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众安房产
ZHONG AN REAL ESTATE

眾安房產有限公司
ZHONG AN REAL ESTATE LIMITED
(incorporated in the Cayman Islands with limited liability)
(Stock code: 672)

DISCLOSEABLE TRANSACTION
ACQUISITION OF
THE ENTIRE EQUITY INTEREST IN ZHEJIANG SHANGTUO INVESTMENT CO., LTD.

SUMMARY

- On 18 March 2018, the Group, through its non-wholly owned subsidiary in the PRC, entered into the Equity Transfer Agreement with the Vendor (Pengbo Daxiang), an independent third party, to acquire the entire equity interest in Shangtuo Investment with the ultimate aim of pursuing the implementation of the Project at the consideration of RMB360 million and subject to and upon the terms contained in the Equity Transfer Agreement. The principal terms of the Equity Transfer Agreement are set out in this announcement below.
- As the highest of the applicable Percentage Ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Acquisition and/or the pursuit of the implementation of the Project contemplated under the Equity Transfer Agreement may or may not be materialised. Shareholders and potential investors shall exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 18 March 2018, the Group entered into the Equity Transfer Agreement in respect of the Acquisition at the consideration and subject to and upon the terms contained in the Equity Transfer Agreement.

The principal terms of the Equity Transfer Agreement are summarised below.

EQUITY TRANSFER AGREEMENT

Date

18 March 2018

Parties

- (1) Purchaser : 杭州眾嘉投資管理有限公司
(Hangzhou Zhongjia Investment Management Co., Ltd.*)
(an indirect, non-wholly owned subsidiary of the Company)
- (2) Vendor : 杭州彭博大向實業有限公司
(Hangzhou Pengbo Daxiang Enterprise Co., Ltd.*)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of, and not connected with, the Company (or any of its subsidiaries) and its connected persons.

The Vendor is a limited liability company established in the PRC and its principal scope of business includes property development and operation.

Assets to be acquired

The Vendor has agreed to transfer, and the Purchaser has agreed to acquire from the Vendor, the Sale Interest (namely, the entire equity interest in the Target Co (浙江尚拓投資有限公司 (Zhejiang Shangtuo Investment Co., Ltd.*)) free from restriction and encumbrances.

The Target Co, through the PRC Subsidiary, holds the land use right to a plot of land located at Yu Hang Town, Shanghu Village, Pengyu Highway (West Side)* (余杭鎮上湖村彭余公路 (西側)) in Hangzhou City, Zhejiang Province, the PRC for commercial and residential purposes for the construction and development of the Project. The Project has a site area of 121,894 square meters and a plot ratio of 2.18.

The ultimate purpose of the Acquisition for the Group is to pursue, through the PRC Subsidiary, the acquisition of all rights for the implementation of the construction and development of the Project subject to the fulfillment of the terms contained in the Equity Transfer Agreement.

Consideration

RMB360 million

Pursuant to the Equity Transfer Agreement, the Purchaser has agreed to pay the Consideration in the following manner:

- (i) once a sum of RMB100 million is shown to have been deposited by the Purchaser into an account under its name, the Vendor has agreed to proceed with the transfer of the Sale Interest to the Purchaser within two working days (or such later date as may be mutually agreed by the Vendor and the Purchaser) and proactively co-operate with the Purchaser to complete the industry and commerce registration procedures necessary for the transfer;
- (ii) a sum of RMB300 million (including the amount of RMB100 million stated above) is to be paid as deposit by the Purchaser into the designated account of the Vendor by 11 May 2018 (or such later date as may be mutually agreed by the Vendor and the Purchaser) and will be treated as part payment of the Consideration at the time when the payment of the balance of the Consideration as stated below is made;
- (iii) a sum of RMB60 million being the balance of the Consideration is to be paid by the Purchaser into the designated account of the Vendor within five working days after it is satisfied that there exists no judicial freezing or encumbrance over the equity interests in the Target Co and the PRC Subsidiary that is not mutually agreed by the Vendor and the Purchaser.

