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DaFa Properties Group Limited

大发地产集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6111)

DISCLOSEABLE TRANSACTIONS

IN RELATION TO

**(1) DISPOSAL OF 90.84% EQUITY INTEREST IN
CHONGQING RONGQUE REAL ESTATE CO., LTD.**

AND

**(2) DISPOSAL OF 100% EQUITY INTEREST IN
SHANGHAI HANYAN INDUSTRIAL DEVELOPMENT CO., LTD.**

INTRODUCTION

The Board hereby announces that on 9 June 2021, (i) Shanghai Dafa (an indirect wholly-owned subsidiary of the Company) and Chengdu Kunfa entered into the Rongque Equity Transfer Agreement, pursuant to which Shanghai Dafa has agreed to sell and Chengdu Kunfa has agreed to purchase the 90.84% equity interest in Chongqing Rongque at the consideration of RMB12,127,000; and (ii) Shanghai Dafa and Chengdu Kunfa entered into the Hanyan Equity Transfer Agreement, pursuant to which Shanghai Dafa has agreed to sell and Chengdu Kunfa has agreed to purchase 100% equity interest in Shanghai Hanyan at the consideration of RMB70,049,000.

IMPLICATIONS UNDER THE LISTING RULES

The Rongque Disposal and Hanyan Disposal constitute a series of transactions conducted within a 12-month period, which shall be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Rongque Disposal and Hanyan Disposal, on an aggregated basis, exceeds 5% but all are below 25%, the Rongque Disposal and Hanyan Disposal constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that on 9 June 2021, (i) Shanghai Dafa (an indirect wholly-owned subsidiary of the Company) and Chengdu Kunfa entered into the Rongque Equity Transfer Agreement, pursuant to which Shanghai Dafa has agreed to sell and Chengdu Kunfa has agreed to purchase the 90.84% equity interest in Chongqing Rongque at the consideration of RMB12,127,000; and (ii) Shanghai Dafa and Chengdu Kunfa entered into the Hanyan Equity Transfer Agreement, pursuant to which Shanghai Dafa has agreed to sell and Chengdu Kunfa has agreed to purchase 100% equity interest in Shanghai Hanyan at the consideration of RMB70,049,000.

THE RONGQUE EQUITY TRANSFER AGREEMENT

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

Date

9 June 2021

Parties

- (a) Shanghai Dafa (as vendor); and
- (b) Chengdu Kunfa (as purchaser).

Subject Matter

Pursuant to the terms and conditions of the Rongque Equity Transfer Agreement, Shanghai Dafa has agreed to sell 90.84% of the equity interest in Chongqing Rongque at the consideration of RMB12,127,000, and Chengdu Kunfa has agreed to purchase such equity interest held by Shanghai Dafa.

As at the date of this announcement, Chongqing Rongque is directly held by Shanghai Dafa and an independent third party as to 90.84% and 9.16%, respectively.

Consideration

The consideration payable by Chengdu Kunfa for the acquisition of the Rongque Target Equity Interest shall be RMB12,127,000.

The consideration for the Rongque Target Equity Interest was determined after arm's length negotiations between Shanghai Dafa and Chengdu Kunfa, taking into account (i) the unaudited net liabilities value of Chongqing Rongque as at 30 April 2021; and (ii) the valuation of the properties held by Chongqing Rongque by an independent third party valuer.

Payment terms

The consideration of the Rongque Target Equity Interest of RMB12,127,000 shall be paid by Chengdu Kunfa to Shanghai Dafa in one lump sum before 15 July 2021.

Completion

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

The completion of the Rongque Equity Transfer Agreement shall take place on the date on which (i) the Rongque Target Equity Interest has been transferred by Shanghai Dafa to Chengdu Kunfa; and (ii) the industrial and commercial registration of such equity transfer has been completed.

Upon completion, Chengdu Kunfa shall be entitled to the rights and obligations as a shareholder of Chongqing Rongque in accordance with its capital contribution to Chongqing Rongque and the articles of association of Chongqing Rongque, and upon completion, Chongqing Rongque will cease to be a subsidiary of the Company.

