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沪港联合

**HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED**

**滬港聯合控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1001)**

**MAJOR AND CONNECTED TRANSACTION**

**CO-INVESTMENT VENTURE FORMATION  
ENTERING INTO THE SUBSCRIPTION AND  
SHAREHOLDERS AGREEMENT**

**AND**

**THE INVESTMENT MANAGEMENT AGREEMENT**

**Financial Adviser**



**YU MING INVESTMENTS LIMITED**  
禹銘投資有限公司

**THE SUBSCRIPTION AND SHAREHOLDERS AGREEMENT**

On 18 April 2018 (after trading hours), the Company, Plentiful, RECO, HSL and the Venture entered into the Subscription and Shareholders Agreement, pursuant to which Plentiful will subscribe for 0.45 new Venture Share at US\$4,500 and RECO will subscribe for 2.55 new Venture Shares at US\$25,500, subject to the Conditions. As at the date of this announcement, the Venture has one Venture Share issued and is wholly-owned by Plentiful. Upon Completion, the one existing Venture Share shall be repurchased by the Venture and the Venture will be owned as to 15% by Plentiful and 85% by RECO.

The term for the Venture is five years commencing from the date of Completion, subject to extension, and the investment period is for the first two years commencing from the date of Completion.

The Venture will focus on acquiring under-utilized office buildings in prime locations in Shanghai with value-add potential, and implementing value enhancement with efficient capital expenditure and other asset management initiatives. Following Completion and upon request by the Venture manager, HSL, the Venture Partners have agreed to contribute further capital of up to an aggregate amount of US\$350,000,000 on a pro rata basis for operations of the Venture. The maximum Venture Partners Commitment from Plentiful shall be US\$52,500,000, while the maximum Venture Partners Commitment from RECO shall be US\$297,500,000.

The Company indirectly owns a 62% equity interest in Plentiful, as such, the Venture Partners Commitment from the Company shall be US\$32,550,000.

## **THE INVESTMENT MANAGEMENT AGREEMENT**

On the same date, HSL and the Venture also entered into the Investment Management Agreement, pursuant to which HSL shall be appointed as the Venture manager to provide day-to-day operation and implementation of the approved business plan and budget of the Venture in accordance with the Investment Management Agreement.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Venture Partners Commitment is more than 25% and all the applicable percentage ratios are less than 100%, entering into of the Subscription and Shareholders Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Chan is an associate of a connected person of the Company as defined under Rule 14A of the Listing Rules. Entering into of the Subscription and Shareholders Agreement would therefore constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. However, as the connected transaction between the Group and Mr. Chan occurs at the subsidiary level on normal commercial terms, it is exempt from the circular, independent financial advice and shareholders' approval requirements, given that (i) the Board has approved the Subscription and Shareholders Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Subscription and Shareholders Agreement are fair and reasonable and are on normal commercial terms and are in the interests of the Shareholders as a whole.

## **GENERAL**

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder.

A circular containing, among others, (i) further information on the Agreements; (ii) the financial information of the Group; (iii) the unaudited pro forma financial information of the enlarged Group; (iv) a notice convening the SGM; and (v) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 9 May 2018.

**As Completion is subject to a number of Conditions, Shareholders and investors should exercise caution when dealing in securities of the Company.**

## **INTRODUCTION**

The Board announces that on 18 April 2018 (after trading hours), the Company, Plentiful, RECO, HSL and the Venture entered into the Subscription and Shareholders Agreement, pursuant to which the Venture Partners have agreed to subscribe the Venture Share(s) and contribute further capital of up to an aggregate amount of US\$350,000,000 on a pro rata basis for the purposes of acquiring under-utilized office buildings in prime locations in Shanghai with value-add potential, and implementing value enhancement with efficient capital expenditure and other asset management initiatives.

