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at the assumed unit rate. The general basis of adjustment of physical characteristics like building age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and the valuation date is considered;

- b. For the remaining portion of the property in Group II, we have considered the actual rents in the existing tenancy agreement and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area;
- c. The unit rents of these comparable apartment units range from RMB4.5 to RMB6.0 per sq.m. per day; and
- d. Based on our research on rental apartment market in the surrounding area of the property, the stabilized market yield ranged from 3.5% to 5.5% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 4.0% for apartment use as the capitalization rate in the valuation.
12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party; and
- b. The Target Company is legally and validly in possession of the land use rights of the property. The Target Company has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property.
13. A summary of major certificates/approvals is shown as follows:
- | | |
|--|-----|
| a. State-owned Land Use Rights Grant Contract | Yes |
| b. Real Estate Title Certificate (for land) | Yes |
| c. Real Estate Title Certificate (for building) | Yes |
| d. Construction Land Planning Permit | Yes |
| e. Construction Work Planning Permit | Yes |
| f. Construction Work Commencement Permit | Yes |
| g. Pre-sale Permit | Yes |
| h. Construction Work Completion and Inspection Certificate/Table | Yes |
14. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group I – held for sale by the Target Company	143,400,000
Group II – held for investment by the Target Company	134,600,000
Total:	278,000,000

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executives

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO, which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

(a) Long position in the Shares

Name	Position	Capacity	Number of Shares or underlying Shares interested (Note 1)	Approximate percentage of the issued share capital of the Company (%)
Mr. Ge Yiyang (Note 2) (Note 3)	Director	Interest of concert parties/Founder of a discretionary trust who can influence how the trustee exercises his discretion	600,000,000 (L)	72.47

Notes:

- “L” denotes the person’s long position in the Shares.
- Pursuant to the Deed of Act-in-concert, each of the ultimate controlling shareholders (namely, Mr. Ge Hekai (father of Mr. Ge Yiyang), Ms. Jin Linyin (mother of Mr. Ge Yiyang), Mr. Ge Heming (uncle of Mr. Ge Yiyang) and Mr. Ge Yiyang) had agreed to, consult each other and reach a unanimous consensus among themselves on such matters being the subject matters of any shareholders’ resolution, prior to putting forward such resolution to be passed at any shareholders’ meeting of the members of the Group

or their respective predecessors during the period when they (by themselves or together with their associates) remain in control of the Group and they have confirmed that they have historically voted on such resolutions in the same way since 1 January 2015 or the date when they became interested in any member of the Group, whichever is earlier.

As such, each of the ultimate controlling shareholders together with their respective holding companies (being Splendid Sun Limited, Sound Limited, Shade (BVI) Limited, Glorious Villa Limited and He Hong Limited) are all deemed to be interested in the total Shares directly and indirectly held by Splendid Sun Limited, Sound Limited, Shade (BVI) Limited, Glorious Villa Limited and He Hong Limited. Therefore, Mr. Ge Yiyang is deemed to have interest in the Shares held by Splendid Sun Limited, Glorious Villa Limited and He Hong Limited for the purpose of Part XV of the SFO.

- Mr. Ge Yiyang transferred the entire issued share capital of Glorious Villa Limited to Grandeur Home Limited on 26 August 2020. Grandeur Home Limited is wholly owned by a trust established in Cayman Islands by Mr. Ge Yiyang (as settlor) for the benefit of his family members. TMF (Cayman) Ltd. indirectly held 120,000,000 Shares in the capacity of trustee. Therefore, Mr. Ge Yiyang is deemed to have interest in the trust for the purpose of Part XV of the SFO.

