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禹洲集團控股有限公司

YUZHOU GROUP HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01628)

MAJOR TRANSACTION DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE DISPOSAL COMPANY

BACKGROUND

On 5 January 2022 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Framework Agreement, pursuant to which, the Purchaser intends to acquire, and the Vendor intends to sell the Sale Shares, representing the entire issued share capital of the Disposal Company at the Consideration not exceeding RMB1,060,000,000. The Disposal is subject to the Formal Agreement to be entered into between the Vendor and the Purchaser. Upon Completion, each member of the Disposal Group will cease to be a subsidiary of the Company and the financial results, assets and liabilities of the Disposal Group will no longer be consolidated into the Group's financial statements.

Subject to the results of the due diligence review on the Sale Shares by the Purchaser and further negotiations between the Vendor and the Purchaser on the terms of the Formal Agreement, the Vendor and the Purchaser will enter into the Formal Agreement based on the Framework Agreement. The Company will make further announcement(s) in relation to the progress of the Formal Agreement as and when appropriate.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal as contemplated under the Framework Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written Shareholders' approval for the Disposal will be obtained from the controlling Shareholders, Mr. Lam Lung On and Ms. Kwok Ying Lan who are the Directors and spouse to each other and are directly holding 3,866,886,700 shares of the Company in aggregate, representing approximately 59.09% of the issued share capital of the Company as at the date of this announcement. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the Disposal and therefore no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Disposal.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Disposal; and (ii) other information as required under the Listing Rules shall be despatched within 15 business days after publication of this announcement. As more time is required to prepare the financial information to be included in the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules from the Stock Exchange so that the despatch date of the circular can be postponed to a date more than 15 business days after publication of this announcement, which is expected to be on or before 28 February 2022.

The Disposal is subject to the Formal Agreement to be entered into between the Vendor and the Purchaser and Completion is subject to the fulfilment or waiver (as the case may be) of the conditions precedent thereto. Therefore, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 5 January 2022 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Framework Agreement, pursuant to which, the Purchaser intends to acquire, and the Vendor intends to sell the Sale Shares, representing the entire issued share capital of the Disposal Company at the Consideration not exceeding RMB1,060,000,000.

FRAMEWORK AGREEMENT

Date: 5 January 2022 (after trading hours)

Parties: (1) the Purchaser; and

(2) the Vendor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be disposed of

The Sale Shares, being the entire issued share capital of the Disposal Company.

Financial Effect of the Disposal

Upon Completion, each member of the Disposal Group will cease to be a subsidiary of the Company and the financial results, assets and liabilities of the Disposal Group will no longer be consolidated into the Group's financial statements and the Group expects to recognize a gain on disposal of the Disposal Company of approximately RMB718,981,619 before costs and expenses from the Disposal in the financial year ended 31 December 2022. The actual gain on disposal of the Disposal Company to be recorded by the Company is subject to audit and may be different from the estimated amount.

The net proceeds arising from the Disposal are expected to be used as general working capital or financing for future business opportunities of the Group.

Consideration and Payment Terms

Subject to the terms and conditions of the Formal Agreement to be entered into between the Purchaser and the Vendor, the Purchaser and the Vendor agreed pursuant to the Framework Agreement that the Consideration for the Sale Shares shall not exceed RMB1,060,000,000, which shall be payable by the Purchaser in cash in the following manner:

- (i) earnest money representing 5% of the Consideration (the "**Earnest Money**") shall be payable by the Purchaser to the supervisory account under the name of the Purchaser (the "**Supervisory Account**") within 3 business days after (a) the execution of the Formal Agreement and the supervisory agreement in relation to the Supervisory Account; and (b) the setting up of the Supervisory Account;
- (ii) after the first-phase Consideration representing not less than 67% of the Consideration (including the Earnest Money) (the "**First-Phase Consideration**") is paid by the Purchaser to the Supervisory Account, the Vendor and the Purchaser shall proceed to Completion in accordance with the Framework Agreement, after which the Purchaser shall release the First-Phase Consideration in the Supervisory Account to the designated account of the Vendor; and