THE HANYAN EQUITY TRANSFER AGREEMENT

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

Date

9 June 2021

Parties

- (a) Shanghai Dafa (as vendor); and
- (b) Chengdu Kunfa (as purchaser).

Subject Matter

Pursuant to the terms and conditions of the Hanyan Equity Transfer Agreement, Shanghai Dafa has agreed to sell 100% of the equity interest in the Shanghai Hanyan at the consideration of RMB70,049,000, and Chengdu Kunfa has agreed to purchase such equity interest held by Shanghai Dafa.

As at the date of this announcement, Shanghai Hanyan is directly held by Shanghai Dafa as to 100%.

Consideration

The consideration payable by Chengdu Kunfa for the acquisition of the Hanyan Target Equity Interest shall be RMB70,049,000.

The consideration for the Hanyan Target Equity Interest was determined after arm's length negotiation amongst Shanghai Dafa and Chengdu Kunfa, taking into account (i) the unaudited consolidated net asset value of Shanghai Hanyan as at 30 April 2021; and (ii) the valuation of the properties held by Shanghai Hanyan (through its non-wholly owned subsidiary, Qionglai Hanyan) by an independent third party valuer.

Payment terms

The consideration of the Hanyan Target Equity Interest of RMB70,049,000 shall be paid by Chengdu Kunfa to Shanghai Dafa in one lump sum before 15 July 2021.

Completion

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

The completion of the Hanyan Equity Transfer Agreement shall take place on the date on which (i) the Hanyan Target Equity Interest has been transferred by Shanghai Dafa to Chengdu Kunfa; and (ii) the industrial and commercial registration of such equity transfer has been completed.

Upon completion, Chengdu Kunfa shall be entitled to the rights and obligations as a shareholder of Shanghai Hanyan in accordance with its capital contribution to Shanghai Hanyan and the articles of association of Shanghai Hanyan, and upon completion, Shanghai Hanyan will cease to be a subsidiary of the Company.

INFORMATION ON CHONGQING RONGQUE AND SHANGHAI HANYAN

Chongqing Rongque

Chongqing Rongque is a company established in the PRC with limited liability. It is principally engaged in property development. The principal asset of Chongqing Rongque is Dafa Xiyue Shu Shan Jing Project* (大發熙悦書山境項目), which is a residential property project located in Chongqing, the PRC, currently under construction.

Set out below is the net loss (both before and after taxation) of Chongqing Rongque (as prepared in accordance with International Financial Reporting Standards) for the two years ended 31 December 2019 and 31 December 2020.

	For the year ended	
	31 December	
	2019	2020
	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)
Net loss before taxation	24,757	833
Net loss after taxation	19,276	1,624

The unaudited net liabilities value of Chongqing Rongque as at 30 April 2021 was approximately RMB35,090,000.

Shanghai Hanyan

Shanghai Hanyan is a company established in the PRC with limited liability. It is principally engaged in investment holding. Shanghai Hanyan directly holds 91.32% equity interests of Qionglai Hanyan, which is principally engaged in property development. The principal asset of Qionglai Hanyan is The Center Mansion of Dafa* (邛崃大發融悦和府項目), which is a residential property project located in Chengdu, Sichuan Province, the PRC, and the construction of which was completed as at the date of this announcement.

Set out below is the consolidated net (loss)/profit (both before and after taxation) of Shanghai Hanyan and its subsidiary (as prepared in accordance with International Financial Reporting Standards) for the two years ended 31 December 2019 and 31 December 2020.

	For the year ended	
	31 December	
	2019	2020
	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)
Net (loss)/profit before taxation	(21,907)	116,704
Net (loss)/profit after taxation	(15,920)	84,832

The unaudited consolidated net asset value of Shanghai Hanyan and its subsidiary as at 30 April 2021 was approximately RMB65,365,000.

FINANCIAL EFFECTS FROM THE RONGQUE DISPOSAL AND HANYAN DISPOSAL

Rongque Disposal

Upon completion of the Rongque Disposal, it is estimated that the Company would record a gain on the Rongque Disposal (before taxation) of approximately RMB44.0 million, being the sum of the consideration for the Rongque Target Equity Interest of RMB12,127,000 and the net liabilities value of Chongqing Rongque attributable to the Company of approximately RMB31,875,000 as at 30 April 2021. The actual gain or loss as a result of the Rongque Disposal to be recorded by the Group shall be subject to final audit to be performed by the Company's auditors.

