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珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

珠光控股集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1176)

**DISCLOSEABLE TRANSACTION:
ACQUISITION OF 100% EQUITY INTEREST OF THE TARGET**

The Board is pleased to announce that, after trading hours on 18 December 2019, South Trend, a wholly-owned subsidiary of the Company, the Vendor and the Guarantor entered into the SP Agreement in relation to the Acquisition.

THE SP AGREEMENT

Pursuant to the SP Agreement, South Trend has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, which represent 100% of the issued share capital of the Target. The Consideration for the Acquisition is RMB1,050,000,000 (equivalent to approximately HK\$1,165,710,000).

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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** For identification purpose only*

THE SP AGREEMENT

Major terms of the SP Agreement are set out below:

Date

18 December 2019

Parties

- (i) the Vendor as the vendor;
- (ii) the Guarantor as the guarantor; and
- (iii) South Trend as the purchaser.

The Vendor is a company incorporated in the BVI with limited liability and is an investment holding company. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner (being the Guarantor) are Independent Third Parties.

Assets to be acquired

South Trend has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, which represent 100% of the issued share capital of the Target. The information regarding the Target Group is set out in the paragraph headed “Information about the Target Group and the Guangzhou Project Company” below.

Consideration

The Consideration shall be RMB1,050,000,000 (equivalent to approximately HK\$1,165,710,000) and it shall be payable by South Trend to the Vendor in cash on the Completion Date.

Basis of Consideration

The Consideration was determined after arm’s length negotiations between the Vendor and South Trend on normal commercial terms after taking into account (i) the preliminary valuation of the Guangzhou Land as at 30 September 2019 of RMB6,820 million (equivalent to approximately HK\$7,572 million) as assessed by an independent qualified valuer using the comparison method (“**Valuation**”); and (ii) the unaudited consolidated net asset value of the Target as at 30 September 2019 (with 51% equity interest in the Guangzhou Project Company as at 30 September 2019 having been equity accounted for and adjusted with reference to the Valuation), i.e. approximately HK\$1,242 million.

Condition precedent to Completion

Completion is conditional upon and subject to South Trend and/or the Company having obtained all necessary acknowledgements, consents and approvals in respect of the transactions contemplated under the SP Agreement, and such acknowledgements, consents and approvals having remained in full force and effect on the Completion Date. Such Condition is not capable of being waived by South Trend or the Vendor.

If the above Condition is not fulfilled by the Long Stop Date, the SP Agreement shall cease to have effect forthwith (save and except for certain clauses as specified in the SP Agreement which shall continue to have full force and effect), and no party to the SP Agreement shall have any rights and obligations thereunder save for any accrued rights and obligations of the parties prior to the termination.

Completion

Subject to the fulfillment of the Condition, Completion shall take place on the Completion Date.

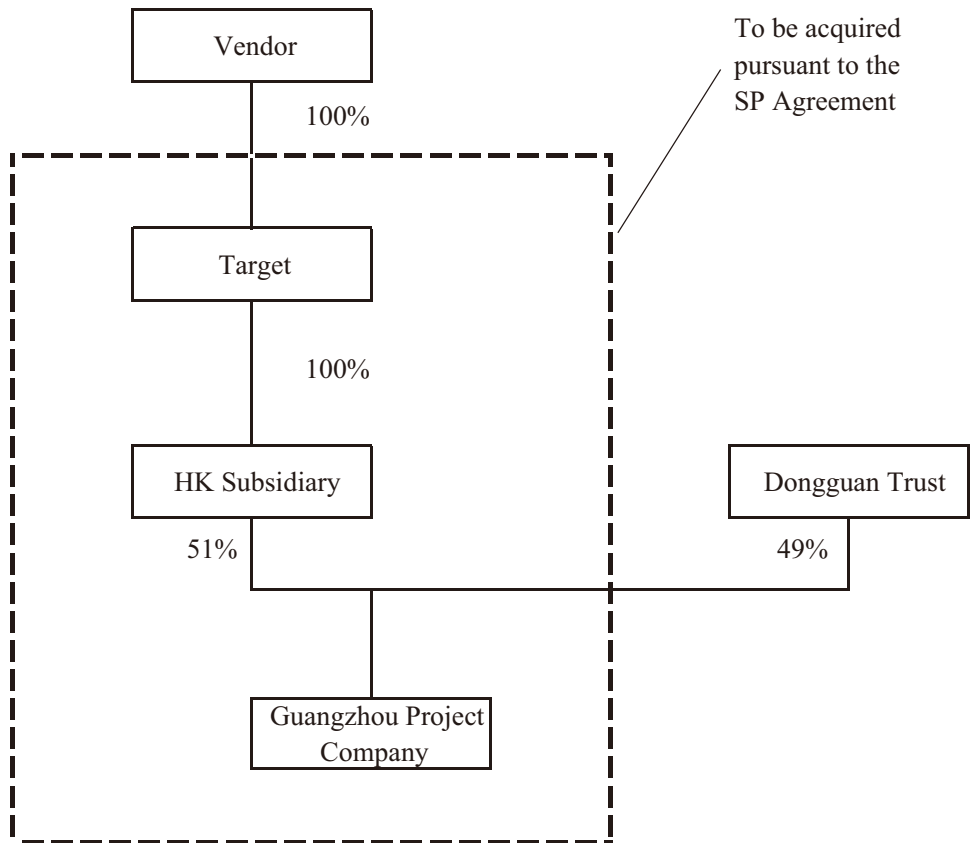
Immediately after Completion, the Company will own 100% equity interest in the Target through South Trend. The Target will become an indirect wholly-owned subsidiary of the Company.