(b) Directors' interests in the shares of associated corporations

Name of associated corporation	Name of Director	Capacity	Approximate percentage of issued share capital in associated corporation (%)
Glorious Villa Limited (Note 1) (Note 2)	Mr. Ge Yiyang	Founder of a discretionary trust who can influence how the trustee exercises his discretion	100
He Hong Limited (Note 1)	Mr. Ge Yiyang	Interest in controlled corporation	21

Notes:

- Pursuant to the Deed of Act-in-Concert, each of the ultimate controlling shareholders had agreed to, consult each other and reach a unanimous consensus among themselves on such matters being the subject matters of any shareholders' resolution, prior to putting forward such resolution to be passed at any shareholders' meeting of the members of the Group or their respective predecessors during the period when they (by themselves or together with their associates) remain in control of the Group and they have confirmed that they have historically voted on such resolutions in the same way since 1 January 2015 or the date when they became interested in any member of the Group, whichever is earlier.

As such, Glorious Villa Limited, together with Splendid Sun Limited, Sound Limited, Shade (BVI) Limited and He Hong Limited controlled 72.47% of the voting power at general meetings of the Company as at 30 June 2020 and therefore Glorious Villa Limited, Splendid Sun Limited, Sound Limited, Shade (BVI) Limited and He Hong Limited are associated corporations of the Company.

- Mr. Ge Yiyang transferred the entire issued share capital of Glorious Villa Limited to Grandeur Home Limited on 26 August 2020. Grandeur Home Limited is wholly owned by a trust established in Cayman Islands by Mr. Ge Yiyang (as settlor) for the benefit of his family members. TMF (Cayman) Ltd. indirectly held 120,000,000 Shares in the capacity of trustee. Therefore, Mr. Ge Yiyang is deemed to have interest in the trust for the purpose of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they have taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the interests or short positions of the Shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than Directors or chief executives of the Company) in the Shares or underlying Shares or debentures of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and the Stock Exchange were as follows:

Name of Shareholder	Capacity	Number of Shares or underlying Shares interested (Note 6)	Approximate percentage of the issued share capital of the Company (%)
He Hong Limited	Beneficial owner Interest of concert parties (Note 1)	600,000,000 (L)	72.47
Splendid Sun Limited	Beneficial owner Interest of controlled corporation Interest of concert parties (Note 1)	600,000,000 (L)	72.47
Mr. Ge Hekai	Interest of controlled corporation Interest of concert parties (Note 1)	600,000,000 (L)	72.47
Ms. Zhu Lan	Interest of spouse (Note 2)	600,000,000 (L)	72.47
Glorious Villa Limited	Beneficial owner Interest of controlled corporation Interest of concert parties (Note 1)	600,000,000 (L)	72.47
Mr. Ge Yiyang	Interest of concert parties (Note 1) Founder of a discretionary trust who can influence how the trustee exercises his discretion (Note 5)	600,000,000 (L)	72.47
Ms. Yang Yaqi	Interest of spouse (Note 3)	600,000,000 (L)	72.47
Shade (BVI) Limited	Interest of controlled corporation Interest of concert parties (Note 1)	600,000,000 (L)	72.47

Name of Shareholder	Capacity	Number of Shares or underlying Shares interested (Note 6)	Approximate percentage of the issued share capital of the Company (%)
Ms. Jin Linyin	Interest of controlled corporation	600,000,000 (L)	72.47
	Interest of concert parties (Note 1)		
Sound Limited	Interest of controlled corporation	600,000,000 (L)	72.47
	Interest of concert parties (Note 1)		
Mr. Ge Heming	Interest of controlled corporation	600,000,000 (L)	72.47
	Interest of concert parties (Note 1)		
Ms. Wu Xiaolin	Interest of spouse (Note 4)	600,000,000 (L)	72.47
Grandeur Home Limited	Interest of controlled corporation (Note 5)	120,000,000 (L)	14.49
TMF (Cayman) Ltd.	Trustee (Note 5)	120,000,000 (L)	14.49

Notes:

- Pursuant to the Deed of Act-in-Concert, each of the ultimate controlling shareholders had agreed to, consult each other and reach a unanimous consensus among themselves on such matters being the subject matters of any shareholders' resolution, prior to putting forward such resolution to be passed at any shareholders' meeting of the members of the Group or their respective predecessors during the period when they (by themselves or together with their associates) remain in control of the Group and they have confirmed that they have historically voted on such resolutions in the same way since 1 January 2015 or the date when they became interested in any member of the Group, whichever is earlier.

