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## **REDCO PROPERTIES GROUP LIMITED**

力高地产集团有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1622)**

### **DISCLOSEABLE TRANSACTION COOPERATION AGREEMENT**

Reference is made to the announcement of the Company dated 8 August 2014 in relation to the Original Cooperation Agreement pursuant to which each of Hong Kong Binjiang, a wholly owned subsidiary of the Company, Guozi Zhiye and an independent investor had agreed to inject capital to the Target Company and to cooperate in the development of the Land.

On 11 November 2014, Hong Kong Binjiang, Guozi Zhiye and an independent investor entered into the Rescission Agreement pursuant to which the Original Cooperation Agreement has been terminated. On the same date, Jiangxi Redco, a wholly-owned subsidiary of the Company, and Jiangxi Man Wo, a wholly-owned subsidiary of the Company and Guozi Zhiye entered into the Cooperation Agreement to cooperate in the development of the Land, the land use rights of which was successfully bid by the Target Company, a wholly-owned subsidiary of Guozi Zhiye on 5 March 2014. Pursuant to the Cooperation Agreement, Jiangxi Redco, Jiangxi Man Wo and Guozi Zhiye agreed to make capital contribution to the Target Company and payment for the Land Consideration in proportion to their shareholdings in the Target Company. After completion of the Capital Contribution, the registered capital of the Target Company will be increased from RMB10 million to RMB80 million and the Target Company will be held as to 25%, 26% and 49% by Jiangxi Redco, Jiangxi Man Wo and Guozi Zhiye, respectively. As the Target Company will be held as to 51% by the Company indirectly, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions under the Cooperation Agreement represent 5% or more but are less than 25%, the Cooperation Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 8 August 2014 in relation to the Original Cooperation Agreement pursuant to which each of Hong Kong Binjiang, a wholly-owned subsidiary of the Company, Guozi Zhiye and an independent investor had agreed to inject capital to the Target Company and to cooperate in the development of the Land.

On 11 November 2014, Hong Kong Binjiang, Guozi Zhiye and an independent investor entered into the Rescission Agreement pursuant to which the Original Cooperation Agreement has been terminated due to the intended withdrawal of the investment in the Target Company by the independent investor. Each party to the Rescission Agreement has mutually agreed that in view of the Original Cooperation Agreement having not been performed by any party, and that each party shall be discharged from any responsibility in connection with the Original Cooperation Agreement upon the termination of the Original Cooperation Agreement. On the same date, Jiangxi Redco, a wholly-owned subsidiary of the Company, Jiangxi Man Wo, a wholly-owned subsidiary of the Company and Guozi Zhiye entered into the Cooperation Agreement to cooperate in the development of the Land, the land use rights of which was successfully bid by the Target Company, a wholly-owned subsidiary of Guozi Zhiye on 5 March 2014. Pursuant to the Cooperation Agreement, Jiangxi Redco, Jiangxi Man Wo and Guozi Zhiye agreed to make capital contribution to the Target Company and payment for the Land Consideration in proportion to their shareholdings in the Target Company. After the completion of the Capital Contribution, the registered capital of the Target Company will be increased from RMB10 million to RMB80 million and the Target Company will be held as to 25%, 26% and 49% by Jiangxi Redco, Jiangxi Man Wo and Guozi Zhiye respectively. As the Target Company will be held as to 51% by the Company indirectly, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

On 5 March 2014, the Target Company successfully bid the land use rights to the Land located at Lianhua Road in Nanchang, the PRC, with a total site area of 126.24mu (approximately 84,094 sq.m.). The Land is planned for the development of residential and commercial properties.

## **PRINCIPAL TERMS OF THE COOPERATION AGREEMENT**

**Date:** 11 November 2014

### **Parties to the Cooperation Agreement**

- (i) Guozi Zhiye;
- (ii) Jiangxi Redco; and
- (iii) Jiangxi Man Wo.

Each of Jiangxi Redco and Jiangxi Man Wo is an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Guozi Zhiye and its ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons (as defined in the Listing Rules) .

### **The Capital Contribution**

Pursuant to the Cooperation Agreement, Jiangxi Redco, Jiangxi Man Wo and Guozi Zhiye agreed to make capital contributions to the Target Company in the amount of RMB20.0 million, RMB20.8 million and RMB29.2 million, respectively. After completion of the Capital Contribution, the registered capital of the Target Company will be increased from RMB10.0 million to RMB80.0 million and the Target Company will be owned as to 25%, 26% and 49% by Jiangxi Redco, Jiangxi Man Wo and Guozi Zhiye respectively. As the Target Company will be held as to 51% by the Company indirectly, the Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated to the accounts of the Group.

The Capital Contribution shall be completed within 30 calendar days following the date of the Cooperation Agreement. The capital contributions by Jiangxi Redco and Jiangxi Man Wo will be financed by the internal fund of the Company.

### **The cooperation**

On 5 March 2014, the Target Company had successfully bid for the land use rights to of the land which is located at Lianhua Road in Nanchang, the PRC. The Land is planned for residential and commercial use.

After the completion of the Capital Contribution, Jiangxi Redco, Jiangxi Man Wo and Guozi Zhiye shall finance the Land Consideration including land premium, relevant fees and taxes in respect of the Land in proportion to their respective shareholding in the Target Company as provided under the Cooperation Agreement in due course; and the amount for the Land Consideration to be payable by Jiangxi Redco and Jiangxi Man Wo shall be RMB287.7 million. Each of Jiangxi Redco, Jiangxi Man Wo and Guozi Zhiye shall share the profits attributable to it in proportion to its shareholding in the Target Company.

