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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)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF A NON-WHOLLY OWNED SUBSIDIARY AND ASSIGNMENT
OF THE SALE LOAN**

On 22 February 2022 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), the Company and Ms. Kwok (both as the Vendor's Guarantors), and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which (i) the Vendor agreed to sell, and the Purchaser agreed to purchase the Sale Shares (representing 85.64% of the entire issued share capital of the Target Company), and (ii) the Vendor agreed to procure, and the Purchaser agreed to take the assignment of the Sale Loan from the Company, for a total Consideration of HK\$305.0 million (subject to the Consideration Adjustment).

Completion took place simultaneously upon the signing of the Sale and Purchase Agreement. Upon the Completion, (i) the Company did not hold any equity interest in the Target Company and the Target Company ceased to be a subsidiary of the Company and the financial results of the Target Company ceased to be consolidated into those of the Group; and (ii) the Company ceased to have any claim or benefit of the Sale Loan by the entering into of the deed of assignment by the Company and the Purchaser on the Completion Date, pursuant to which the Sale Loan was assigned from the Company to the Purchaser or its nominee with immediate effect.

As the highest percentage ratio in respect of the Disposal exceeds 5% but is below 25%, such transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under the Listing Rules.

SALE AND PURCHASE AGREEMENT

Date: 22 February 2022

Parties: (1) the Vendor
(2) the Company
(3) Ms. Kwok
(4) the Purchaser

Subject Matter

Pursuant to the Sale and Purchase Agreement, (i) the Vendor agreed to sell, and the Purchaser agreed to purchase the Sale Shares (representing 85.64% of the entire issued share capital of the Target Company), and (ii) the Vendor agreed to procure, and the Purchaser agreed to take the assignment of the Sale Loan from the Company, for a total Consideration of HK\$305.0 million (subject to the Consideration Adjustment).

Guarantors' Obligations

Pursuant to the Sale and Purchase Agreement, the Guarantors have irrevocably and unconditionally guaranteed to the Purchaser on a joint and several basis the due and punctual performance, observance and discharge by the Vendor of all present and future obligations and liabilities of the Vendor under the Sale and Purchase Agreement and all agreements and obligations entered into pursuant to or in connection with the Sale and Purchase Agreement including all money and liabilities of any nature from time to time due, owing or incurred by the Vendor under the Sale and Purchase Agreement or any agreement entered into in connection thereto.

Completion

Completion took place simultaneously upon the signing of the Sale and Purchase Agreement.

Upon the Completion, (i) the Company did not hold any equity interest in the Target Company and the Target Company ceased to be a subsidiary of the Company and the financial results of the Target Company ceased to be consolidated into those of the Group; and (ii) the Company ceased to have any claim or benefit of the Sale Loan by the entering into of the deed of assignment by the Company and the Purchaser on the Completion Date, pursuant to which the Sale Loan was assigned from the Company to the Purchaser or its nominee with immediate effect.

CONSIDERATION, PAYMENT TERMS AND THE CONSIDERATION ADJUSTMENT

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the unaudited book value of the Target Property as at the Completion Date of approximately HK\$358.0 million; (ii) the unaudited amount of the Sale Loan outstanding and owed by the Target Company to the Company as at the Completion Date of approximately HK\$343.1 million; (iii) the unaudited book value of net liability of the Target Company as at the Completion Date of approximately HK\$45.3 million; and (iv) the NTAV of the Target Company as shown in the Draft Completion Accounts as at the Completion Date of approximately HK\$5.7 million. The total Consideration for the Disposal shall be HK\$305.0 million, which is also subject to the Consideration Adjustment with further details below.