The Consideration, which is payable in cash, was determined after arm's length negotiations and taking into account such factors including the amount of investment made by the Vendor prior to the entering into of the Equity Transfer Agreement, the recent transaction prices of land in close proximity, the prime location of the plot of land held by the PRC Subsidiary, the development potential of the Project based on, among others, the feasibility study conducted by the Group and the possible benefits which may bring to the Group.

The Group will finance the Consideration from its internal resources or bank borrowings whichever is appropriate.

Termination

Pursuant to the Equity Transfer Agreement, the Purchaser is entitled to terminate the Equity Transfer Agreement in the event that the adjudication of the shareholding dispute concerning the PRC Subsidiary disclosed below is not favourable or its outcome is such as to render the Purchaser unable to obtain, whether directly or indirectly, a full and non-defective right to the implementation of the Project, by giving to the Vendor a written notice of termination within three months upon the occurrence of the above event.

If the Purchaser chooses to terminate the Equity Transfer Agreement, the Vendor is required to refund and pay to the Purchaser all monies that the Purchaser has paid pursuant to the Equity Transfer Agreement and invested into the Project with interest at the rate of 16% per annum and calculated from their respective dates of payment. After which, the Purchaser will co-operate fully with the Vendor to complete all necessary procedures to procure the transfer of the Sale Interest back to the Vendor (or to the party designated by the Vendor) and the resignation of the directors and other personnel appointed by the Purchaser to the Target Group, and release each other from its obligations under the Equity Transfer Agreement.

If the Vendor is in breach of the terms of the Equity Transfer Agreement and fails to timely comply with the Purchaser's request, the Vendor will be responsible for all losses or damages which the Purchaser may suffer as a result.

The Purchaser is also entitled to terminate the Equity Transfer Agreement if the plot ratio of the Project is below 2.18 provided that the Purchaser shall give a written notice of termination to the Vendor by no later than 10 May 2018 (or such later date as the Vendor and Purchaser may mutually agree). In that case, each party has agreed to bear its own costs and expenses incurred and release each other from their respective obligations under the Equity Transfer Agreement.

If the Purchaser fails to make its payment(s) in accordance with the terms of the Equity Transfer Agreement, the Vendor is entitled to receive from the Purchaser an overdue fine in respect of the outstanding amount, calculated at the rate of 16% per annum for the period from the due date up to the date of payment or (if the overdue payment remains unsettled for 30 days after the Vendor's request) terminate the Equity Transfer Agreement and hold the Purchaser liable for the breach of the Purchaser's obligation under the Equity Transfer Agreement.

Effect of the Acquisition

Upon completion of the Acquisition, the Target Co will be entirely owned by the Group and be accounted for as a subsidiary of the Company. The Company will consolidate the financial results of the Target Group with the Group's financial results.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The principal activities of the Group are property development, leasing and hotel operation in the PRC.

The Acquisition and the pursuit of the Project, if materialised, will generate synergetic effect to the property development of the Group. It will also increase the Group's land reserve which is in line with the strategy of the Group. This is conducive to the long-term growth and sustainable development of the Group as a whole, and enhancing shareholder value in the long run. The Directors are therefore of the view that the terms of the Acquisition are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

If the Acquisition is materialised in accordance with the terms of the Equity Transfer Agreement, the Group will take all steps and procedures and obtain/renew all approvals, licenses and permits, and the Vendor has agreed to co-operate fully with the Group, which are necessary to achieve its ultimate purpose of the Acquisition (that is, to obtain all rights to the implementation of the Project).

FINANCIAL AND OTHER INFORMATION OF THE TARGET CO

The Target Co is a company established in the PRC with limited liability on 27 August 2014 with a total registered capital of RMB60 million as at the date of this announcement.

The Target Co is principally engaged in property investment business.

The PRC Subsidiary is a company established in the PRC with limited liability on 5 March 2009 and a wholly-owned subsidiary of the Target Co. The PRC Subsidiary holds the land use right to the plot of land for the construction and development of the Project. The Project is under initial construction and development stage. The construction work planning permit and the work permit relating to the Project have expired.