## **THE SUBSCRIPTION AND SHAREHOLDERS AGREEMENT**

Set out below are the principal terms of the Subscription and Shareholders Agreement:

- Date**                    18 April 2018
- Parties**                (i) the Venture;
- (ii) Plentiful,
- (iii) RECO;
- (iv) HSL, as the Venture manager; and
- (v) the Company, as guarantor

<b>Subscription</b>	As at the date of this announcement, the Venture has one Venture Share issued with a registered capital of US\$1.00 and is wholly-owned by Plentiful, which shall be repurchased by the Venture upon Completion
	Plentiful will subscribe for 0.45 new Venture Share at US\$4,500 and RECO will subscribe for 2.55 new Venture Shares at US\$25,500. Upon Completion, the Venture will be owned as to 15% by Plentiful and 85% by RECO
<b>Term of the Venture</b>	From the date of Completion until the later of the date that is (i) five years commencing from the date of Completion, subject to any adjustment upon approval by the Venture Partners; and (ii) immediately after the disposal of all or substantially all the Venture's assets
<b>Scope of business</b>	Focus exclusively on the acquisition, value-add, operation and disposal of real estate projects in Shanghai, which (i) have the majority of their value derived from an office component; and (ii) meet the Venture's investment criteria
<b>Management of the Venture</b>	HSL, responsible for day-to-day operation and implementation of the approved business plan and budget of the Venture in accordance with the Investment Management Agreement
<b>Investment Period</b>	Two years
<b>Venture Board composition</b>	Up to six directors, four of which shall be nominated by RECO, and two of which shall be nominated by Plentiful
<b>Venture Board approvals</b>	All investments identified by HSL and major decisions shall be approved by the Venture Board
<b>Right of first look</b>	During the Investment Period, the Venture shall be the exclusive investment vehicle through which HSL and its affiliates invest in any new projects in Northern and Eastern China, including without limitation, Shanghai, for which the then remaining Venture Partners Commitment are sufficient to make such investment. In connection with the foregoing, a right similar to the right of first look has been granted by an affiliate of HSL to an affiliate of RECO for the period commencing from 29 January 2018 and terminating as at the date of the Subscription and Shareholders Agreement

**Venture Partners Commitment** Upon request by HSL, a maximum total amount of US\$350,000,000 shall be provided by the Venture Partners to the Venture for operations on a pro rata basis:

	<b>Venture Partners Commitment</b> <i>(US\$)</i>	<b>Percentage</b> <i>(%)</i>
RECO	297,500,000	85
Plentiful	<u>52,500,000</u>	<u>15</u>
	<u><u>350,000,000</u></u>	<u><u>100</u></u>

**Upsize option** Following the deployment of 85% or more of the Venture Partners Commitment above, HSL shall provide written notice to RECO of such an event and RECO shall have a one-time right (the “**Upsize Option**”), in its sole discretion within 90 days from the date of such notice to request the Venture Partners to make additional equity commitments

The Upsize Option shall be subject to the Venture Partners mutually agreeing on the terms and conditions thereof and approval by the Company’s Shareholders (if required)

The assets acquired pursuant to the Upsize Option shall be treated as a separate pool of assets from the assets acquired by the Venture and operated on substantially the same terms as those that apply to the assets acquired by the Venture

**Distribution** Distribution to Venture Partners on a *pari passu* basis in proportion to their respective contributions

**Conditions Precedent** Completion shall be conditional upon fulfilment of the following conditions:

- (i) the anti-trust confirmation necessary for or in respect of the proposed subscription by RECO for the Venture Shares subscribed by RECO, and Plentiful for the Venture Share subscribed by Plentiful, having been obtained from the Ministry of Commerce of the PRC, on terms satisfactory to each of RECO and Plentiful and such confirmation remaining in full force and effect; and
- (ii) approval from the Shareholders at the SGM

The Venture Partners shall use their respective best endeavours to procure and ensure the satisfaction of the Conditions as soon as possible

<b>Transfer of Venture Shares</b>	No transfer to other third parties shall be permitted except for transfers to permitted transferees as defined in the Subscription and Shareholders Agreement
<b>Guarantee</b>	The Company unconditionally and irrevocably guarantees to RECO and the Venture the representations and warranties of Plentiful and the capital contribution obligations of Plentiful under the Subscription and Shareholders Agreement and agrees to indemnify each of the same against any and all losses which each of them may suffer through or arising from any breach by Plentiful of the foregoing representations and warranties and obligation

## **THE INVESTMENT MANAGEMENT AGREEMENT**

On the same date, HSL and the Venture also entered into the Investment Management Agreement, pursuant to which HSL shall be appointed as the Venture manager to provide day-to-day management, principal terms of the Investment Management Agreement are as follows:

