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天譽置業 (控股) 有限公司
SKYFAME REALTY (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 00059)

DISCLOSEABLE TRANSACTION
POSSIBLE DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

The Board wishes to announce that on 13 June 2022 (after trading hours), the Borrower, an indirect 97% owned subsidiary of the Company, and the Lender entered into the Loan Agreement pursuant to which the Lender agreed to make available to the Borrower the Loan Facility of up to RMB500 million, repayable within a term of 60 months from the date of first drawdown of the Loan Facility. Pursuant to the Loan Agreement, the Lender has the Option (exercisable at the discretion of the Lender) to purchase 51% equity interest of the Project Company at a consideration of RMB140 million.

LISTING RULES IMPLICATIONS

If the Lender exercises the Option, the Company's effective equity interest in the Project Company will reduce from 77.60% to 38.02%. Therefore, the granting of the Option (exercisable at the discretion of the Lender) constitutes a possible disposal of 39.58% of the equity interest in the Project Company under Rule 14.74 of the Listing Rules.

As one or more of the applicable percentage ratios of the transaction contemplated under the Option is greater than 5% but all ratios are less than 25%, it constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under the Listing Rules.

THE LOAN AGREEMENT

On 13 June 2022, the Borrower, an indirect 97% owned subsidiary of the Company, and the Lender entered into the Loan Agreement, pursuant to which the Lender agreed to make available to the Borrower the Loan Facility. A summary of major terms of the Loan Agreement is set out as follows:

Date

13 June 2022

Parties

Guangzhou Rong Yue (the Lender); and
Tianyu Yujun (the Borrower)

Amount and use of the Loan Facility

Up to RMB500 million, which shall be solely used to fund the Guangzhou Fengwei Village Project undertaken by the Project Company

Repayment

Within 60 months from the date of drawdown, but the Lender has the right to demand early repayment of any loan amount exceeding RMB140 million after 24 months from the first draw down

Interest

14.8% per annum

The Option

The Lender has an option (exercisable at the discretion of the Lender) to purchase 51% of the equity interests in the Project Company at a consideration of RMB140 million which will be settled by way of set off against the outstanding loan amount on a dollar for dollar basis. If the loan amount is below RMB140 million at the time of the Transfer, the parties will then negotiate on the settlement method and/or reduce the interests in the Project Company to be acquired by the Lender. The Company will comply with the Listing Rules requirements as required. The exercise of the Option by the Lender is subject to Fengwei Village Economic Cooperative Society transferring 51% of the equity interest in the Project Company to Tianyu Jurong, which is owned as to 80% by the Borrower (which is a 97% indirect subsidiary of the Company).

The unaudited net asset value of the Project Company as at 31 March 2022 was approximately RMB31.5 million. Pursuant to the Loan Agreement, the Borrower undertakes to procure Tianyu Jurong to make additional capital contribution to the Project Company in an amount of RMB244 million (the “**Additional Capital Contribution**”). The

consideration of the Transfer of RMB140 million is determined with reference to the unaudited net asset value of the Project Company, as adjusted for the Additional Capital Contribution, as at 31 March 2022 of RMB275.5 million (the “**Adjusted NAV**”).

Upon exercise of the Option by the Lender, Tianyu Jurong, which is owned as to 80% by the Borrower (which is a 97% indirect subsidiary of the Company), will dispose of its 51% equity interest in the Project Company to the Lender and the Company’s effective interest in the Project Company will reduce from 77.60% to 38.02%.

Conditions Precedent

The Loan Agreement is subject to, among other things, the completion of registration procedure of the pledge of 100% equity interest of the Borrower in favour of the Lender and pledge of certain accounts receivable of Tianyu Jurong in favour of the Lender.

INFORMATION ON THE PARTIES

The Group

The Company is a company listed on the main board of the Stock Exchange under stock code 00059. The Group is principally engaged in the property development, property investment, property management and commercial operations.

The Group focuses on the development of a wide range of property types including residential and commercial properties, offices, serviced apartments and hotels in China as well as property investment and property management. Rooted in Guangzhou, the Group explores into cities in the mainland with high growth potential with particular focus on the development of community projects tailored-made for young home buyers. Currently, the Group holds a portfolio of development projects and land reserves covering Guangzhou, Zhongshan, Zhuhai, Shenzhen and Huizhou in the Greater Bay Area; Nanning and Guilin in the southern region; Xuzhou and Nanchang in the eastern region; and Chongqing, Kunming and Guizhou in the southwest region.

