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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

THE COOPERATION FRAMEWORK AGREEMENT

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The Board hereby announces that, on 9 December 2014, Shandong Redco, a wholly-owned subsidiary of the Company entered into the Cooperation Framework Agreement with Shenzhen Jia Heng Yuan and Xi'an Jiang Hao to cooperate in the development of the Project, pursuant to which Xi'an Jiang Hao agreed to transfer its entire registered capital in the Project Company to Shenzhen Jia Heng Yuan and Shandong Redco agreed to make a capital contribution to the Project Company in an amount of RMB70 million and acquire the registered capital in the Project Company in an amount of RMB10 million from Shenzhen Jia Heng Yuan. After the completion of the above transfer of equity interests and capital contribution, the Project Company will be owned as to 80% by Shandong Redco or a subsidiary of the Company designated by Shandong Redco and 20% by Shenzhen Jia Heng Yuan. As such, the Project Company will become an indirect non-wholly owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

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

INTRODUCTION

The Board hereby announces that, on 9 December 2014, Shandong Redco, a wholly-owned subsidiary of the Company entered into the Cooperation Framework Agreement with Shenzhen Jia Heng Yuan and Xi'an Jiang Hao to cooperate in the development of the Project, pursuant to which Xi'an Jiang Hao agreed to transfer its entire registered capital in the Project Company to Shenzhen Jia Heng Yuan and Shandong Redco agreed to make a capital contribution to the Project Company in an amount of RMB70 million and acquire the registered capital in the Project Company in an amount of RMB10 million from Shenzhen Jia Heng Yuan. After the completion of the above transfer of equity interests and capital contribution, the Project Company will be owned as to 80% by Shandong Redco or a subsidiary of the Company designated by Shandong Redco and 20% by Shenzhen Jia Heng Yuan. As such, the Project Company will become an indirect non-wholly owned subsidiary of the Company.

PRINCIPAL TERMS OF THE COOPERATION FRAMEWORK AGREEMENT

Date: 9 December 2014

Parties to the Cooperation Framework Agreement:

- (1) Shandong Redco
- (2) Shenzhen Jia Heng Yuan
- (3) Xi'an Jiang Hao

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Project Company, Shenzhen Jia Heng Yuan, Xi'an Jiang Hao and their 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 COOPERATION

As agreed by the parties to the Cooperation Framework Agreement, the Project Company will conduct the development of the Project. Xi'an Jiang Hao agreed to transfer its entire registered capital in the Project Company to Shenzhen Jia Heng Yuan and Shandong Redco agreed to make a capital contribution to the Project Company in the amount of RMB70 million and acquire the registered capital in the Project Company in the amount of RMB10 million from Shenzhen Jia Heng Yuan. After the completion of the above transfer of equity interests and capital contribution, the Project Company will be owned as to 80% by Shandong Redco or a subsidiary of the Company designated by Shandong Redco and 20% by Shenzhen Jia Heng Yuan. As such, the Project Company will become an indirect non-wholly owned subsidiary of the Company.

The Project under the Cooperation Framework Agreement refers to the development of the Project Land within the the urban village reconstruction project in Dongsha area of Binhe New District, Ji'nan, the PRC as well as the development of the property thereon, the construction of related ancillary facilities, resettlement housing and affordable housing, etc. Shandong Redco shall commit a total investment amount of RMB310 million to the Project.

The status quo of the Project Land is an urban village. The Project Company shall implement the development once it bids for the land use rights of the Project Land through public auction or listing-for-sale after being qualified as the sole Investor for the Maturing of the Project Land.

Shenzhen Jia Heng Yuan shall procure the public auction of phase 1 of the Project Land within three months subsequent to the Project Company being confirmed as the sole Investor for the Maturing of the Project Land.

