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## **REDCO PROPERTIES GROUP LIMITED**

**力高地產集團有限公司**

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

**(Stock Code: 1622)**

### **CONNECTED TRANSACTION — THE SUBSCRIPTION OF NEW SHARES BY A CONNECTED PERSON AND RESUMPTION OF TRADING**

#### **THE SUBSCRIPTION**

The Board is pleased to announce that on 2 November 2015, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue 175,804,661 new Shares at the Subscription Price of HK\$4.43 per Share.

The Subscription Shares represent (i) approximately 10.99% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there will not be any change in the issued share capital of the Company between the date of this announcement and the Completion Date save for the issue of such Subscription Shares).

The Subscription Price represents (i) a discount of approximately 16.10% to the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the date of the Subscription Agreement; and (ii) a discount of approximately 16.10% to the average closing price of HK\$5.28 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The Subscription Shares will be issued by the Company under the Specific Mandate. An application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

Upon Completion, the gross proceeds from the Subscription will be approximately HK\$778.8 million. The net proceeds of the Subscription will be approximately HK\$778.3 million, representing a net price of approximately HK\$4.43 per Subscription Share. The Company intends to utilise the net proceeds for development of new projects and general working capital of the Group.

#### **IMPLICATIONS UNDER THE LISTING RULES**

The Subscriber currently holds a 49% interest in Jianxi Zhengli, a non-wholly owned subsidiary of the Company. The Subscriber is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement. The Company will in due course appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Subscription Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement will be despatched by the Company to the Shareholders on or before 23 November 2015.

### **RESUMPTION OF TRADING**

Trading in the Shares (Stock Code: 1622) and the senior notes (Stock Code: 5783) of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 2 November 2015 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares (Stock Code: 1622) and the senior notes (Stock Code: 5783) of the Company on the Stock Exchange with effect from 9:00 a.m. on 3 November 2015.

### **THE SUBSCRIPTION**

The Board is pleased to announce that on 2 November 2015, the Company and the Subscriber entered into the Subscription Agreement. The principal terms of the Subscription Agreement are set out below:

#### **Date**

2 November 2015

#### **Parties**

- (i) the Company; and
- (ii) the Subscriber

#### **Subscription Shares**

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe 175,804,661 new Shares at the Subscription Price.

The Subscription Shares represent approximately:

- (i) 10.99% of the issued share capital of the Company as at the date of this announcement; and

- (ii) 9.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there will not be any change in the issued share capital of the Company between the date of this announcement and the Completion Date save for the issue of such Subscription Shares).

The aggregate nominal value of the Subscription Shares will be HK\$17,580,466.10.

### **Subscription Price**

The Subscription Price of HK\$4.43 represents:

- (i) a discount of approximately 16.10% to the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on 30 October 2015, being the last trading day immediately prior to the date of the Subscription Agreement; and
- (ii) a discount of approximately 16.10% to the average closing price of approximately HK\$5.28 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to, among others, the current market conditions, the business prospects of the Group and the prevailing market price of the Shares.

The Subscription Shares have a market value of approximately HK\$928.2 million, based on the closing price of HK\$5.28 per Share on 30 October 2015 (being the last trading date immediately prior to the date of the Subscription Agreement). Based on the net proceeds of approximately HK\$778.3 million, the net price per Subscription Share is approximately HK\$4.43.

### **Conditions precedent of the Subscription**

Pursuant to the Subscription Agreement, Completion is conditional upon, among other things, the following conditions being fulfilled or waived:

- (a) the passing of the following resolution(s) by the Independent Shareholders at the EGM approving:
  - (i) the Specific Mandate; and
  - (ii) the Subscription Agreement and the transactions contemplated thereunder;

- (b) the listing committee of the Stock Exchange having approved the listing of, and permission to deal in, the Subscription Shares and such approval not having been revoked;
- (c) the warranties set out in the Subscription Agreement remaining true, accurate and not misleading; and
- (d) no order, judgement, restrictions or decisions having been made, promulgated or adopted by judicial or governmental authority or regulatory authority or administration authority to restrict or prohibit the transactions contemplated under the Subscription Agreement.

