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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

DISPOSAL OF INTEREST IN SHANGHAI MINGCHANG PROPERTIES LIMITED*

THE DISPOSAL

On 19 December 2017 (after trading hours), the Vendor and the Purchaser entered into the Agreement in relation to the Disposal.

The Company expects that the net proceeds from the Disposal, after the deduction of expenses, will be approximately RMB671,798,000. The Company intends to apply the net proceeds as general working capital.

LISTING RULES IMPLICATION

The Disposal

As one of the applicable percentage ratios in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

The Acquisition

The Target Company is an insignificant subsidiary of the Company. The minority shareholder of the Target Company owns 10% of the Target Company. As it is a substantial shareholder of an insignificant subsidiary of the Company, it is not regarded as a connected person under Rule 14A.09 of the Listing Rules. The Acquisition does not constitute a connected transaction under Chapter 14A of the Listing Rules.

THE DISPOSAL

On 19 December 2017 (after trading hours), the Vendor and the Purchaser entered into the Agreement in relation to the Disposal. The principle terms of the Disposal are set out below.

Subject matter

The Disposal involves the sale of the Sale Interest by the Vendor to the Purchaser.

Consideration

The consideration for the Disposal is approximately RMB671,798,000 (subject to adjustment).

Approximately RMB67,179,800 (the “**Deposit**”), representing 10% of the consideration, will be paid within two business days (as defined in the Agreement) of the date of the Agreement.

The consideration was determined after arm’s length negotiations between the Vendor and the Purchaser, taking into account (i) the valuation of the Property, (ii) the total owners’ equity (excluding the valuation change upon consolidation to the Group’s financial statements) of the Target Company as at 30 September 2017; and (iii) the book value of the Property as at 30 September 2017.

The consideration is subject to the following adjustments:

- (i) The Target Company had a negative total owners’ equity (excluding the valuation change upon consolidation to the Group’s financial statements) of RMB2,157,279.24 as at 30 September 2017. If the total owners’ equity (excluding the valuation change upon consolidation to the Group’s financial statements) of the Target Company as at the Completion Date is improved, the consideration will be increased by the improved amount. If the total owners’ equity (excluding the valuation change upon consolidation to the Group’s financial statements) of the Target Company as at the Completion Date is negative and the absolute amount is greater than RMB2,157,279.24, the consideration will be reduced by the excess.
- (ii) If the book value of the Target property as at Completion Date is less than RMB164,044,802.63, the consideration will be increased by the difference.

The consideration will be settled as follows:

- i. 95% of the consideration (after adjustment), less the Deposit, will be paid within four business days (as defined in the Agreement) from the Completion Date; and

- ii. 5% of the total consideration (after adjustment) will be paid on the date falling on the last day of the sixth- month period from the Completion Date.

Conditions Precedent

Completion is conditional upon completion of the Acquisition and the release of the relevant charges, the repayment of an existing loan and all outstanding taxes of the Target Company and the discharge of certain contractual obligations of the Target Company.

If the conditions cannot be satisfied on or before the Long Stop Date, the Purchaser may terminate the Agreement.

If the Vendor terminates the Agreement, the Vendor shall refund an amount equal to twice the Deposit to the Purchaser.

Completion will take place within two business days (as defined in the Agreement) after the registration of the transfer of the Sale Interest to the Purchaser in accordance with the applicable laws.

INFORMATION OF THE PARTIES

(1) The Vendor and the Group

The Vendor is a subsidiary of the Company incorporated in the PRC. It is principally engaged in the operations and management of cultured tourism project in the PRC.

The Group is an integrated property developer focusing on mid-to-high-end residential and commercial property development in the PRC.

(2) The Purchaser

The Purchaser is a company established in the PRC. It is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

INFORMATION ON THE TARGET COMPANY

As at the date of this announcement, the Target Company is a 90%-owned subsidiary of the Company. It is principally engaged in property development. The principal asset of the Target Company is the Property.

The financial results of the Target Company for the two years immediately preceding the date of the Agreement are as follows:

	For the year ended	
	31 December	
	2015	2016
	(unaudited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss before tax	277	4,138
Net loss after tax	277	3,104

As at 30 June 2017, the net asset value of the Target Company was approximately RMB279,000,000.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Target Company will cease to be a subsidiary of the Company and its financial results will cease to be consolidated with the results of the Group.

The Group expects to record a gain of RMB382 million. The actual gain or loss as a result of the Disposal is subject to final audit to be performed by the Company's auditors.

REASONS AND BENEFITS OF THE DISPOSAL

The Property was originally intended for the development of serviced residential complexes. The Company understands that the approvals for the construction of serviced residential complexes have temporarily ceased in Shanghai of the PRC. As such, the Property may only be used for the construction of commercial office premises. Having considered the relatively longer construction period, the relatively slower recovery of capital investment due to the longer investment and turnover cycle of office premises, the Company considered that it shall remain focused on its main business in the development of residential properties. The Disposal will ensure a more efficient and better utilization of the capital of the Company. The Company has many residential properties under development, prioritizing the utilization of capital on these shorter investment cycle projects will further strengthen the scale of development of the Company.

“Completion”	completion of the Disposal
“Completion Date”	the second business day (as defined in the Agreement) upon completion of the registration of (i) the transfer of 100% of the Target Company; and (ii) the change of directors and supervisor of the Target Company
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of 100% of the equity interest in the Target Company
“Group”	the Company and its subsidiaries
“insignificant subsidiary”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the 30th business day (as defined in the Agreement) of the date of the Agreement
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Property”	the land use right of the parcel of land identified as (2009) 001429 of approximately 9,941.2 square metres located at Yangpu District, Shanghai, PRC
“Purchaser”	上海重達實業發展有限公司 (Shanghai Zhong Da Industry Development Co., Ltd.), a company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	100% of the equity interest in the Target Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	上海明昌置業有限公司 (Shanghai Mingchang Properties Limited*), a company established in the PRC
“Vendor”	天津力高盛業有限公司 (Tianjin Redco Shengye Co., Ltd.*), a company established in the PRC
“%”	per cent.

On behalf of the Board
Redco Properties Group Limited
Wong Yeuk Hung
Chairman

Hong Kong, 19 December 2017

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

** for identification purpose only*