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大灣區投資控股集團有限公司

GREATER BAY AREA INVESTMENTS GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00261)

**(1) VOLUNTARY ANNOUNCEMENT
TERMINATION OF THE PRODUCT TRADING BUSINESS**

**(2) CONTINUING CONNECTED TRANSACTIONS
TERMINATION OF THE COMPONENT MANUFACTURING
AGREEMENT AND THE CHILD PRODUCT SUPPLY AGREEMENT**

**(3) DISCLOSEABLE TRANSACTION
ACQUISITION OF 19.8% EQUITY INTEREST IN
THE TARGET COMPANY**

TERMINATION OF THE PRODUCT TRADING BUSINESS

The Board announces on a voluntary basis that the Company has decided to terminate the Product Trading Business in the second half of 2020 after all its outstanding orders on hand are completed.

**TERMINATION OF THE COMPONENT MANUFACTURING AGREEMENT AND
THE CHILD PRODUCT SUPPLY AGREEMENT**

As the Group no longer needs supply of the Component Products and there is no outstanding order under the Component Manufacturing Agreement, in accordance with the terms of the Component Manufacturing Agreement, on 24 July 2020, the Company served a six-month prior written notice to CCT Fortis to terminate the Component Manufacturing Agreement with effect from 24 January 2021.

As the CCT Fortis Group no longer needs supply of the Child Products and there is no outstanding order under the Child Product Supply Agreement, in accordance with the terms of the Child Product Supply Agreement, on 24 July 2020, CCT Fortis served a six-month prior written notice to the Company to terminate the Child Product Supply Agreement with effect from 24 January 2021.

As a result of the Notices, the continuing connected transactions for the Company contemplated under the Agreements will be terminated with effect from 24 January 2021.

DISCLOSEABLE TRANSACTION

On 24 July 2020, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Share Purchase Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to dispose of, the Sale Shares, representing 19.8% of the equity interest in the Target Company, at a consideration of RMB220,000,000 (equivalent to approximately HK\$239,000,000).

As one or more of the applicable percentage ratios, calculated by reference to Rule 14.07 of the Listing Rules, exceeds 5% and all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the announcement requirement but is exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

TERMINATION OF THE PRODUCT TRADING BUSINESS

The Board announces on a voluntary basis that the Product Trading Business has been adversely impacted by the combined effect of the escalating trade tensions between the United States and the PRC, the global economic downturn and the outbreak of the novel coronavirus (COVID-19). As a result of the deteriorating operating environment, sales of the Product Trading Business continue to fall significantly in 2020. It is uncertain when the situation will be improved and when the global consumer market will recover. Under such circumstances, the Company has decided to terminate the Product Trading Business in the second half of 2020 after all its outstanding orders on hand are completed. In respect of the financial year ended 31 December 2019, the Group reported revenue of HK\$283 million, of which HK\$149 million was contributed by the Product Trading Business. In 2019, the Group recorded a net loss of HK\$168 million attributable to owner of the parent, of which an operating loss of HK\$17 million was attributable to the Product Trading Business. As the Product Trading Business is loss-making, it is expected that the termination of this business will not have any significant adverse impact on the operating results or financial position of the Group.

TERMINATION OF THE COMPONENT MANUFACTURING AGREEMENT AND THE CHILD PRODUCT SUPPLY AGREEMENT

Reference is made to the Company's announcements dated 15 November 2018 and 5 December 2018 and the circular dated 12 December 2018 in relation to the continuing connected transactions contemplated under the Component Manufacturing Agreement and the Child Product Supply Agreement. The term of each of the Component Manufacturing Agreement and the Child Product Supply Agreement was three years commencing from 1 January 2019 to 31 December 2021.

As the Product Trading Business will be terminated, the Group no longer needs supply of the Component Products and there is no outstanding order under the Component Manufacturing Agreement. As such, in accordance with the terms of the Component Manufacturing Agreement, on 24 July 2020, the Company served a six-month prior written notice to CCT Fortis to terminate the Component Manufacturing Agreement with effect from 24 January 2021.

The CCT Fortis Group has not placed new orders for supply of Child Products for a few months and there is no outstanding order under the Child Product Supply Agreement. The

Company was informed by CCT Fortis that the CCT Fortis Group no longer needs supply of the Child Products. In accordance with the terms of the Child Product Supply Agreement, on 24 July 2020, CCT Fortis served a six-month prior written notice to the Company to terminate the Child Product Supply Agreement with effect from 24 January 2021.