<b>Date</b>	18 April 2018
<b>Parties</b>	(i) HSL; and  (ii) the Venture
<b>Service and duties</b>	HSL, as an independent contractor, provides management and administration of all operations and other matters, including, but not limited to, provision of advice and support on acquisition of projects, disposition of projects, asset management of projects of the Venture, and provide quarterly and annual reports on business performance and financial summary of the Venture
<b>Fees</b>	Fees will be paid based on (i) capital contributed by Venture Partners; (ii) purchase consideration of the underlying property; and (iii) distribution of the Venture
<b>Expenses</b>	Upon request of HSL, the Venture will reimburse HSL certain costs and expenses, including those related to the establishment and operation of the Venture and other deal pursuit costs up to a certain amount
<b>Termination</b>	The Venture may terminate the Investment Management Agreement: <ul style="list-style-type: none"> <li>(i) where Plentiful ceases to hold any shares in the Venture, immediately upon notice to HSL; or</li> <li>(ii) where a material breach as defined under the Investment Management Agreement occurs, immediately upon written notice to HSL; or</li> <li>(iii) where HSL underperforms the budget net operating income by 20% for eight consecutive operational quarters, upon 60 days' written notice to HSL.</li> </ul>

## **INFORMATION ABOUT THE VENTURE**

The Venture is a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Plentiful as at the date of this announcement.

Upon Completion, the Venture will be owned as to 15% by Plentiful and 85% by RECO and will engage in the acquisition, value-add, operation and disposal of real estate projects in Shanghai.

## **INFORMATION ABOUT PLENTIFUL**

Plentiful is an investment holding company incorporated in the British Virgin Islands with limited liability. It is owned as to 62% by an indirect wholly-owned subsidiary of the Company and 38% by Beauty Plus Ventures Limited, a company indirectly and wholly-owned by Mr. Chan.

As at the date of this announcement, Mr. Chan does not hold any securities of the Company. Mr. Chan is an associate of connected person of the Company as defined under Rule 14A of the Listing Rules.

## **INFORMATION ABOUT RECO**

RECO is an investment holding company incorporated in Singapore with limited liability. It is an indirectly wholly-owned subsidiary of GIC (Realty) Private Limited. GIC (Realty) Private Limited is wholly-owned by the Minister for Finance of the Government of Singapore.

To the best of the Director's knowledge, information and believe, RECO and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

## **INFORMATION ABOUT HSL**

HSL is a company incorporated in the Cayman Islands with limited liability and is owned as to 60% by the Company and 40% by Mr. Chan. It is mainly engaged in carrying out property enhancement, alterations and additions works to revitalize vacant or under-utilized buildings in Shanghai, which are targeted, ultimately, to generate significant capital gains for our Group's investments. M3 Capital Partners (HK) Limited is acting as exclusive financial advisor to HSL in connection with the formation of the Venture.

## **FUNDING FOR THE TRANSACTION**

Following Completion and upon request by HSL, the Venture Partners agreed to contribute further capital of up to an aggregate amount of US\$350,000,000 on a pro rata basis for operation of the Venture. The maximum Venture Partners Commitment from RECO shall be US\$297,500,000, while the maximum Venture Partners Commitment from Plentiful shall be US\$52,500,000.

The Company indirectly owns a 62% equity interest in Plentiful, as such, the Venture Partners Commitment from the Company shall be US\$32,550,000. The Company intends to finance its portion of the Venture Partners Commitment by way of internal working capital and bank borrowing.

## **REASONS AND BENEFITS OF THE TRANSACTION**

The Group has four business segments: property investment and project management, construction materials, building and design solutions and engineering plastics.

Property investment and project management business consists of (i) direct acquisitions of properties for investment which generates rental income and appreciation in fair value to the Group; and (ii) investments in properties via partnerships or investment funds where the Group takes an equity stake. The Construction Materials business comprises Hong Kong construction products processing and distribution, surface critical coil processing and distribution, steel recycling and reinforcing bar processing and assembly business. Building and design solutions business provides design, installation, inventory management, logistics as well as technical support of bathroom and kitchen products. The Group also engages in engineering plastics for home appliances consumer electronics and automotive.

As mentioned in the interim report of the Company for the six months ended 30 September 2017, the Group aims to expand their property investment and project management business through setting up joint ventures and/or fund partnership and assuming a management role in these forms of cooperation. The management believes the target expansion is beneficial to the development of the Group, as HSL will be entitled to full management rights via acting as the general partner and investment manager of the partnership or investment funds, while providing more flexibility on capital requirements for the Group. HSL has been actively exploring opportunities for raising capital, focusing on office buildings in Shanghai on joint ventures and/or fund partnership basis and acting as a general partner for the partnership or investment funds to earn service fee income.