None of the conditions precedent may be waived by the Subscriber, save for item (c) above which can be waived by the Subscriber.

In the event that the conditions referred to above are not fulfilled or waived in full on or before the Long Stop Date, the Subscription Agreement shall cease and terminate. Parties to shall be released and discharged from their respective obligations under the Subscription Agreement, save for any antecedent breaches of the Subscription Agreement.

### **Completion of the Subscription**

Completion under the Subscription Agreement will take place within five (5) Business Days from the date the conditions precedent (a) and (b) as set out in the paragraph headed “Conditions precedent of the Subscription” are fulfilled, or such other date as may be mutually agreed in writing.

### **Lock-up undertaking**

The Subscriber undertakes to the Company that, without the prior written consent of the Company, it shall not, and shall procure that its associates shall not, whether directly or indirectly, at any time during one year after the Completion Date:

- (a) buy, purchase or otherwise acquire, contract or agree to buy, purchase or otherwise acquire any Shares or any option or right in relation to any Shares or any interest therein;
- (b) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or

dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any of the Subscription Shares or any interest therein, or deposit any of the Subscription Shares with a depository in connection with the issue of depository receipts;

- (c) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Subscription Shares or any interest therein;
- (d) enter into any arrangement with the same economic effect as any transaction specified in (a), (b) or (c) above; or
- (e) offer to or agree to or announce any intention to effect any transaction specified in (a), (b), (c) and/or (d) above.

The above restrictions shall not apply in the following situations:

- (i) prior written consent from the Company has been obtained in relation to the carrying out of the activities set out in (a) to (e) above;
- (ii) the participation of the Subscriber or a nominee of the Subscriber in any rights issue, open offer or similar corporate exercise of the Company which are available to all shareholders of the Company on a pro-rata basis or accept offers made under Rule 26.1 of the Takeovers Code; or
- (iii) the ultimate beneficial shareholding of Mr. Wong in the Company falls below 30%.

### **Restrictions on the issue of Shares**

The Company undertakes to the Subscriber that, unless with prior written consent of the Subscriber, it shall not at any time during the period of 180 days after the Completion Date, save for the Subscription Shares, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of the Issuer, or grant or agree to grant any options or rights over any Shares or other securities or enter into any swap or other arrangement that transfers any economic consequence of ownership of any Shares or offer to or agree to offer to do any of the above or have any intention to do so at an issue price lower than the Subscription Price.

The above restrictions shall not apply in the following situations:

- (a) granting of options under the share option scheme of the Company adopted on 14 January 2014 and Shares falling to be issued upon exercise of such options granted; or

- (b) undertaking any rights issue, open offer or similar corporate exercise which are available to all Shareholders on a pro-rata basis.

### **Undertakings by Mr. Wong**

In connection with the Subscription, Mr. Wong, being the controlling shareholder of the Company, executed the Deed of Undertaking (Price Performance) and the Deed of Undertaking (Target Profit) in favour of the Subscriber.

Pursuant to the Deed of Undertaking (Price Performance), Mr. Wong undertakes to compensate the Subscriber by cash in full the shortfall (as defined in the Deed of Undertaking (Price Performance)) if on the first anniversary of the Completion Date, the Subscriber remains the holder of all Subscription Shares and is not in breach of its lock-up undertaking under the Subscription Agreement. The shortfall will be determined with reference to certain target market price of the Shares on or about the first anniversary of the Completion Date.