The Borrower

The Borrower is a limited liability company incorporated in PRC and is 97% owned by the Company. The Borrower is principally engaged in the investment holding and provision of property development project management services in the PRC.

The Lender

Guangzhou Rong Yue is a limited liability company incorporated in PRC and is ultimately beneficially owned (i) as to 49.5% by Wang Kai Ling; (ii) as to 47.5% by Ye Ling Li; (iii) as to 2.5% by Wu Xiu Rong; and (iv) as to 0.5% by Pan Hong. Guangzhou Rong Yue is principally engaged in investment activities.

To the best of the directors' knowledge, information and belief having made all reasonable enquiry, the Lender and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

INFORMATION ON THE PROJECT COMPANY

The Project Company is a limited liability company incorporated in PRC and is mainly engaged in property investment business in the PRC. As at the date of this announcement, the Project Company's major asset is the Guangzhou Fengwei Village Project. The Guangzhou Fengwei Village Project is adjacent to the Hongwei metro station, which is about one hour away from Tianhe District, the centre of Guangzhou, and close to the International Biomedical Innovation Park. The Guangzhou Fengwei Village Project covers a land for a total GFA of 1,939,000 sq.m. (total saleable GFA of 742,000 sq.m.). In late 2020, the Group was notified by Fengwei Village Economic Cooperative Society that, following the open tender process for the introduction of cooperative entity on the Guangzhou Public Resources Trading Service Platform, the Group became the cooperative entity for the Guangzhou Fengwei Village Project. The demolition works on the land and the construction has commenced. The Guangzhou Fengwei Village Project is expected to be completed during 2024 to 2027.

As at the date of this announcement, the necessary procedures in acquisition of the lands of the Guangzhou Fengwei Village Project have not yet been completed and the Project Company has not yet obtained the land use rights certificates.

As at the date of this announcement, the Project Company is legally owned as to 51% by Fengwei Village Economic Cooperative Society and as to 49% by Tianyu Jurong. However, Tianyu Jurong has 100% economic interest of the Project Company. Furthermore, it is agreed that Fengwei Village Economic Cooperative Society will transfer its 51% interest to Tianyu Jurong upon the completion of construction of the resettlement zone and the related registration of property right.

Set out below is the financial summary of the Project Company for the two financial years ended 31 December 2021:

	Financial year ended 31 December	
	2020	2021
	RMB'000	RMB'000
Loss before taxation (Note)	-	(18,948)
Loss after taxation (Note)	-	(18,948)

Note:

The Group was notified by Fengwei Village Economic Cooperative Society that the Group became the cooperative entity for the Guangzhou Fengwei Village Project only in December 2020. Therefore, the Project Company was incorporated in 2021 and yet to be active during the year ended 31 December 2020.

The unaudited total assets and net assets of the Project Company as at 31 March 2022 were approximately RMB3.5 billion and approximately RMB31.5 million respectively. As at 31 March 2022, the unaudited book value of the Guangzhou Fengwei Village Project in the accounts of the Project Company was RMB2.4 billion.

FINANCIAL EFFECTS OF THE TRANSFER

The Transfer would have the effect of disposing of 39.58% of the Company's effective equity interests in the Project Company. After the Transfer, it is expected that the Project Company will become an associate of the Company and its financial results will not be consolidated into the financial statements of the Group.

Upon the Transfer, based on the Adjusted NAV attributable to 51% equity interest of the Project Company of approximately RMB140.5 million and the consideration for the Transfer of RMB140 million, it is expected that the Group will record a loss on disposal of RMB0.5 million. In addition, upon the Transfer, the Group expects to write-off all the interests and expenses capitalized in relation to the Project Company, which amounted to approximately RMB340.4 million as at 31 March 2022. The accounting treatment and the actual gain or loss as a result of the Transfer to be recorded by the Group is subject to audit and will be assessed after the completion of the Transfer.