As a result of the Notices, the continuing connected transactions for the Company contemplated under the Agreements will be terminated with effect from 24 January 2021. As the Product Trading Business is loss-making, it is expected that the termination of the continuing connected transactions contemplated under the Agreements will not have any significant adverse impact on the operating results or financial position of the Group.

DISCLOSEABLE TRANSACTION

On 24 July 2020, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Vendor in relation to the Acquisition. Details of the Share Purchase Agreement and the Acquisition are set out as follows:

THE SHARE PURCHASE AGREEMENT AND THE ACQUISITION

The Share Purchase Agreement

Date: 24 July 2020

Parties: (i) Purchaser: Greater Bay Area Land Holdings Limited, which is an indirect wholly-owned subsidiary of the Company

(ii) Vendor: Estate Express Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner, Mr. Zhang Yuchang, is a third party independent of the Company and connected persons of the Company.

Assets to be acquired

Pursuant to the Share Purchase Agreement, the Purchaser agreed to acquire, and the Vendor agreed to dispose of, the Sale Shares, representing 19.8% of the equity interest in the Target Company, at a consideration of RMB220,000,000 (equivalent to approximately HK\$239,000,000).

Consideration

The consideration for the Acquisition of RMB220,000,000 (equivalent to approximately HK\$239,000,000) was determined after arm's length negotiations between the Vendor and the Purchaser, based on the unaudited total adjusted net asset value of the Target Group and was arrived at as follows:

	RMB Million	HK\$ Equivalent Million
Fair value of the Project as at 29 May 2020, as appraised by the Independent Valuer using the market approach:	1,673	1,817
Plus: Unaudited adjusted net asset value of the other assets of the Target Group as at 31 December 2019 (excluding the book value of the Industrial Properties, and the shareholder's loan which was capitalised after 31 December 2019) (as elaborated in the paragraph headed " FINANCIAL INFORMATION OF THE TARGET GROUP " of this announcement)	46	50
Total adjusted net asset value of the Target Group	<u>1,719</u>	<u>1,867</u>
Portion of the total adjusted net asset value of the Target Group attributable to the Sale Shares, representing 19.8% of the total issued capital of the Target Company	340	370
Less: A discount of approximately 35% to the portion of the total adjusted net asset value of the Target Group attributable to the Sale Shares (the " Discount ")	(120)	(131)
The Consideration	<u>220</u>	<u>239</u>

In arriving at the Discount and the determination of the Consideration, the Purchaser and the Vendor have also taken into account the cost of development of the Project, the current market conditions and the potential benefits as set out in the paragraph headed "**REASONS FOR AND BENEFITS OF THE ACQUISITION**" of this announcement.

On the basis of the above factors, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration shall be payable in cash by the Purchaser to the Vendor on or before 30 October 2020. The Company intends to fund the Consideration by internal resources of the Group.

Completion

Completion took place on the date of the Share Purchase Agreement, which is the Completion Date.

Post Completion management and funding of the Project

The Vendor will continue to hold 80.2% shareholding interest in the Target Company after Completion. As such, members of the Target Group will continue to be subsidiaries of the Vendor after Completion. Therefore, members of the Target Group will not be subsidiaries of the Company.

The Vendor will continue to control the appointment of the board of directors of each member of the Target Group. The Purchaser will not have any right to nominate director to any member of the Target Group. However, the Purchaser can appoint one person to attend the board meetings of members of the Target Group as an observer. The Project will be managed by the senior management team appointed by the board of directors of the members of the Target Group.

The Target Group will be responsible for arranging and raise funds for the Project and its operations. The Purchaser will not be required to contribute any funding to the Project and the ongoing operations of the Target Group in accordance with its shareholding ratio in the Target Company.

INFORMATION ON THE VENDOR, THE TARGET GROUP AND THE PROJECT

To the best of the knowledge and belief of the Board, the Vendor is an investment holding company, the entire issued capital of which is beneficially owned by Mr. Zhang Yuchang, who is a Chinese national.