As such, Glorious Villa Limited, together with Splendid Sun Limited, Sound Limited, Shade (BVI) Limited and He Hong Limited controlled 72.47% of the voting power at general meetings of the Company as at 30 June 2020 and therefore Glorious Villa Limited, Splendid Sun Limited, Sound Limited, Shade (BVI) Limited and He Hong Limited are associated corporations of the Company.
- Ms. Zhu Lan, the spouse of Mr. Ge Hekai, is deemed to be interested in Mr. Ge Hekai's interest in the Company by virtue of the SFO.
- Ms. Yang Yaqi, the spouse of Mr. Ge Yiyang, is deemed to be interested in Mr. Ge Yiyang's interest in the Company by virtue of the SFO.
- Ms. Wu Xiaolin, the spouse of Mr. Ge Heming, is deemed to be interested in Mr. Ge Heming's interest in the Company by virtue of the SFO.
- Mr. Ge Yiyang transferred the entire issued share capital of Glorious Villa Limited to Grandeur Home Limited on 26 August 2020. Grandeur Home Limited is wholly owned by a trust established in Cayman Islands by Mr. Ge Yiyang for the benefit of his family members. TMF (Cayman) Ltd. indirectly held 120,000,000 Shares in the capacity of trustee. Therefore, Mr. Ge Yiyang is deemed to have interest in the trust for the purpose of Part XV of the SFO.
- The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than Directors or chief executives of the Company) had any interests or short positions in any Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interests or short positions which have been notified to the Company and the Stock Exchange.

3. DIRECTORS' POSITION HELD WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, no Director was a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, nor any of their respective close associates had any interest in other business which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules.

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited statements of the Group were made up).

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) of the Group have been entered into by any members of the Group within the two years immediately preceding the Latest Practicable Date, and which are, or may be, material to the Group:

- (a) an equity transfer agreement dated 17 June 2020 entered into between Shanghai Dafa Land Group Co., Ltd.* (上海大發房地產集團有限公司), YinYi Hong Kong and Wenzhou Hanying Trading Company Limited* (溫州市瀚盈貿易有限公司) relating to the disposal of 100% equity interests in Anqing Yinyi Real Estate Co., Ltd.* (安慶市垠壹置業有限公司) at the total consideration of RMB344,659,505.88; and
- (b) the Equity Transfer Agreement.

8. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given their opinions or advice which are contained in this circular:

Name	Qualification
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent Professional Valuer
Jincheng Tongda & Neal	PRC legal adviser

Each of the abovementioned experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice or report, as the case may be issued on 25 November 2020 and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the abovementioned experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and/or the reference to its name and opinions in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the abovementioned experts did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the abovementioned experts did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited statements of the Group were made up).

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

10. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Mr. Wong Chin Hung and Ms. So Shuk Yi Betty. Mr. Wong Chin Hung is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Ms. So Shuk Yi Betty is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.
- (b) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The registered office of the Company is situated at The offices of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Island.
- (d) The principal place of business in Hong Kong of the Company is situated at Rooms 2805-06, 28th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturday, Sunday and public holiday excluded) at the principal place of business of the Company in Hong Kong at Rooms 2805-06, 28th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong and on the websites of the Company, for a period of 14 days commencing from the date of this circular up to and including 8 December 2020:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Group for the two years ended 31 December 2018 and 2019;
- (c) the interim report of the Group for the six months ended 30 June 2020;

- (d) the letter from the Board, the text of which is set out in page 4 to 11 in this circular;
- (e) the valuation report prepared by the independent valuer, the text of which is set out in Appendix II to this circular;
- (f) the material contracts referred to in the section headed “Material Contracts” to this appendix;
- (g) the written consent from each of Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Jincheng Tongda & Neal referred to in the section headed “Experts’ Qualifications and Consents” in this appendix; and
- (h) this circular.

* *For identification purpose only.*