Stamp Duty Adjudication

Pursuant to the Joint Operation Agreement, on 10 December 2019, Sunfield (a wholly-owned subsidiary of the Company as at the date of this announcement) completed the transfer of the legal title of the 7A Property to the Target Company (the "**Transfer of 7A Property**"). Since Sunfield was a wholly-owned subsidiary of the Target Company at the time of the Transfer of 7A Property, an application for exemption from ad valorem stamp duty (intra group relief) under section 45 of the Stamp Duty Ordinance (Cap. 117) was filed by the Target Company on 9 January 2020, however the relevant stamp duty relief has not yet been granted as at the date of this announcement. Due to the Disposal contemplated under the Sale and Purchase Agreement, the Target Company has applied to withdraw the above section 45 application and to proceed with adjudication and stamping for the Transfer of 7A Property. As at the date of this announcement, the Stamp Duty Office is still in the course of adjudicating the stamp duty payable for the Transfer of 7A Property.

Payment Terms

Pursuant to the Sale and Purchase Agreement, the stamp duty payable for the Transfer of 7A Property upon completion of the Stamp Duty Adjudication (the "**Adjudicated Amount**") shall be solely assumed by the Vendor. Accordingly, a total amount of HK\$1.0 million (the "**Stamp Duty Deduction Amount**") shall be deducted from the Consideration, which shall be reserved by the Purchaser to settle the Adjudicated Amount for and on behalf of the Target Company. If the Stamp Duty Deduction Amount is greater than the Adjudicated Amount, any excess shall be refunded and paid by the Purchaser to the Vendor within three (3) business days after the Adjudicated Amount became ascertained. If the Stamp Duty Deduction Amount is less than the Adjudicated Amount, the Vendor shall pay the shortfall to the Target Company within three (3) business days of being notified of the result of the Adjudicated Amount.

In addition, pursuant to the Sale and Purchase Agreement, the Purchaser has paid for and on behalf of the Vendor the property management cost payable by the Vendor relating to the Target Property in the amount of approximately HK\$0.3 million (the "**Property Management Cost**"), and accordingly the Consideration shall be deducted by the Property Management Cost upon Completion.

Save for the Stamp Duty Deduction Amount being reserved and the Property Management Cost being deducted by the Purchaser, the Purchaser has fully paid the Consideration in the amount of approximately HK\$303.7 million in cash to the Vendor on the Completion Date.

Consideration Adjustment

On the Completion Date, the Vendor delivered to the Purchaser the Draft Completion Accounts prepared in accordance with the generally accepted accounting principles in force in Hong Kong in respect of the Target Company comprising of (i) an unaudited statement of financial comprehensive income of the Target Company for the period from 1 January 2021 to the Completion Date, and (ii) an unaudited statement of financial position of the Target Company as at the Completion Date.

Pursuant to the Sale and Purchase Agreement, the Vendor shall, at its own costs and expenses, deliver to the Purchaser within three (3) months from the Completion Date the Completion Accounts audited by certified public accountants (practicing) in respect of the Target Company for the period from 1 January 2021 to the Completion Date. The Completion Accounts shall be final and binding on the parties to the Sale and Purchase Agreement, in the absence of fraud or manifest error.

If the NTAV of the Target Company as shown in the Completion Accounts is more or less than that as shown in the Draft Completion Accounts, the Purchaser or the Vendor (as the case may be) shall pay the difference to the other party within five (5) days from the date of receipt of the Completion Accounts pursuant to the terms and conditions of the Sale and Purchase Agreement, and in any event such difference shall be no more than HK\$305.0 million.

Pursuant to the above, the final Consideration after the Consideration Adjustment shall be no more than HK\$610.0 million, therefore the Consideration Adjustment (if any) would not affect the classification of the Disposal under Chapter 14 of the Listing Rules. Based on the information available to the Company as at the date of this announcement, there is nothing to suggest that the Completion Accounts will substantially deviate from the Draft Completion Accounts and hence, it is expected that no difference in a substantial amount will occur pursuant to the Consideration Adjustment (if any).

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 assets and ensure a healthy level of liquidity. The Group believes that the Disposal will enable the Company to alleviate its short-term liquidity pressure and facilitate the Group's repayment of the principal of its debts and the interests accrued thereof.

In view of the above, the Directors consider that the Disposal is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the Disposal or was required to abstain from voting from the Board resolutions for considering and approving the same pursuant to the articles of association of the Company.