The Target Company is a company incorporated on 15 May 2020 in the British Virgin Islands with limited liability. The Target Group was engaged in the production of telecom, electronic and the Child Products for supply to the Product Trading Business. The production business of the Target Group was acquired by the Vendor from the Company in 2017. Due to the deteriorating operating environment, sales of the Product Trading Business fell significantly in the past few years and this has adversely impacted the production business of the Target Group. As a result, the Target Group has incurred significant losses in the past three years. Under such circumstances, the Target Group has ceased its production business and the Industrial Properties have become dormant. The Target Group has decided to redevelop the Industrial Properties and detailed redevelopment plan of the Project has been drawn up. The Project is designed to be a composite redevelopment of the Industrial Properties into residential properties, retail shops, car parks and ancillary schools. The Project is a major redevelopment project in the Huiyang District of Huizhou City as the total investment of the Project is estimated to exceed RMB3 billion (equivalent to approximately HK\$3.3 billion). The Target Group intends to sell all the redeveloped properties of the Project except the schools which will be retained by the Target Group to generate recurrent income.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the summary of the key financial information extracted from the unaudited combined accounts of the Target Group (excluding the Target Company as it was incorporated in May 2020) for the years ended 31 December 2019 and 2018:

	For the year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Loss before tax	63,055	69,494
Loss after tax	63,055	69,494

The Target Company was incorporated on 15 May 2020 as an investment holding company of the Target Group. It does not have any other assets and liabilities.

The unaudited book value of the total assets of the Target Group as at 31 December 2019 was approximately HK\$322 million. The unaudited adjusted net asset value of the Target Group as at 31 December 2019 was approximately HK\$277 million (excluding the shareholder's loan which was capitalised after 31 December 2019). The unaudited adjusted net asset value of HK\$277 million comprised the unaudited book value of the Industrial Properties of approximately HK\$227 million and the unaudited adjusted net asset value of the other assets of the Target Group of approximately HK\$50 million (excluding the Shareholder's loan which was capitalised after 31 December 2019). The Vendor has confirmed that there are no material adverse changes to the financial position of the Target Group since 31 December 2019.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company has been proactive in seeking appropriate investment opportunities in the Greater Bay Area. The Company has reviewed the redevelopment plan of the Project and considers that the Project represents a good investment opportunity for the Company due to the following reasons:

- (1) The Project is large in scale and is a major redevelopment project in the Huiyang District of Huizhou City, which is one of the cities of the Greater Bay Area.
- (2) The total investment of the Project is estimated to be RMB3 billion (equivalent to approximately HK\$3.3 billion). Based on the redevelopment plan of the Project, the Project is expected to generate substantial sales revenue of total amount more than doubling the total investments of the Project. In addition to sales revenue, the schools will be retained by the Target Group to generate recurrent income. The prospect of the Project is promising.
- (3) Other than the Consideration, the Company will not be required to contribute additional funding to the ongoing operations of the Target Group, which will be responsible for arranging and raising all the funding for the Project. This will limit the funding requirement of the Company to only equal to the Consideration, even though the total investments of the Project are huge.

- (4) The Consideration represents a discount of approximately 35% to the total adjusted net asset value of the Target Group attributable to the Sale Shares, details of which are set out in the sub-section headed “**Consideration**” under the section headed “**DISCLOSEABLE TRANSACTION**” of this announcement.
- (5) The Vendor’s group is a reputable and well-established property developer in Huizhou and has successfully developed several property projects in Huizhou. In respect of certain property projects in Huizhou, the Vendor’s group has cooperated with a state-owned property developer in China and it is noted that their cooperation relationship has been good. Although the Group is engaged in property development in Anshan City, Liaoning Province, it has not much experience in property development or redevelopment projects in the Greater Bay Area. The Acquisition will provide a good opportunity for the Group to gain property development experience in the Greater Bay Area, which intend to lay a good foundation for the Group to make further investments in the property projects in the Greater Bay Area.

On the above bases, the Directors (including the independent non-executive Directors) consider that the terms of the Share Purchase Agreement and the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Share Purchase Agreement and the Acquisition and therefore, none of them was required to abstain from voting on the Board resolution(s) which approved the Share Purchase Agreement and the Acquisition.

INFORMATION ON THE PURCHASER, THE COMPANY AND THE GROUP

The Purchaser is an indirect wholly-owned subsidiary of the Company and its principal activity is investment holding.