Guarantee by the Guarantor

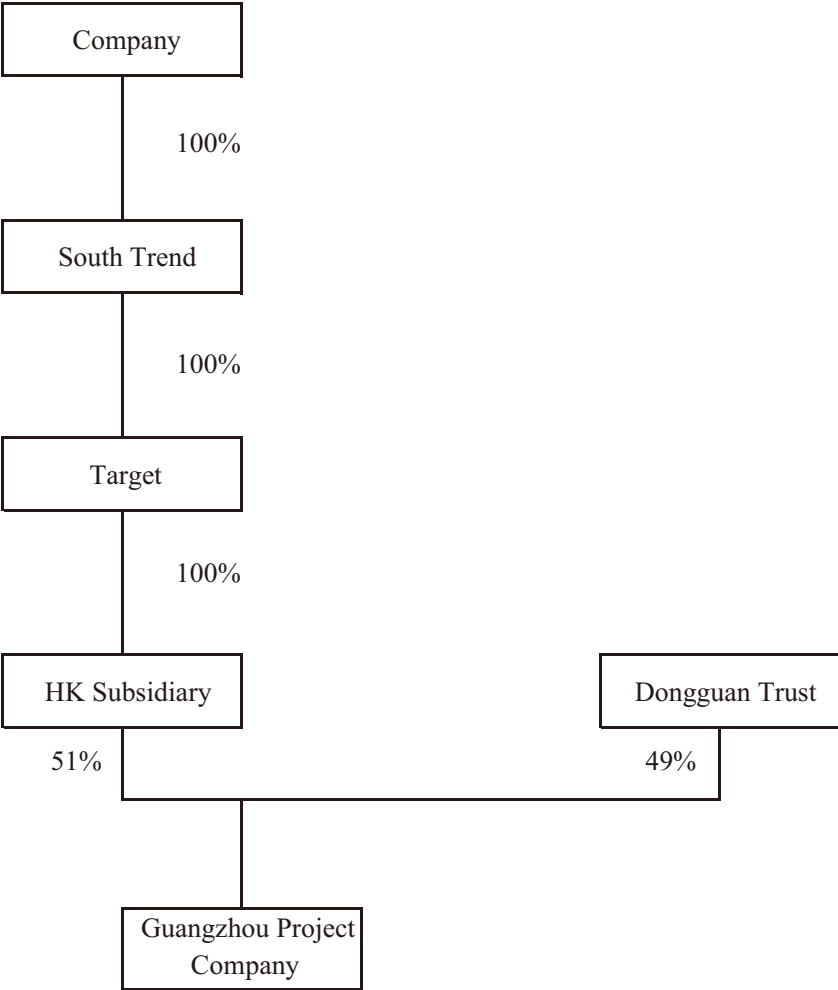
The Guarantor is joined as a party to the SP Agreement to guarantee the performance by the Vendor of its obligations under the SP Agreement.

INFORMATION ABOUT THE TARGET GROUP AND THE GUANGZHOU PROJECT COMPANY

To the best of the knowledge, information and belief of the Directors, the following diagram sets out the shareholding structure of the Target Group and the Guangzhou Project Company as at the date of this announcement:



Upon Completion, the shareholding structure of the Target Group and the Guangzhou Project Company will be as follows:



The Target

The Target is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. As at the date of this announcement, the Target holds 100% of the equity interests of the HK Subsidiary, an investment holding company incorporated in Hong Kong with limited liability.

The Guangzhou Project Company

The Guangzhou Project Company is a company established in the PRC and is owned as to 51% by the HK Subsidiary and as to 49% by Dongguan Trust. Its principal business activities are property development (except for theme parks and villas), property management and provision of commercial consultancy services. The Guangzhou Land is the principal asset of the Guangzhou Project Company, and can be used for commercial, tourism and entertainment uses for a term of 40 years expiring on 20 February 2058 and for composite and other uses for a term of 50 years expiring on 20 February 2068. The Guangzhou Land is planned to be developed into a commercial complex which comprises, without limitation, shopping malls, office premises and high-end apartment buildings.