Pursuant to the Deed of Undertaking (Target Profit), Mr. Wong undertakes to the Subscriber that:

- (a) if the sum of the actual audited consolidated net profits after tax of the Group for each of the two financial year ending 31 December 2016 as shown in the audited consolidated accounts of the Group for such years is less than 95% of the sum of certain target consolidated net profits after tax of the Group for the financial year ended 31 December 2015 and 31 December 2016, then Mr. Wong shall pay the Subscriber an amount to be determined with reference to the shortfall in the net profits after tax of the Group in cash in immediately available funds within 10 Business Days after the date of the publication of the preliminary announcement of results of the Group for the financial year ending 31 December 2016; and
- (b) if the sum of the actual audited consolidated net profits after tax of the Group for each of the two financial year ending 31 December 2018 as shown in the audited consolidated accounts of the Group for such years is less than 95% of the sum of certain target consolidated net profits after tax of the Group for the financial year ended 31 December 2017 and 31 December 2018, then Mr. Wong shall pay the Subscriber an amount to be determined with reference to the shortfall in the net profits after tax of the Group in cash in immediately available funds within 10 Business Days after the date of the publication of the preliminary announcement of results of the Group for the financial year ending 31 December 2018.

The above undertakings will become effective upon Completion. If the Subscription Agreement is terminated for any reason before Completion, the undertakings will also automatically terminate.

On the condition that the ultimate beneficial shareholding of Mr. Wong in the Company is not less than 30%, the Subscriber has undertaken that it shall not, and shall procure that each of its associates shall not, take any action or do anything which may result in the Company failing to maintain the minimum percentage of the Shares in issue to be held by the public as required under Rule 8.08(1)(a) of the Listing Rules.

### **Ranking of the Subscription Shares**

The Subscription Shares, when allotted, issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

### **MANDATE TO ISSUE THE SUBSCRIPTION SHARES**

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

### **APPLICATION FOR LISTING**

An application will be made by the Company to the listing committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Subscription Shares.

### **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

Upon Completion, the gross and net proceeds (after deducting related costs and expenses from the Subscription which will be borne by the Company) from the Subscription are estimated to be approximately HK\$778.8 million and HK\$778.3 million, respectively. The Company intends to use the net proceeds from the Subscription for development of the new projects and general working capital of the Group. Pursuant to the Subscription Agreement, the Company shall not use the proceeds for other purposes, unless with the prior written consent of the Subscriber. Having considered the above, the Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the independent financial adviser to be appointed by the Company) consider that:

- (a) the Subscription will provide the Company with adequate funds to finance the development of new projects and to use as general working capital, while broadening its shareholder base and enhancing the Company's profile;



(b) the Subscription will strengthen the Company's capital base and financial position while reducing the level of gearing, saving finance costs and in turn enhancing the Company's market competitiveness; and

(c) the terms (including the Subscription Price) of the Subscription contemplated by the Subscription Agreement are fair and reasonable.

Accordingly, the Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the independent financial adviser to be appointed by the Company) considered that the Subscription is in the best interest of the Company and the Shareholders as a whole.

### **EFFECT OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

The table below sets out the shareholding structure of the Company as at the date of this announcement and immediately after Completion (assuming that there will not be any change in the issued share capital of the Company between the date of this announcement and the Completion Date save for the issue of such Subscription Shares):

<b>Shareholders</b>	<b>Immediately before Completion</b>		<b>Immediately after Completion</b>	
	<i>(Note 1)</i>			
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Global Universe	720,000,000	45.0%	720,000,000	40.6%
Times International	480,000,000	30.0%	480,000,000	27.0%
The Subscriber	—	—	175,804,661	9.9%
Other public Shareholders <i>(Note 2)</i>	<u>400,000,000</u>	<u>25.0%</u>	<u>400,000,000</u>	<u>22.5%</u>
	<u>1,600,000,000</u>	<u>100%</u>	<u>1,775,804,661</u>	<u>100.0%</u>

*Notes:*

1. The number of Shares held by the Shareholders mentioned in the table above is based on the information as shown on the website of the Stock Exchange as at the date of this announcement.
2. The Company has been advised that, in the event the public float falls below 25%, one or more of the substantial shareholders of the Company intends to place down some of their shares in the Company before and/or upon Completion in order to ensure the Company will have at least 25% public float at all times.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund raising activities in the past twelve months immediately prior to the date of this announcement.