The total investment amount in an aggregate of RMB310 million payable by Shandong Redco consists of (i) RMB80 million, being the consideration payable by Shandong Redco or the designated subsidiary to acquire the 80% interests of the Project Company, of which RMB70 million is capital contribution made by Shandong Redco or the designated subsidiary of the Company, and RMB10 million is a payment made by Shandong Redco for acquiring the registered capital of the Project Company from Shenzhen Jia Heng Yuan to Shandong Redco or to the designated subsidiary; (ii) RMB184 million, being a shareholder's loan to the Project Company; and (iii) RMB46 million, being a loan to Shenzhen Jia Heng Yuan secured by the equity interests of Shenzhen Jia Heng Yuan in the Project Company.

The capital contribution of RMB70 million made by Shandong Redco to the Project Company, together with the loan of RMB46 million from Shandong Redco to be utilized by Shenzhen Jia Heng Yuan to finance its capital commitment in the Project and the shareholder's loan of RMB184 million from Shandong Redco, will form the deposit of approximately RMB300 million for the Project Company to submit to the relevant governmental platform enterprise designated by Ji'nan municipal government for the Maturing of the Project Land.

The commitment obligations of Shandong Redco in respect of the Project shall be conditional upon, among others, Shenzhen Jia Heng Yuan having satisfied the following conditions:

- 1) the settlement of the debt and disputes of the Project Company, if any; and
- 2) the completion of the following work within forty days after the signing of the Cooperation Framework Agreement:
 - (i) to coordinate with Dongsha village to enter into a formal cooperation agreement to support the Project Company's becoming the sole Investor for the Maturing;

(ii) to coordinate with the local government and its platform enterprise to enter into a formal cooperation agreement with Shandong Redco and Shenzhen Jia Heng Yuan in respect of the development of the Project as agreed by Shandong Redco to ascertain the cost for the Maturing; and

(iii) to coordinate with the local government to determine the cost for maturing the construction land in terms of gross floor area exclusive of schools to be built shall not exceed RMB1,700 per sq.m. after the completion of the Maturing.

If Shenzhen Jia Hen Yuan is unable to satisfy any of the above conditions, Shandong Redco may have the right to terminate the Cooperation Framework Agreement.

The equity transfer fee of RMB10 million shall be payable by Shandong Redco to Shenzhen Jia Heng Yuan within 7 business days after the Project Company has acquired the land use rights of the phase 1 of the Project Land.

The deposit for the Maturing in an aggregate amount of RMB300 million shall be payable by Shandong Redco within 10 business days after the Project Company has been confirm by relevant governmental authorities as the sole Investor for the Maturing.

The aggregate investment amount of RMB310 million payable by Shandong Redco will be financed by internal fund of the Group or through other financing.

Composition of the board of directors of the Project Company

Upon the completion of the Restructuring, the board of directors of the Project Company will comprise three members, of which Shandong Redco will appoint two directors and Shenzhen Jia Heng Yuan will appoint one director.

INFORMATION OF THE PROJECT COMPANY AND THE PROJECT

The Project Company was established on 30 August 2013 under the laws of the PRC and has a registered capital of RMB50 million, among which RMB30 million was paid up. The Project Company mainly engages in property development in China.

Set out below is the selective unaudited financial information of the Project Company prepared based on the PRC accounting standards:

	For the year ended 31 December	
	2012	2013
	RMB'000	RMB'000
Loss before tax	N/A	162
Loss after tax	N/A	162

As at 30 September 2014, the Project Company has net asset value of approximately RMB30.5 million.

The Project Company aims to develop the Project Land located at Dongsha area in Binhe New District, Jinan, the PRC. The Project is estimated to consist of 2 phases. The planned construction land of phase 1 shall have a site area of approximately 100mu, the purpose of which is residential and commercial; and that of phase 2 shall have a site area of approximately 400 mu, which will be planned for the development of residential and commercial properties, subject to the local government's approval on the scope of construction land and planning conditions.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION FRAMEWORK 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 Project Company has potential land resources in Ji'nan where the Group has successfully built its presence. The Directors are of the view that this cooperation will enhance the Group's brand name and further enlarge the Group's market shares in Ji'nan, which in turn will facilitate the development of the Group. The Directors (including the independent non-executive Directors) consider that the terms of the Cooperation Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES TO THE COOPERATION FRAMEWORK AGREEMENT

Shandong Redco is a company established in the PRC and a wholly-owned subsidiary of the Company.