As at the date of this announcement, the Guangzhou Project Company holds interests in the Project. The Project involves the development of the Guangzhou Land with a total site area of approximately 63,637 sq.m., which are being developed into buildings for office, apartment and commercial uses. The total gross floor areas (“GFA”) for sale and development of the Project are approximately 352,496 sq.m. and 360,655 sq.m., respectively, and the Project comprises five phases of development. Phase I which covers four blocks of apartment buildings (including a retail portion) with a total GFA available for sale of approximately 33,081 sq.m. is under construction as at the date of this announcement and is scheduled to be completed in November 2020. Phase II to Phase V with a total GFA available for sale of approximately 319,415 sq.m. is scheduled to be completed in March 2024. Details of the Guangzhou Land and the Land (which comprises the Guangzhou Land as well as road use area and green land area) are as follows:

	Land area <i>(sq.m.)</i>	GFA for development under the Project <i>(sq.m.)</i>	Usage	GFA for sale under the Project <i>(sq.m.)</i>
Land A	37,591	206,117	Office	70,891
			Apartment	108,915
			Commercial	14,362
Land B	15,235	116,698	Office	79,500
			Apartment	33,941
			Commercial	11,806
Land C	10,811	37,840	Apartment	30,981
			Commercial	2,100
Sub-total	63,637	360,655		352,496
Road use area	30,798	N/A		N/A
Green land area	12,965	N/A		N/A
Total	<u>107,400</u>	<u>360,655</u>		<u>352,496</u>

Governance structure of the Guangzhou Project Company

The board of directors of the Guangzhou Project Company (“**Guangzhou Board**”) is composed of four directors, with three of them appointed by the HK Subsidiary (“**HK Subsidiary Directors**”) and one of them appointed by Dongguan Trust. The Guangzhou Board is the highest authoritative body of the Guangzhou Project Company.

In accordance with the articles of association of the Guangzhou Project Company, the following matters of the Guangzhou Project Company shall be resolved unanimously by the Guangzhou Board (“**Board Reserved Matters**”): (i) profit distribution plans; (ii) external financing; (iii) external investment; (iv) provisions of external guarantees (except guarantees given to banks for mortgage facilities granted to purchasers of the Guangzhou Project Company’s properties); (v) pledge of assets; (vi) disposal of assets (except properties for sale); and (vii) related party transactions. Other matters of the Guangzhou Project Company are subject to the approval of more than one-half of the directors of the Guangzhou Project Company who attend the relevant board meeting.

Since the decisions about the Board Reserved Matters, particularly external financing and pledge of assets concerning the relevant activities of the Guangzhou Project Company, require the unanimous approval of the Guangzhou Board as mentioned above and the inability of the HK Subsidiary Directors (who collectively make up the majority of the Guangzhou Board) to exercise control over the decision making of such matters will affect the control of the HK Subsidiary over the Guangzhou Project Company under the applicable accounting standards, the HK Subsidiary is not considered as having control over the Guangzhou Project Company and the Guangzhou Project Company is thus regarded as a joint venture that is subject to the joint control of the HK Subsidiary and Dongguan Trust. As such, the financial results of the Guangzhou Project Company are not consolidated into those of the Target and are equity accounted for in the Target's consolidated financial statements as a joint venture and the same accounting treatment will be applied after Completion.

Set out below is a summary of the unaudited consolidated net loss before and after taxation of the Target prepared in accordance with the generally accepted accounting principles of Hong Kong for the financial years ended 31 December 2017 and 31 December 2018:

	For the year ended 31 December 2018 <i>(unaudited)</i> <i>(approximately)</i> <i>HK\$'000</i>	For the year ended 31 December 2017 <i>(unaudited)</i> <i>(approximately)</i> <i>HK\$'000</i>
Net loss before taxation	(221,795)	(336,049)
Net loss after taxation	(227,916)	(332,828)

The unaudited consolidated net assets and total assets of the Target as at 30 September 2019 (with 51% equity interest in the Guangzhou Project Company as at 30 September 2019 having been equity accounted for and adjusted with reference to the Valuation) were approximately HK\$1,242 million and approximately HK\$1,756 million, respectively.

FINANCIAL EFFECT OF THE ACQUISITION ON THE GROUP

Prior to Completion, the Company does not hold any interest in the Target Group. Upon Completion, the Company will own the entire equity interest in the Target and the financial results of the Target Group will be consolidated into the Group's financial statements.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SP AGREEMENT

The Group is principally engaged in property development, property investment, project management and other property development related services in the PRC.