## **PRINCIPAL ACTIVITIES OF THE GROUP**

The Group is an integrated residential and commercial property developer primarily focusing on residential property development in the PRC.

## **PRINCIPAL ACTIVITIES OF THE SUBSCRIBER**

The Subscriber is an integrated group principally engaged in real estate development and sales, municipal infrastructure, landscape engineering and provision of exhibition services.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Subscriber currently holds a 49% interest in Jianxi Zhengli, a non-wholly owned subsidiary of the Company. The Subscriber is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement. The Company will in due course appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Subscription Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement will be despatched by the Company to the Shareholders on or before 23 November 2015.

## RESUMPTION OF TRADING

Trading in the Shares (Stock Code: 1622) and the senior notes (Stock Code: 5783) of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 2 November 2015 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares (Stock Code: 1622) and the senior notes (Stock Code: 5783) of the Company on the Stock Exchange with effect from 9:00 a.m. on 3 November 2015.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in Hong Kong, Cayman Islands and the PRC
“Company”	Redco Properties Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Undertaking (Price Performance)”	a deed of undertaking with respect to the price performance of the Company dated 2 November 2015 executed by Mr. Wong in favour of the Subscriber in relation to the Shares held by the Subscriber on the date of the Deed of Undertaking (Price Performance)

“Deed of Undertaking (Target Profit)”	a deed of undertaking with respect to the target profit of the Company dated 2 November 2015 executed by Mr. Wong in favour of the Subscriber in relation to the Shares held by the Subscriber on the date of the Deed of Undertaking (Price Performance)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to seek approval from the Shareholders for the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares under the Specific Mandate
“Global Universe”	Global Universe International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not interested in or involved in the Subscription Agreement and the transactions contemplated thereunder
“Jiangxi Man Wo”	江西萬和房地產開發有限公司 (JiangXi Man Wo Property Development Co., Ltd.*), a company established in the PRC with limited liability on 24 September 2004, an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“Jiangxi Redco Property Development”	江西力高房地產開發有限公司 (Jiangxi Redco Property Development Co., Ltd.*), a company established in the PRC with limited liability on 20 January 2010, an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Jiangxi Zhengli”	江西政力房地產開發有限公司 (Jiangxi Zhengli Property Development Co., Ltd.*), a company established in the PRC with limited liability on 22 October 2013, an indirect non wholly-owned subsidiary of the Company and owned as to 26% by Jiangxi Man Wo, 25% by Jiangxi Redco Property Development and 49% by the Subscriber as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2015 or such other date as the Company and the Subscriber may agree in writing
“Mr. Wong”	Mr. Wong Yeuk Hung, the legal and beneficial owner of the entire issued share capital of Global Universe International Holding Limited, which in turn holds 45% issued share capital of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is subject to the approval by the Independent Shareholders voting by way of poll at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	南昌市政公用房地產集團有限公司 (Nanchang Municipal Public Real Estate Group Limited*), a company established in the PRC with limited liability

“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Company and the Subscriber dated 2 November 2015, pursuant to which the Company conditionally agreed to allot and issue and the Subscriber conditionally agreed to subscribe for the Subscription Shares in accordance with the terms and conditions set out therein
“Subscription Price”	the subscription price of HK\$4.43 per Subscription Share
“Subscription Shares”	175,804,661 new Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Times International”	Times International Development Company Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent.

By Order of the Board  
**Redco Properties Group Limited**  
**Huang Ruoqing**  
*Executive Director*

Hong Kong, 2 November 2015

*As at the date of this announcement, the executive directors of the Company are Mr. Huang Ruoqing, Mr. Tang Chengyong, 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 purposes only*