Hanyan Disposal

Upon completion of the Hanyan Disposal, it is estimated that the Company would record a gain on the Hanyan Disposal (before taxation) of approximately RMB10.4 million, being the difference between the consideration for the Hanyan Target Equity Interest of RMB70,049,000 and the carrying amount of the Hanyan Target Equity Interest attributable to the Company of approximately RMB59,692,000 as at 30 April 2021. The actual gain or loss as a result of the Hanyan Disposal to be recorded by the Group shall be subject to final audit to be performed by the Company's auditors.

The Group intends to apply the sale proceeds from Rongque Disposal and Hanyan 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 Dafa

Shanghai Dafa is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development and operation of commercial complexes in the PRC.

Chengdu Kunfa

Chengdu Kunfa is a company established under the laws of the PRC with limited liability. It is principally engaged in property development and its sole shareholder is Song Shikun (宋世坤).

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

REASONS FOR AND BENEFITS OF THE RONGQUE DISPOSAL AND HANYAN DISPOSAL

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

Chongqing Rongque mainly holds the Dafa Xiyue Shu Shan Jing Project* (大發熙悅書山境項目). Shanghai Hanyan mainly holds The Center Mansion of Dafa* (邛崃大發融悅和府項目) through Qionglai Hanyan. The Company expects that the Rongque Disposal and Hanyan 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 Rongque Equity Transfer Agreement and Hanyan 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

The Rongque Disposal and Hanyan Disposal constitute a series of transactions conducted within a 12-month period, which shall be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Rongque Disposal and Hanyan Disposal, on an aggregated basis, exceeds 5% but all are below 25%, the Rongque Disposal and Hanyan Disposal constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Chengdu Kunfa”	Chengdu Kunfa Properties Development Company Limited* (成都坤發房地產開發有限公司), a limited liability company established in the PRC

“Chongqing Rongque”	Chongqing Rongque Real Estate Co., Ltd.* (重慶融闕置業有限公司), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company, which is held as to 90.84% by Shanghai Dafa and 9.16% by an independent third party
“Company”	DaFa Properties Group Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6111)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hanyan Disposal”	the disposal of 100% equity interest in Shanghai Hanyan by Shanghai Dafa to Chengdu Kunfa pursuant to the Hanyan Equity Transfer Agreement
“Hanyan Equity Transfer Agreement”	the equity transfer agreement dated 9 June 2021 entered into among Shanghai Dafa (an indirect wholly-owned subsidiary of the Company) and Chengdu Kunfa in respect of the Hanyan Disposal
“Hanyan Target Equity Interest”	100% equity interest in Shanghai Hanyan held by Shanghai Dafa
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Qionglai Hanyan”	Qionglai Hanyan Real Estate Development Co., Ltd.* (邛崃市瀚顏房地產開發有限公司), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company, which is held as to 91.32% by Shanghai Hanyan and 8.68% by an independent third party
“RMB”	Renminbi, the lawful currency of the PRC

“Rongque Disposal”	the disposal of 90.84% equity interest in Chongqing Rongque by Shanghai Dafa to Chengdu Kunfa pursuant to the Rongque Equity Transfer Agreement
“Rongque Equity Transfer Agreement”	the equity transfer agreement dated 9 June 2021 entered into between Shanghai Dafa (an indirect wholly-owned subsidiary of the Company) and Chengdu Kunfa in respect of the Rongque Disposal
“Rongque Target Equity Interest”	90.84% equity interest in Chongqing Rongque held by Shanghai Dafa
“Shanghai Dafa”	Shanghai Dafa Land Group Co., Ltd.* (上海大發房地產集團有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Shanghai Hanyan”	Shanghai Hanyan Real Estate Co., Ltd.* (上海瀚顏實業發展有限公司) a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company, which is held as to 100% by Shanghai Dafa
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 9 June 2021

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.*