Based on the due diligence performed by the Company on the Target Group, there is ongoing dispute regarding the PRC Subsidiary over the validity of the transfer of equity interest in the PRC Subsidiary from the previous holder to the Target Co. The equity interest in the PRC Subsidiary is currently subject to judicial freezing by the Zhejiang Province People's Procuratorate (浙江省高級人民法院) pending adjudication.

As at 31 December 2017, the net asset value of the Target Co (under PRC GAAP) was approximately RMB58 million (unaudited).

The losses before and after income tax of the Target Co for both of the two financial years ended 31 December 2016 and 2017 were approximately RMB0.5 million (unaudited) and RMB0.5 million (unaudited) respectively.

LISTING RULES IMPLICATIONS

As the highest of the applicable Percentage Ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition is therefore subject to the reporting and announcements requirements under Chapter 14 of the Listing Rules.

As none of the Directors has any material interest in the Acquisition, no Director is required to abstain from voting on the relevant resolutions of the Board approving the Acquisition.

The Acquisition and/or the pursuit of the implementation of the Project intended by the Company as contemplated under the Equity Transfer Agreement may or may not materialise. Shareholders and potential investors shall exercise caution when dealing in the securities of the Company.

DEFINITION

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

“Acquisition”	the acquisition of the entire equity interest in the Target Co pursuant to the terms of the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	Zhong An Real Estate Limited (眾安房產有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration that the Purchaser has agreed to pay to the Vendor for the acquisition of the Sale Interest
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 18 March 2018 entered into between the Vendor and the Purchaser in respect of the Acquisition
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratios”	the applicable percentage ratios under Rule 14.07 of the Listing Rules
“PRC” or “China”	the People’s Republic of China excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC GAAP”	accounting principles generally accepted in the PRC
“PRC Subsidiary”	杭州馨華園房地產開發有限公司(Xin Hua Yuan Real Estate Development Co. Ltd.*), a company established in the PRC with limited liability on 5 March 2009 and a wholly-owned subsidiary of the Target Co

“Project”	the property development project situated at the plot of land located at 余杭鎮上湖村彭余公路(西側) (Yu Hang Town, Shanghu Village, Pengyu Highway (West Side)*) in Hangzhou City, Zhejiang Province, the PRC with a total site area of 121,894 square meters and a plot ratio of 2.18
“Purchaser”	杭州眾嘉投資管理有限公司 (Hangzhou Zhongjia Investment Management Co., Ltd.*), a company established in the PRC with limited liability on 25 September 2017 and an indirect, non-wholly owned subsidiary of the Company, being the purchaser under the Equity Transfer Agreement
“RMB”	Renminbi or yuan, the lawful currency of the PRC
“Sale Interest”	the entire equity interest in 浙江尚拓投資有限公司 (Zhejiang Shangtuo Investment Co., Ltd.*)
“Shareholders”	the holders of the Shares
“Share(s)”	share(s) of par value of HK\$0.10 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Co” or “Shangtuo Investment”	浙江尚拓投資有限公司 (Zhejiang Shangtuo Investment Co., Ltd.*), a company established in the PRC with limited liability on 27 August 2014
“Target Group”	Target Co and the PRC Subsidiary
“Vendor” or “Pengbo Daxiang”	杭州彭博大向實業有限公司 (Hangzhou Pengbo Daxiang Enterprise Co., Ltd.*), a company established in the PRC with limited liability on 15 May 2017, being the vendor under the Equity Transfer Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Zhong An Real Estate Limited
Shi Kancheng
Chairman

Hong Kong, 18 March 2018

As at the date of this announcement, the Board comprises Mr Shi Kancheng (Chairman), Ms Wang Shuiyun, Ms Shen Tiaojuan, Mr Zhang Jiangang and Mr Jin Jianrong as executive directors; Ms Shen Li as non-executive director; and Professor Pei Ker Wei, Dr Loke Yu and Mr Zhang Huaqiao as independent non-executive directors.

** For identification purposes only*