Pursuant to the Cooperation Agreement, Jiangxi Man Wo shall be in charge of the daily operations of the Target Company and shall conduct the development of the Land in the name of "Redco".

### **INFORMATION OF THE TARGET COMPANY AND THE LAND**

The Target Company was established on 19 August 2011 under the laws of the PRC with a registered capital of RMB10 million immediately prior to the Capital Contribution. The Target Company mainly engages in property development in China.

Set out below is certain financial information of the Target Company based on the audited accounts of the Target Company for the years ended 31 December 2012 and 2013 prepared based on the PRC accounting standards;

	<b>For the year ended 31 December</b>	
	<b>2012</b>	<b>2013</b>
	RMB	RMB
(Loss)/profit before tax	(500)	95
(Loss)/profit after tax	(500)	95

As at 30 September 2014, the Target Company has net asset value of approximately RMB10.0 million.

The Target Company successfully bid for the land use rights to the Land located at Lianhua Road in Nanchang with a total site area of 126.24 mu (approximately 84,094 sq.m.) with a plot ratio ranging from 2.0 to 2.2 and a gross floor area of approximately 223,420 sq.m.. The Land is planned for commercial and residential use. The development of the project shall consist of low-rise, high-rise and semi-detached houses, street level retail spaces and ancillary facilities.

#### **Composition of the board of directors of the Target Company**

Upon completion of the Capital Contribution, the board of directors of the Target Company will comprise six members, of which Jiangxi Redco and Jiangxi Man Wo each will appoint two directors and Guozi Zhiye will appoint two directors.

#### **REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT**

The Group mainly engages in property development and has been adopting the strategy to develop properties in high growth regions in the PRC. The Target Company has potential land resources in Nanchang where the Group has successfully built up its presence. The Directors are of the view that this cooperation will further strengthen the advantage of the Group in Nanchang, which will in turn facilitate the development of the Group. The Directors (including the independent non-executive Directors) consider that the terms of the Cooperation Agreement are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE PARTIES TO THE COOPERATION AGREEMENT**

Guozi Zhiye is a state-owned company established in Nanchang, Jiangxi Province under the laws of the PRC with limited liability, which is mainly engaged in property development.

Jiangxi Redco is a wholly-owned subsidiary of the Company established under the laws of the PRC with limited liability and principally engages in property development.

Jiangxi Man Wo is a wholly-owned subsidiary of the Company established under the laws of the PRC with limited liability, the principal business of which is, among others, the development of properties.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions under the Cooperation Agreement represent 5% or more but are less than 25%, the Cooperation Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below:

“Board”	the board of Directors
“Capital Contribution”	the capital contribution to the Target Company by Jiangxi Redco, Jiangxi Man Wo and Guozi Zhiye in the amount of RMB20 million, RMB20.8 million and RMB29.2 million, respectively pursuant to the Cooperation Agreement
“Company”	Redco Properties Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (stock code: 1622)
“Cooperation Agreement”	the cooperation agreement entered into among Jiangxi Redco, Jiangxi Man Wo and Guozi Zhiye on 11 November 2014 in respect of the development of the Land
“Directors”	the directors of the Company

“Guozi Zhiye”	南昌市国资置业有限公司 (Nanchang Guozi Zhiye Company Limited*) a state-owned company established under the laws of the PRC with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Binjiang”	Hong Kong Binjiang Industrial Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Land”	the parcel of land located at Lianhua Road, Nanchang County, the PRC, with a total site area of 126.24mu (approximately 84,094 sq.m.), with a plot ratio ranging from 2.0 to 2.2 and a gross floor area of approximately 223,420 sq.m.
“Land Consideration”	the land consideration ( including land premium, relevant fees and taxes) for acquiring the Land which is estimated to be approximately RMB564.1 million
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Jiangxi Man Wo”	江西萬和房地產開發有限公司 (JiangXi Man Wo Property Development Co.,Ltd.*), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Jiangxi Redco”	江西力高房地產開發有限公司 (JiangXi Redco Property Development Co. Ltd*), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Original Cooperation Agreement”	the agreement in respect of, among others, the development of the Land entered into among Hong Kong Binjiang, Guozi Zhiye and an independent investor on 8 August 2014
“PRC” or “China”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholders”	the shareholders of the Company

- “Target Company” 江西怡居房地產開發有限公司(Jiangxi Yiju Property Development Co., Ltd.\*), a limited liability company established under the laws of the PRC and is a third party independent of the Group
- “Rescission Agreement” the agreement dated 11 November 2014 entered into among Hong Kong Binjiang, Guozi Zhiye and an independent investor for the termination of the Original Cooperation Agreement
- “%” per cent.

By order of the Board  
**REDCO PROPERTIES GROUP LIMITED**  
**Huang Ruoqing**  
*Executive Director*

Hong Kong, 11 November 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Huang Ruoqing, Mr. Tang Chengyong and Mr. Hong Duxuan; and the independent non-executive directors of the Company are Dr. Wong Yau Kar, David BBS, JP, Mr. Chau On Ta Yuen, Mr. Yip Tai Him and Mr. Chow Kwong Fai, Edward, JP.*

*\* For identification purpose only*