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廣州富力地產股份有限公司
GUANGZHOU R&F PROPERTIES CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 2777)

DISCLOSEABLE TRANSACTION

**DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY
INDIRECTLY HOLDING A HOTEL IN THE PRC**

THE DISPOSAL

On 5 September 2022, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Target Group entered into the Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Interest (representing 100% equity interest in the Target Company) for the Consideration of RMB550 million.

The Target Group is principally engaged in the holding, operation and management of the Beijing Hotel. Upon Completion, the Group will no longer hold any interest in the Target Group and the Target Group will cease to be subsidiaries of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is 5% or more but less than 25%, the Disposal constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 5 September 2022, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Target Group entered into the Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Interest (representing 100% equity interest in the Target Company).

THE DISPOSAL

The principal terms of the Agreement are set out below:

Subject matter

Subject to the terms and conditions in the Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Interest (representing 100% equity interest in the Target Company).

Upon Completion, the Group will no longer hold any interest in the Target Group and the Target Group will cease to be subsidiaries of the Company.

Consideration

The consideration for the Disposal (the “**Consideration**”) is RMB550 million, which shall be paid by the Purchaser to the Vendor by way of transfer into an agreed account of the Vendor in accordance with the Agreement in the following manner:

- (a) the Purchaser shall pay an amount of RMB300 million into the Escrow Account within 5 working days of the date of the Agreement;
- (b) within the period notified by the Vendor, RMB150 million shall be paid out of the Escrow Account to the Vendor as partial payment of the Consideration;
- (c) within 5 working days after payment of the abovementioned RMB150 million, the Vendor shall procure the release of the Existing Mortgages, upon which, the Purchaser shall pay an amount of RMB250 million into the Escrow Account and the parties to the Agreement shall apply to the relevant PRC authorities for registration of the transfer of the Sale Interest to the Purchaser and a new business licence for the Target Company;
- (d) upon obtaining the new business licence by the Target Company, RMB300 million shall be paid out of the Escrow Account to the Vendor as (i) partial payment of the Consideration; and (ii) repayment of all outstanding loans owing by the Target Company to the Vendor; and
- (e) the remaining balance of RMB100 million in the Escrow Account shall be paid to the Vendor as payment of the balance of the Consideration on the date of Completion.

The Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser with reference to the prevailing market conditions.

Completion

Within 10 working days after the Target Company obtains the new business licence and payment of the total amount of RMB300 million to the Vendor as set out in paragraph (d) under the section headed “Consideration” above, the Vendor shall transfer the operation and management of the Target Group (including the Beijing Hotel on an “as-is” basis) to the Purchaser, upon which Completion will be deemed to have taken place.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The Group is principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the PRC.

The Disposal enables the Group to realise the value in its investment in the Target Group and will help the Group to optimize its resources allocation, focus on the development of its core business, increase capital reserves and lower debt ratio.

The Directors are of the view that the terms of the Agreement were negotiated on an arm’s length basis and on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE TARGET GROUP

The Target Company is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement. The Target Subsidiary is a wholly-owned subsidiary of the Target Company and the sole owner of the Beijing Hotel as at the date of this announcement. The Target Group is principally engaged in the holding, operation and management of the Beijing Hotel.

The Beijing Hotel is located in Beijing, the PRC with a total area of ownership of 43,460.12 square meters.

Set out below is the unaudited consolidated financial information of the Target Group for each of the two years ended 31 December 2020 and 31 December 2021:

	For the year ended 31 December	
	2020	2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB</i>	<i>RMB</i>
Net loss before taxation and extraordinary items	(15,984,254.14)	(18,198,015.51)
Net loss after taxation and extraordinary items	(15,286,604.32)	(15,884,297.69)

Based on the unaudited management accounts of the Target Company, as at 30 June 2022, the unaudited consolidated net asset value of the Target Company was approximately RMB453 million and the outstanding shareholder’s loan was approximately RMB103 million.

INFORMATION ON THE PARTIES TO THE DISPOSAL

The Vendor

The Vendor is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement. It is principally engaged in investment holding in the PRC.

The Purchaser

The Purchaser is a limited liability company established in the PRC and is principally engaged in investment management in the PRC.

To the best knowledge, information and belief of the Directors after making reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons (as defined under the Listing Rules).

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Subject to final audit, it is estimated that the Company will record a loss on disposal of approximately RMB6,537,000 from the Disposal, which is calculated with reference to the unaudited consolidated financial information of the Target Company as at 30 June 2022.

The Company intends to apply the net proceeds from the Disposal to repay the Group's indebtedness.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is 5% or more but less than 25%, the Disposal constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 5 September 2022 entered into among the Vendor, the Purchaser and the Target Group in relation to the Disposal
“Beijing Hotel”	Wanda Realm Beijing (北京富力萬達嘉華酒店), a hotel located in Beijing, the PRC which is wholly-owned by the Target Group as at the date of this announcement
“Board”	the board of Directors

“Company”	Guangzhou R&F Properties Co., Ltd.* (廣州富力地產股份有限公司), a joint stock company incorporated in the PRC with limited liability and the H Shares of which are listed on the main board of the Stock Exchange (stock code: 2777)
“Completion”	completion of the Disposal pursuant to the Agreement
“Consideration”	has the meaning ascribed to it under the section headed “Consideration” in this announcement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest pursuant to the Agreement
“Escrow Account”	an escrow account to be opened with a bank designated by the Vendor within 5 working days after the date of the Agreement which will be subject to the supervision of the parties to the Agreement
“Existing Mortgages”	the share charge over the entire equity interest in the Target Group and the mortgage over the Beijing Hotel
“Group”	the Company and its subsidiaries
“Hong Kong”	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
“Purchaser”	Beijing Yingxie Property Investment Co., Ltd.* (北京英協置業投資有限公司), a limited liability company incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	100% equity interest in the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangzhou Fujing Hotel Management Co., Ltd.* (廣州富京酒店管理有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Vendor as at the date of this announcement

“Target Group”	the Target Company and the Target Subsidiary
“Target Subsidiary”	Beijing Wanda Realm Hotel Management Co., Ltd.* (北京萬達嘉華酒店管理有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Target Company and the sole owner of the Beijing Hotel as at the date of this announcement
“Vendor”	Guangzhou Trillion Glory Investment Co., Ltd.* (廣州兆暉投資有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“%”	per cent.

By order of the Board
Guangzhou R&F Properties Co., Ltd.
Li Sze Lim
Chairman

Hong Kong, 5 September 2022

As at the date of this announcement, the executive directors of the Company are Dr. Li Sze Lim, Mr. Zhang Li, Mr. Zhang Hui and Mr. Xiang Lijun; the non-executive directors are Ms. Zhang Lin and Ms. Li Helen; and the independent non-executive directors are Mr. Zheng Ercheng, Mr. Ng Yau Wah, Daniel and Mr. Wong Chun Bong.

* *For identification purposes only*