In addition, HSL has a proven successful track record in transforming under-performing buildings into modern, productive and valuable assets in the last two financial years.

Having taken into consideration of the above, the Board (including the independent non-executive Directors) are of the view that the entering into of the Agreements are in line with the long-term investment strategy of the Company and the terms and conditions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As no Directors have a material interest in the transaction, none of the Directors abstained from voting on the board resolution approving the transaction.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Venture Partner Commitment is more than 25% and all the applicable percentage ratios are less than 100%, entering into of the Subscription and Shareholders Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Chan is an associate of a connected person of the Company as defined under Rule 14A of the Listing Rules. Entering into of the Subscription and Shareholders Agreement would therefore constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. However, as the connected transaction between the Group and Mr. Chan occurs at the subsidiary level on normal commercial terms, it is exempt from the circular, independent financial advice and shareholders' approval requirements, given that (i) the Board has approved the Subscription and Shareholders Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Subscription and Shareholders Agreement are fair and reasonable and are on normal commercial terms and in the interests of the Shareholders as a whole.

## **GENERAL**

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder.

A circular containing, among others, (i) further information on the Agreements; (ii) the financial information of the Group; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) a notice convening the SGM; and (v) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 9 May 2018.

**As Completion is subject to a number of Conditions, Shareholders and investors should exercise caution when dealing in securities of the Company.**

## **DEFINITIONS**

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

“Agreements”	the Subscription and Shareholders Agreement and the Investment Management Agreement
“Board”	the board of Directors of the Company
“Company”	Hong Kong Shanghai Alliance Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1001)
“Completion”	completion of the transaction in accordance with the terms and conditions of the Subscription and Shareholders Agreement
“Conditions”	the conditions precedent under the Subscription and Shareholders Agreement
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSL”	Hongkong and Shanghai Land Capital Ltd., a company incorporated in the Cayman Islands with limited liability, the equity interest of which are owned as to 60% by the Company and 40% by Mr. Chan
“Investment Management Agreement”	investment management agreement dated 18 April 2018 entered into by the Venture and HSL
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Ho Wah Terence
“percentage ratio”	has the same meaning ascribed to it under the Listing Rules
“Plentiful”	Plentiful Praise Limited, a company incorporated in the British Virgin Islands with limited liability, the equity interest of which are indirectly owned as to 62% by the Company and 38% by Mr. Chan. Upon Completion, Plentiful will own a 15% equity interest in the Venture
“PRC”	the People’s Republic of China (for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RECO”	Reco Wisteria Private Limited, a company incorporated in Singapore with limited liability and an indirectly wholly-owned subsidiary of GIC (Realty) Private Limited. GIC (Realty) Private Limited is wholly-owned by the Minister for Finance of the Government of Singapore. RECO will own a 85% equity interest in the Venture
“SGM”	special general meeting of the Company to be convened for the purpose of approving the Subscription and Shareholders Agreement and the Investment Management Agreement
“Shareholders”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription and Shareholders Agreement”	subscription and shareholders agreement dated 18 April 2018 entered into by the Venture, Plentiful, RECO, HSL and the Company

“US\$”	US Dollar, the lawful currency of the United States of America
“Venture”	HSL Shanghai Office Partners I Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Plentiful as at the date of this announcement
“Venture Board”	board of directors of the Venture
“Venture Partner(s)”	Plentiful and RECO
“Venture Partners Commitment”	Contribution to be provided by respective Venture Partner to the Venture for capital on a pro rata basis
“Venture Share(s)”	share of the Venture with a par value of US\$1.00

On behalf of the Board  
**Hong Kong Shanghai Alliance Holdings Limited**  
**Yao Cho Fai Andrew**  
*Chairman*

Hong Kong, 18 April 2018

*As at the date of this announcement, the Board comprises Mr. Yao Cho Fai Andrew, Ms. Luk Pui Yin Grace and Mr. Lau Chi Chiu (being the executive directors); Mr. Tam King Ching Kenny, Mr. Xu Lin Bao, Mr. Tse Lung Wa Teddy and Mr. Yeung Wing Sun Mike (being the independent non-executive directors).*