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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)

**SUPPLEMENTAL ANNOUNCEMENT
UPDATE ON MAJOR TRANSACTION
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE
DISPOSAL COMPANY**

BACKGROUND

Reference is made to the announcement of the Company dated 5 January 2022 (the “**Announcement**”) in relation to the entering into of the Framework Agreement between the Vendor and the Purchaser with regard to the Disposal. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

As stated in the Announcement, 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 and that the Disposal is subject to the Formal Agreement 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.

The Board is pleased to announce that, on 8 March 2022 (after trading hours), the Purchaser, the Vendor and the Disposal Company entered into the Formal Agreement, pursuant to which, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Disposal Company at the final Consideration of RMB1,058,000,000 (the “**Final Consideration**”).

The Formal Agreement was entered into on substantially the same terms as the Framework Agreement as stipulated in the Announcement, the principal updated information and terms of the Formal Agreement are set out below.

FORMAL AGREEMENT

Date: 8 March 2022 (after trading hours)

Parties: (1) the Purchaser;
(2) the Vendor; and
(3) the Disposal Company.

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.

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. Based on the Final Consideration, the Group expects to recognize a gain on disposal of the Disposal Company of approximately RMB692,691,522 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 the relevant basis

The Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Sale Shares at the Final Consideration of RMB1,058,000,000, which is based on the fulfillment of, among others, the following:

- (i) on the basis that the relevant laws and regulations are fully complied, the Vendor shall ensure that the construction units of the secured projects of the Disposal Group appoints the companies designated by the Purchaser as the early-stage property service units of the secured projects, and that the construction units and the designated companies shall enter into the relevant property service agreements with the approval or filing of the relevant departments and authorities;
- (ii) the Vendor shall ensure that the construction units of the contracted projects and secured projects complete the work and obtain the approval or permission documents issued by the competent departments of planning, fire protection, environmental protection, etc.;

- (iii) the Vendor shall ensure that, from the date of Completion, the construction units shall pay the required vacant property fees for vacant flats and vacant parking spaces to the Target Company in accordance with the relevant property service contracts;
- (iv) the Vendor shall ensure that, save for the arrangements stipulated under the Formal Agreement, the Target Company shall not pay dividend prior to the date of Completion;
- (v) the Vendor shall ensure that, except with the written consent of the Purchaser or otherwise stipulated in the Formal Agreement, the Target Company does not incur any new debts or quasi-debt compared with the base date of 31 October 2021; and
- (vi) the Vendor shall ensure that the stability of the projects under management shall be maintained in accordance with the terms of the Formal Agreement.

The Final Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the financial position of the Disposal Company as at 31 October 2021; (ii) the due diligence work in relation to the finance, legal, business and human resources of the Disposal Company being completed by the Purchaser; and (iii) the unaudited consolidated financial information of the Disposal Company prepared in accordance with the HKFRS for the two years ended 2019 and 2020.

Updated Payment Terms

Unless otherwise agreed between the parties, the Final Consideration shall be payable by the Purchaser in cash in the following manner:

- (i) The first-phase Final Consideration representing 67% of the Final Consideration after deducting, among others, the relevant rectification fees of RMB15,000,000 stipulated under the Formal Agreement and the consideration of RMB5,372,753 corresponding to the contracts of sales offices property management services which shall be signed and executed within 90 days after the Completion, and reaching an approximate amount of RMB688,487,247, shall be paid by the Purchaser to the Supervisory Account within 3 business days after the Formal Agreement becomes effective and subject to the following conditions having been satisfied or waived by the Purchaser:
 - a) the due execution of the Formal Agreement and that the Vendor and the Company have completed and obtained all the necessary internal and external approval procedures or approvals in accordance with the articles of association and the Listing Rules;
 - b) the due execution of the supervisory agreement and the setting up of the Supervisory Account;

- c) each of the members of the Target Group has obtained the necessary internal approvals required and completed the stamping and filing of the relevant industrial and commercial registration procedures;
- d) the guarantees provided by the Target Company to the Vendor and its related parties have been terminated;
- e) the Purchaser having entering into the relevant documents as stipulated under the Formal Agreement;
- f) there does not exist any event or fact unrelated to the Purchaser that causes or may cause any material adverse change to the Vendor and the Target Company; and
- g) there does not exist any lawsuit, arbitration, government investigation, coercive measure or other similar proceeding that have been or may be brought against any party or the Target Company and have a material impact on the Disposal, and that there is no legal or any right to any order, judgment, decree or notice of any governmental authority which hinders or prohibits the completion of any part of the Disposal or otherwise renders the Completion unlawful.

Unless otherwise agreed by the parties to the Formal Agreement in a written manner, each of the parties undertakes that they shall prompt the fulfillment of the conditions precedent to the Updated First-Phase Consideration as soon as practicable within twenty business days after the date of the Formal Agreement or obtain the waiver from the Purchaser, who shall be entitled to claim against the Vendor the liability for breach of the Formal Agreement.

- (ii) The remaining balance of 33% of the Final Consideration, i.e. RMB349,140,000, shall be settled by the Purchaser every six months on 30 June and 31 December respectively after the date of Completion based on the actual delivery of the Secured Area and the Contracted Area, which shall be calculated by dividing the Delivered Area with 9,740,000 square meters (being the total of the Secured Area and the Contracted Area expected to be delivered to the Target Group) and multiplying it with the Final Consideration and 33% respectively. In any event, the aggregate amount to be paid by the Purchaser shall not exceed the total amount of the remaining balance of 33% of the Final Consideration and the payment obligation of the Purchaser of the remaining balance of the Final Consideration shall be conditional upon, among others, the annual basic property service fees for the Secured Area and the Contracted Area being not less than the price per square meter as agreed between the parties and that all the requisite approvals have been obtained.

Completion

The Completion of the Formal Agreement, which essentially includes the change of business registration and verification of handover (the “**Completion Process**”), shall commence after the fulfillment to the abovementioned conditions to the Updated First-Phase Consideration and the Updated First-Phase Consideration being paid to Supervisory Account in accordance with the Formal Agreement and the Completion shall take place within 3 business days after the Completion Process have been completed.

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 <i>(unaudited)</i> RMB'000	For the year ended 31 December 2020 <i>(unaudited)</i> RMB'000	For the year ended 31 December 2021 <i>(unaudited)</i> RMB'000
Profit before tax	55,669	66,449	101,161
Profit after tax	40,881	48,802	75,870

The unaudited net asset value of the Disposal Company as at 31 October 2021 and 31 December 2021 was approximately RMB101,357,841 and RMB134,411,304.30 respectively.

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 Formal 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, the Company has obtained the written Shareholders' approval for the Disposal 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.

Reference is made to the announcement of the Company dated 31 January 2022, as more time is required to prepare the financial information to be included in the circular, the Company has applied 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 on or before 31 March 2022. A circular containing, among other things, (i) details of the Disposal; and (ii) other information as required under the Listing Rules is expected to be despatched on or before 31 March 2022.

As the Disposal contemplated under the Formal Agreement is subject to satisfaction of certain conditions precedent, 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.

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

Hong Kong, 8 March 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.