The Board is optimistic about the prospects of the property development business in the first-tier cities and the Guangdong-Hong Kong-Macao Greater Bay Area in the PRC. As the Guangzhou Land which is owned by the Guangzhou Project Company and planned to be developed for office, apartment, commercial, tourism and entertainment purposes is situated in Guangzhou City, the PRC, acquiring interests in the Guangzhou Project Company will allow the Group to invest in property development business in Guangzhou City, the PRC. In addition, the Guangzhou Land, which is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC, has great potential for development given that it is near the Sanxi (三溪) Station of Guangzhou Metro Line No. 5 and within the scope of the planned Guangzhou International Financial Town (廣州國際金融城) in Tianhe District, Guangzhou City, Guangdong Province, the PRC. The Board believes that the Acquisition represents a strategic opportunity to broaden the Group's income stream and diversify its investments. In light of the Guangzhou Land's potential for development and its superior geographic location with convenient transportation available, the Directors are of the view that the Company should capture the opportunity to acquire 51% equity interest in the Guangzhou Project Company, even though the financial results of the Guangzhou Project Company will not be consolidated into those of the Group after Completion under the applicable accounting standards but are equity accounted for in the Target's consolidated financial statements as a joint venture.

After Completion, the Company will then be able to obtain first-hand information on the Project and make further assessment on the prospects of the Guangzhou Project Company. The Group will consider to acquire additional equity interest in the Guangzhou Project Company in order to take further control of the Project in the future.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will keep the Shareholders informed of any acquisition of additional equity interest in the Guangzhou Project Company by the Group as and when appropriate in accordance with the relevant disclosure requirements under the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the Sale Shares by South Trend pursuant to the SP Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules

“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday) on which licensed banks in Hong Kong are open for business
“BVI”	British Virgin Islands
“Company”	Zhuguang Holdings Group Company Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	the second Business Day following the date of fulfillment of the Condition under the SP Agreement (or such other date as the Vendor and South Trend may agree) on which Completion is to take place
“Condition”	the condition precedent to which Completion is subject to as set out in the paragraph headed “Condition precedent to Completion” under the section headed “The SP Agreement” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB1,050,000,000 (equivalent to approximately HK\$1,165,710,000), payable by South Trend to the Vendor pursuant to the SP Agreement for the Acquisition
“Director(s)”	the director(s) of the Company
“Dongguan Trust”	東莞信託有限公司 (Dongguan Trust Co., Limited*), a company established in the PRC with limited liability
“Group”	the Company and its subsidiaries
“Guangzhou Land”	Land A, Land B and Land C
“Guangzhou Project Company”	廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*), a company established in the PRC with limited liability and is owned as to 51% by the HK Subsidiary and as to 49% by Dongguan Trust
“Guarantor”	Cheung Fong Wing

* For identification purpose only

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Subsidiary”	Pacific Win Investments Limited (保鋒投資有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by the Target
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	parties who are third parties independent of the Company and its connected persons and their respective associates
“Land”	the land with a gross land area of approximately 107,400 sq.m., which is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC, which includes the Guangzhou Land
“Land A”	a portion of the Land with a gross land area of approximately 37,591 sq.m., which is owned by the Guangzhou Project Company
“Land B”	a portion of the Land with a gross land area of approximately 15,235 sq.m., which is owned by the Guangzhou Project Company
“Land C”	a portion of the Land with a gross land area of approximately 10,811 sq.m., which is owned by the Guangzhou Project Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2020 (or such later date as South Trend and the Vendor may agree in writing)
“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
“Project”	the property development project to be developed on the Guangzhou Land, in which the Guangzhou Project Company holds interests
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	1,000 shares of par value of US\$1.00 each in the share capital of the Target, representing 100% of the issued share capital of the Target
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“South Trend”	South Trend Holdings Limited (南興控股有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“SP Agreement”	the agreement dated 18 December 2019 and entered into between South Trend, the Vendor and the Guarantor in relation to the Acquisition
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	All Flourish Investments Limited (通興投資有限公司), a company incorporated in the BVI with limited liability
“Target Group”	the Target and the HK Subsidiary
“Vendor”	Quan Xing Holdings Limited (荃興控股有限公司), a company incorporated in the BVI with limited liability

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.1102. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

On behalf of the Board
Zhuguang Holdings Group Company Limited
Chu Hing Tsung
Chairman

Hong Kong, 18 December 2019

As at the date of this announcement, the Board comprises (i) six executive Directors, namely Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (Chairman), Mr. Liu Jie (Chief Executive Officer), Mr. Liao Tengjia (Deputy Chairman), Mr. Huang Jiajue (Deputy Chairman), Mr. Chu Muk Chi (alias Mr. Zhu La Yi) and Ms. Ye Lixia; and (ii) three independent non-executive Directors, namely, Mr. Leung Wo Ping JP, Mr. Wong Chi Keung and Dr. Feng Ke.