REASONS FOR AND BENEFITS OF THE LOAN AGREEMENT

Pursuant to the terms of the Loan Agreement, the Loan Facility shall only be utilized for the Guangzhou Fengwei Village Project. As disclosed in the annual report of the Company for the year ended 31 December 2021, in the second half of 2021, with the continuous tightening of real estate control policies and the continuous cooling of the economy, the enthusiasm of home buyers suddenly cooled down, the real estate market deteriorated rapidly and the environment for property developer financing almost froze suddenly. In view of the uncertainty of the current market conditions, the Group arranged to expedite the sale and marketing of the remaining units of the property projects to control the market risks and accelerate further expansion and development strategy in the Guangzhou Fengwei Village Project. The Group had taken a decisive step at the beginning of the year to contract its business, suspend all land acquisitions and investments, and focus its resources on driving the Guangzhou Fengwei Village Project.

Furthermore, as disclosed above, the demolition works on the land and the construction of Guangzhou Fengwei Village Project has commenced and Fengwei Village Economic Cooperative Society will transfer its 51% interest to Tianyu Jurong upon the completion of construction of the resettlement zone and the related registration of property right. Given the industry-wide difficulty for property development and risks specific to the Guangzhou Fengwei Village Project, it is crucial for the Group to obtain necessary funding for the development of the Guangzhou Fengwei Village Project such that the construction can be pushed forward, and the Group can potentially recover its costs incurred and enjoy the economic return from the Project Company.

The Board has taken into account the following factors in assessing the entering of the Loan Agreement:

- (i) the Loan Facility will be used for satisfying the funding needs of the Guangzhou Fengwei Village Project, which is the key focus of the Group, amid the difficult market environment for property developers to obtain financing;
- (ii) having compared the interest rate of loans available in the market, the fixed interest of 14.8% per annum is on normal commercial terms and is fair and reasonable; and

- (iii) the consideration of the Transfer, which is determined with reference to the Adjusted NAV attributable to 51% equity interest of the Project Company, is fair and reasonable.

Based on the above, the Directors are of the view that the terms of the Loan Agreement including the Option are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

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DEFINITION

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

“Board”	the board of Directors
“Borrower” or “Tianyu Yujun”	南寧天譽譽浚投資有限公司 (Nanning Tianyu Yujun Investment Co., Ltd.*), a limited liability company incorporated in PRC and an indirectly 97% owned subsidiary of the Company
“Company”	Skyfame Realty (Holdings) Limited (天譽置業(控股)有限公司), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Fengwei Village Project”	an old village redevelopment project located in Fengwei Village, Jiufu Street, Huangpu District, Guangzhou
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Lender” or “Guangzhou Rong Yue”	廣州市融悅商業服務有限公司 (Guangzhou City Rong Yue Commercial Services Company Limited)* , a limited liability company incorporated in PRC and beneficially owned by Wang Kai Ling, Ye Ling Li, Wu Xiu Rong and Pan Hong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 13 June 2022 entered into between the Borrower and the Lender pursuant to which the Lender agreed to make available to the Borrower the Loan Facility of up to RMB500 million
“Loan Facility”	the loan facility of up to RMB500 million pursuant to the Loan Agreement
“Option”	the option (exercisable at the discretion of the Lender) to purchase 51% equity interest of the Project Company at a consideration of RMB140 million pursuant to the Loan Agreement
“Project Company”	廣州天鳳有限責任公司 (Guangzhou Tianfeng Company Limited*), a limited liability company incorporated in PRC and an indirect 80% owned subsidiary of the Borrower
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency in the PRC
“Shareholders”	the holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianyu Jurong”	南寧天譽巨榮置業有限公司 (Nanning Tianyu Jurong Realty Company Limited*), a limited liability company incorporated in PRC which is owned as to 80% by the Borrower
“Transfer”	the transfer of 51% of the equity interests in the Project Company from Tianyu Jurong to the Lender at the discretion of the Lender pursuant to the Option
“%”	percentage or per centum

** for identification purpose only*

By Order of the Board
Skyfame Realty (Holdings) Limited
YU Pan
Chairman

Hong Kong, 13 June 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. YU Pan (Chairman), Mr. WEN Xiaobing, Mr. WANG Chenghua and Mr. JIN Zhifeng; one non-executive Director, namely Mr. WONG Lok; and six independent non-executive Directors, namely Mr. CHOY Shu Kwan, Mr. CHENG Wing Keung, Raymond, Ms. CHUNG Lai Fong, Mr. WEN Xiaojing, Mr. CUI Yuan and Ms. TANG Yu.