Shenzhen Jia Heng Yuan is a company established in the PRC and is mainly engaged in realty investment and property management.

Xi'an Jiang Hao is a company incorporated in the PRC and principally engages in property development and sales of property.

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 Framework Agreement exceed 5% but are less than 25%, the Cooperation Framework Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and are subject to the reporting 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 of the Company
“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 Framework Agreement”	the framework agreement in respect of, among others, the cooperation in the development of the Project Land entered into between Shandong Redco, Shenzhen Jia Heng Yuan and Xi’an Jiang Hao on 9 December 2014
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Investor for the Maturing”	(土地熟化投資人), an investor which invests in the maturing of a certain parcel of land or land parcels on which usually buildings and annexes were built long ago and need to be demolished and reconstructed, and if confirmed as an Investor for the Maturing, the company will be privileged to be a qualified bidder to bid for the land use rights of the matured land once such land is listed for sale pursuant to the applicable regulations promulgated by Ji’nan municipal government
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturing”	(土地熟化), the demolition and clearance of old buildings and annexes on the Project Land; resettlement of the original inhabitants/ villagers and reconstruction or renovation of the infrastructures thereon by the local government with a view to turning it into a piece of clear land for land grant
“PRC” or “China”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)

“Project”	the development of the Project Land within the planning scope of the urban village reconstruction project in Dongsha area of Binhe New District, Ji’nan, the PRC (中國濟南濱河新區東沙片區) as well as the development of the property thereon, the construction of related ancillary facilities, resettlement housing and affordable housing, etc.
“Project Company”	Ji’nan Jiang Hao Industrial Co., Ltd*(濟南江浩實業有限公司), a company established in China and principally engages in property development and real estate management, which is wholly owned by Shenzhen Jia Heng Yuan and Xi’an Jiang Hao immediately preceding the Restructuring
“Project Land”	the land parcel of approximately 500mu within the planning scope of the urban village reconstruction project in Dongsha area of Binhe New District, Ji’nan, the PRC (中國濟南濱河新區東沙片區) which consists of two phases: Phase 1 is a parcel of planned construction land with a site area of approximately 100mu; and phase 2 is a parcel of land with a site area of approximately 400mu pending public auction
“Restructuring”	the reorganization of the Project Company by Shandong Redco, Shenzhen Jia Heng Yuan and Xi’an Jiang Hao through means of capital contribution and transfer of equity interests, for which Shandong Redco shall make a capital contribution of RMB70 million into the Project Company and pay RMB10 million to Shenzhen Jia Heng Yuan for the transfer of the 10% equity interests in the Project Company. After the completion of the Restructuring, the registered capital of the Project Company will increase from RMB 50 million to RMB 100 million, and the Project Company will be held as to 80% by Shandong Redco or a subsidiary of the Company designated by Shandong Redco and 20% by Shenzhen Jia Heng Yuan. As such, the Project Company will become an indirect non-wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Redco”	Shandong Redco Real Estate Development Co., Ltd *(山東力高房地產開發有限公司), a company established in the PRC on 22 April 2004 and wholly-owned by the Company
“Shareholders”	the shareholders of the Company
“Shenzhen Jia Heng Yuan”	Shenzhen Jia Heng Yuan Real Estate Co., Ltd*(深圳嘉恒源置業有限公司) a company established in the PRC on 17 February 2009 and is mainly engaged in realty investment and property management

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xi’an Jiang Hao”	Xi’an Jiang Hao Industrial Co., LTD*(西安江浩實業有限公司), a company established in the PRC on 30 July 2009 and principally engages in property development and property sale
“%”	per cent
sq.m.	Square meter

By order of the Board

REDCO PROPERTIES GROUP LIMITED

Huang Ruoqing

Executive Director

Hong Kong, 9 December 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*