The Company is the holding company of the Group, which is principally engaged in (i) property development business; (ii) finance business; and (iii) the Product Trading Business, which will be terminated in the second half of 2020.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios, calculated by reference to Rule 14.07 of the Listing Rules, exceeds 5% and all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the announcement requirement but is exempt from the circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Share Purchase Agreement
“Agreements”	the Component Manufacturing Agreement and the Child Product Supply Agreement
“Board”	the board of director(s) of the Company
“CCT Fortis”	CCT Fortis Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 138), which is a substantial shareholder of the Company
“CCT Fortis Group”	CCT Fortis and its subsidiaries from time to time
“Child Product Supply Agreement”	the agreement dated 15 November 2018 entered into between the Company and CCT Fortis governing the terms and conditions for the supply of the Child Products by the Group to the CCT Fortis Group for the three years ending 31 December 2021
“Child Products”	Feeding, health care, hygiene, safety, toy and other related products for infants and babies
“Company”	Greater Bay Area Investments Group 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: 261)
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Share Purchase Agreement
“Completion Date”	the date of the Share Purchase Agreement
“Component Manufacturing Agreement”	the agreement dated 15 November 2018 entered into between the Company and CCT Fortis governing the terms and conditions for the manufacture and supply of the Component Products by the CCT Fortis Group to the Group for the three years ending 31 December 2021
“Component Products”	plastic components and any other related component products manufactured and supplied by the CCT Fortis Group for the Group pursuant to the Component Manufacturing Agreement

“connected persons”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	RMB220,000,000 (equivalent to approximately HK\$239,000,000), representing the consideration for the Acquisition, payable in cash by the Purchaser to the Vendor on or before 30 October 2020
“Director(s)”	the director(s) of the Company from time to time
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	深圳市卓智信資產評估有限公司 (Shenzhen Zhuozhixin Assets Appraisal Co., Ltd.*), the independent professional valuer appointed by the Vendor for the purpose of the valuation of the Project
“Industrial Properties”	the existing industrial complex comprising factory buildings, dormitories and other ancillary facilities located in the Sanhe Development Zone, Danshui Town, Huiyang District, Huizhou City, Guangdong Province, the PRC, which are owned by the Target Group and were used for production of telecom, electronic and the Child Products
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Notices”	the written notice dated 24 July 2020 given by the Company to CCT Fortis to terminate the Component Manufacturing Agreement with effect from 24 January 2021 and the written notice dated 24 July 2020 given by CCT Fortis to the Company to terminate the Child Product Supply Agreement with effect from 24 January 2021
“percentage ratios”	has the same meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“Product Trading Business”	the business of trading of indoor-used cordless phones, other related telecom and electronic products and the Child Products of the Company
“Project”	the composite redevelopment of the Industrial Properties into residential properties, retail shops, car parks and ancillary schools, in accordance with the redevelopment plan of the Target Group

“Purchaser”	Greater Bay Area Land Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	198 shares, which represent 19.8% of the existing total number of issued shares of the Target Company as at the date of the Share Purchase Agreement
“Shares”	shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the issued Shares
“Share Purchase Agreement”	the share purchase agreement entered into between the Vendor and the Purchaser on 24 July 2020 in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	High Step Developments Limited (高階發展有限公司), a company incorporated in the British Virgin Islands with limited liability and was directly wholly-owned by the Vendor immediately prior to the Completion
“Target Group”	the Target Company and its subsidiaries from time to time
“Vendor”	Estate Express Limited (置迅有限公司), a company incorporated in the British Virgin Islands with limited liability and owned 100% equity interest in the Target Company immediately prior to the Completion
“%”	per cent.

** For identification purpose only*

For the purpose of illustration only and unless otherwise stated, conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1 to HK\$1.086. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

By Order of the Board
GREATER BAY AREA
INVESTMENTS GROUP HOLDINGS LIMITED
Cheng Yuk Ching, Flora
Executive Director

Hong Kong, 24 July 2020

As at the date of this announcement, the executive Directors are Mr. Mak Shiu Tong, Clement, Mr. Tam Ngai Hung, Terry, Ms. Cheng Yuk Ching, Flora and the independent non-executive Directors are Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Tam King Ching, Kenny.