- (iii) the remaining balance of the Consideration representing the consideration for the delivery of the Secured Area and the Contracted Area will be payable by the Purchaser every six months from the date of the Formal Agreement based on the actual delivery of the areas managed by the Target Group (the “**Delivered Area**”). The amount payable by the Purchaser every six months shall be calculated by multiplying the Delivered Area by the aggregate of the consideration of the Secured Area and the Contracted Area which is divided by 10.48 million square meters. Such payment obligation shall be conditional upon, among others, the annual basic property service fee of the Secured Area and the Contracted Area not being lower than the amount agreed by the Vendor and the Purchaser and that the relevant filings and approvals are obtained in relation to Secured Area and the Contracted Area.

The final Consideration will be subject to, among others, the results of the due diligence review by the Purchaser, adjustment of debt and similar projects (if any), the management necessary to ensure the normal and stable operation of the projects, the legality or compliance issues of the business operation of the Disposal Company (if any) and further negotiation between the Purchaser and the Vendor (the “**Consideration Adjustment**”).

Conditions Precedent

The Framework Agreement shall be terminated upon the entering into of the Formal Agreement and the entering into of the Formal Agreement is conditional upon, inter alia, fulfilment of the following being satisfied:

- (i) the Purchaser has completed all due diligence review on the Disposal Company and reached an agreement with the Vendor on the Consideration Adjustment and other core issues in relation to the Formal Agreement;
- (ii) the Purchaser and the Vendor have obtained the relevant resolutions approving the execution of the Formal Agreement and the other relevant agreements and the transactions contemplated thereunder;
- (iii) all necessary approvals, consents, filings or waivers related to the execution of the Formal Agreement have been obtained, including but not limited to the consents from the relevant creditors, guarantors and related parties (if necessary); and
- (iv) satisfactorily resolving other legal, financial, business or personnel matters that may cause obstacles to the Disposal, including but not limited to business operation compliance, related party guarantees and exchange payments, labor or labor relations (including outsourcing), litigation or arbitration matters.

Transitional Period

During the transitional period between the asset evaluation date, audit base date and the date of Completion, the Vendor shall procure the Disposal Company to perform proper management obligations, operate and use the assets and business of the Disposal Company honestly, prudently, properly and reasonably, and ensure that the assets, business and financial situation of the Disposal Company will not undergo any major adverse change.

Non-competition

Within three years after the date of Completion, the Vendor shall ensure that the Vendor and its related parties do not provide external property management services, and ensure that no new property management companies or new institutions or organizations providing similar services are established within the Group to avoid competition with the Disposal Company.

INFORMATION ON THE DISPOSAL GROUP

The Disposal Company

The Disposal Company is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, principally engaged in the business of provision of property management services.

Fujian Wanlong

Fujian Wanlong is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, principally engaged in the business of provision of property management services. As at the date of this announcement, Fujian Wanlong is 100% held by the Disposal Company.

Shanghai Yujia

Shanghai Yujia is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, principally engaged in the business of provision of property management services. As at the date of this announcement, Shanghai Yujia is 100% held by the Disposal Company.

Yuzhou Star City

Yuzhou Star City is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, principally engaged in the business of provision of property management services. As at the date of this announcement, Yuzhou Star City is 70% held by the Disposal Company.

Zhoushan Zhixin

Zhoushan Zhixin is a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, principally engaged in the business of provision of property management services. As at the date of this announcement, Zhoushan Zhixin is 70% held by the Disposal Company.

Financial information of the Disposal Company

The unaudited consolidated financial information prepared in accordance with the HKFRS of the Disposal Company are as follows:

	For the year ended 31 December 2019 (unaudited) RMB'000	For the year ended 31 December 2020 (unaudited) RMB'000
Profit before tax	55,669	66,449
Profit after tax	40,881	48,802

The unaudited net asset value of the Disposal Company as at 31 October 2021 was approximately RMB101,357,841.

GENERAL INFORMATION

The Group is principally engaged in property development, property investment, property management and hotel operations in the PRC and Hong Kong.

The Vendor is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company and is principally engaged in the business of property management in the PRC.