INFORMATION ON THE TARGET COMPANY, THE SALE LOAN AND THE TARGET PROPERTY

The Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of property holding. As at the date of this announcement, the Target Company has no subsidiaries.

Immediately prior to the Completion, the Target Company was owned by the Vendor and the Purchaser as to 85.64% and 14.36% respectively. Following the Completion, the Target Company became a wholly-owned subsidiary of the Purchaser, the Company did not hold any equity interest in the Target Company and the Target Company ceased to be a subsidiary of the Company and the financial results of the Target Company ceased to be consolidated into those of the Group.

Set out below is the audited and unaudited financial information of the Target Company prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2020 <i>(Audited)</i> HK\$'000	For the year ended 31 December 2021 <i>(Unaudited)</i> HK\$'000	
Profit (Loss) before tax	(13,705)	(1,363)	
Profit (Loss) after tax	(13,705)	(1,363)	
	As at 31 December 2020 <i>(Audited)</i> HK\$'000	As at 31 December 2021 <i>(Unaudited)</i> HK\$'000	As at the Completion Date <i>(Unaudited)</i> HK\$'000
Total asset	407,115	370,047	363,720
Net asset (liability)	(37,007)	(38,367)	(45,269)

The Sale Loan

The audited book value of the Sale Loan owed by the Target Company to the Company was approximately HK\$377.9 million as at 31 December 2020; and the unaudited book value of the Sale Loan owed by the Target Company to the Company was approximately HK\$342.4 million and HK\$343.1 million as at 31 December 2021 and the Completion Date, respectively.

Immediately after the Completion, the Company ceased to have any claim or benefit of the Sale Loan by the entering into of the deed of assignment by the Company and the Purchaser on the Completion Date, pursuant to which the Sale Loan was assigned from the Company to the Purchaser or its nominee with immediate effect.

The Target Property

The principal asset of the Target Company is the Target Property comprising certain units and car parking spaces of the Building, which is located at No. 17 Yuk Yat Street, Kowloon, Hong Kong. Immediately prior to the Completion, the Target Property was under the Developing Project by the Target Company and the Purchaser in cooperation pursuant to the Joint Operation Agreement. Following the Completion, since the Company ceased to hold any equity interest in the Target Company, the Group will no longer participate in the Developing Project.

FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

Following the Completion, the Company did not hold any equity interest in the Target Company or any benefit of the Sale Loan, and the Target Company ceased to be a subsidiary of the Company and the financial results of the Target Company ceased to be consolidated into those of the Group.

Based on (i) the total Consideration of HK\$305.0 million; (ii) the unaudited book value of the Target Property as at the Completion Date of approximately HK\$358.0 million; (iii) the unaudited amount of the Sale Loan outstanding and owed by the Target Company to the Company as at the Completion Date of approximately HK\$343.1 million; and (iv) the unaudited book value of net liability of the Target Company as at the Completion Date of approximately HK\$45.3 million, the Group is expected to recognize a net gain of approximately HK\$6.2 million upon Completion.

Shareholders should note that the above figures are for illustrative purpose only. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to the review and final audit by the auditors of the Company.

The Group intends to use all the net proceeds from the Disposal for repayment of debts of the Group.

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 BVI with limited liability and a wholly-owned subsidiary of the Company and is principally engaged in the business of investment holding.

To the best knowledge of the Directors, and having made all reasonable enquiries, the Purchaser is a company incorporated in Hong Kong with limited liability and principally engages in the business of property development. As at the date of this announcement, the ultimate beneficial owner of the Purchaser is Chung Ming Fat (鍾明輝), who is an independent third party of the Company and connected persons of the Company.

LISTING RULES IMPLICATIONS

As the highest percentage ratio in respect of the Disposal exceeds 5% but is below 25%, such transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Building”	Tai Chiap Factory Building, which is located at No. 17 Yuk Yat Street, Kowloon, Hong Kong
“BVI”	the British Virgin Islands
“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 Sale and Purchase Agreement, which took place simultaneously upon the signing of the Sale and Purchase Agreement on 22 February 2022

“Completion Accounts”	the financial statements audited by certified public accountants (practicing) of the Target Company for the period from 1 January 2021 to the Completion Date pursuant to the Sale and Purchase Agreement
“Completion Date”	the date of the Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal in the total amount of HK\$305.0 million, which is subject to the Consideration Adjustment pursuant to the Sale and Purchase Agreement
“Consideration Adjustment”	it has the meanings as ascribed under the section headed “Consideration, Payment Terms and the Consideration Adjustment – Consideration Adjustment” of this announcement
“Developing Project”	the development of a real property project by the Target Company and the Purchaser in cooperation, which involves the acquisition of certain units, the obtaining of vacant possession and then the demolition of the Building pursuant to the Joint Operation Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser and the assignment of the Sale Loan from the Company to the Purchaser pursuant to the Sale and Purchase Agreement
“Draft Completion Accounts”	the unaudited financial statements prepared in accordance with the generally accepted accounting principles in force in Hong Kong of the Target Company for the period from 1 January 2021 to the Completion Date pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Guarantors”	the Vendor’s guarantors under the Sale and Purchase Agreement, namely, the Company and Ms. Kwok
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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

“Joint Operation Agreement”	a joint operation agreement dated 24 December 2019 entered into by and between the Target Company and the Purchaser, pursuant to which the Target Company and the Purchaser agreed to cooperate with each other to conduct the Developing Project
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Kwok”	Ms. Kwok Ying Lan, an existing executive Director and a controlling shareholder of the Company as at the date of this announcement
“NTAV”	the aggregate of all tangible assets of the Target Company which are readily convertible into cash or cash equivalents (excluding the Target Property, any intangible assets and other fixed assets and deferred tax), less the aggregate of all liabilities (actual, contingent or otherwise but excluding the Sale Loan) and provisions of the Target Company as at the Completion Date
“Purchaser”	Tai Chiap Company Limited (泰捷有限公司), a company incorporated in the BVI and an independent third party of the Company and the connected persons 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
“Sale and Purchase Agreement”	the sale and purchase agreement dated 22 February 2022 entered into by and among the Vendor, the Company, Ms. Kwok and the Purchaser, pursuant to which (i) the Vendor agreed to sell, and the Purchaser agreed to purchase the Sale Shares, and (ii) the Vendor agreed to procure, and the Purchaser agreed to take the assignment of the Sale Loan from the Company, for a total Consideration of HK\$305.0 million (subject to the Consideration Adjustment)
“Sale Loan”	the shareholder’s loan owed by the Target Company to the Company assigned from the Company to the Purchaser under the Sale and Purchase Agreement
“Sale Shares”	the shares in the Target Company held by the Vendor immediately prior to the Completion, representing 85.64% the entire issued share capital of the Target Company

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder”	holder(s) of the Share(s)
“Stamp Duty Adjudication”	it has the meanings as ascribed under the section headed “Consideration, Payment Terms and the Consideration Adjustment – Stamp Duty Adjudication” of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunfield”	Sunfield Inc Limited, a wholly-owned subsidiary of the Company with principal business of investment holding as at the date of this announcement, which used to be a wholly-owned subsidiary of the Target Company
“Target Company”	Keen Choice Limited (健采有限公司), a property holding company incorporated in Hong Kong with limited liability, which was owned by the Vendor and the Purchaser as to 85.64% and 14.36% respectively, immediately prior to the Completion
“Target Property”	Units A and B on 2nd Floor, Units A, B, C and D on 3rd Floor, Unit B & Flat Roof on 4th Floor, Units A and B on 5th Floor, Unit A on 7th Floor, Units A and B on 8th Floor, Units A and B on 9th Floor, Units A and B on 10th Floor, Units A and B on 11th Floor, Car Parking Spaces Nos.8 and 10 on Ground Floor and Roofs A and B of the Building
“Vendor”	Ultra Smooth Limited (卓順有限公司), a company incorporated in the BVI and a wholly-owned subsidiary of the Company as at the date of this announcement
“7A Property”	Unit A on 7th Floor of the Building, as part of the Target Property
“%”	per cent

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

Hong Kong, 22 February 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.