The Purchaser is a company incorporated in the PRC with limited liability and principally engages in the business of property consulting service. As at the date of this announcement, it is a wholly-owned subsidiary of China Resources Mixc, which is in turn held as to approximately 72.29% by CRL, and is in turn ultimately owned by CRCL, a state-owned enterprise in the PRC under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC or its delegate.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As the Group is principally engaged in property development, property investment, property management and hotel operations in the PRC and Hong Kong, it is the Group's strategy to make good use and manage its resources to better develop the portfolio of the Group's properties. The Group believes that the Disposal will enable the Company to reallocate more financial resources to the other businesses and for the future development of the Group.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Framework Agreement is entered into and the Consideration is determined on normal commercial terms on arm's length basis in the ordinary and usual course of business of the Group with terms which are fair and reasonable, and in the interest of the Company and the Shareholders as a whole. None of the Directors attended the Board meeting has a material interest in the Disposal and the Framework Agreement and had to abstain from voting in the Board meeting.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal as contemplated under the Framework Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

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DEFINITIONS

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

“Board”	the board of Directors
“China Resources Mixc”	China Resources Mixc Lifestyle Services Limited (華潤萬象生活有限公司), a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the main board of the Stock Exchange (stock code: 1209)
“Company”	Yuzhou Group Holdings Company Limited (禹洲集團控股有限公司), an exempted company incorporated in the Cayman Islands on 23 April 2008 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Formal Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Sale Shares not exceeding RMB1,060,000,000
“Contracted Area”	the area of the properties which the Target Group shall provide property management services pursuant to the preliminary property management agreements entered into between the Target Group and the relevant property developers, but pending the completion of the delivery of the relevant properties from the respective property developers
“CRCL”	China Resources Company Limited* (中國華潤有限公司), a company incorporated in the PRC with limited liability
“CRL”	China Resources Land Limited (華潤置地有限公司), a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the main board of the Stock Exchange (stock code: 1109)
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Framework Agreement
“Disposal Company”	Yuzhou Property Services Co., Ltd.* (禹洲物業服務有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Disposal Group”	the Disposal Company and its subsidiaries, namely Fujian Wanlong, Shanghai Yujia, Yuzhou Star City and Zhoushan Zhixin
“Formal Agreement”	the formal sale and purchase agreement which will be entered into between the Vendor and the Purchaser in relation to the Disposal
“Framework Agreement”	the legally binding conditional framework agreement dated 5 January 2022 entered into between the Purchaser and the Vendor in relation to the Disposal
“Fujian Wanlong”	Fujian Wanlong Property Management Service Co., Ltd.* (福建萬龍物業管理服務有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (or any successor body) or any committee of it or body recognised by it
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“independent third party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Runying Property Technology Service Co., Ltd.* (潤楹物業科技服務有限公司), a company incorporated in the PRC and an independent third party of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	representing the entire issued share capital of the Disposal Company
“Secured Area”	the area under the corresponding property projects which the Target Group had not entered into any preliminary property service agreements with the respective property developers
“Shanghai Yujia”	Shanghai Yujia Life Property Development Co., Ltd.* (上海禹家生活物業發展有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Tianjin Yujia Life Service Co., Ltd.* (天津禹佳生活服務有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Yuzhou Star City”	Yuzhou Star City (Zhoushan) Property Service Co., Ltd.* (禹洲星城(舟山)物業服務有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company

“Zhoushan Zhixin”

Zhoushan Zhixin Property Management Co., Ltd.* (舟山之信物業管理有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company

“%”

per cent

By Order of the Board
Yuzhou Properties Company Limited
Lam Lung On
Chairman

Hong Kong, 5 January 2022

As at the date of this announcement, the executive directors of the Company are Mr. Lam Lung On (Chairman, J.P.), Ms. Kwok Ying Lan and Mr. Lin Conghui, the non-executive director of the Company is Ms. Xie Mei, and the independent non-executive directors of the Company are Mr. Lam Kwong Siu, Mr. Wee Henny Soon Chiang and Dr. Zhai Pu.

* *for identification purposes only*