RICHLY FIELD

RICHLY FIELD CHINA DEVELOPMENT LIMITED
裕田中國發展有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 313)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF SUBSIDIARIES

THE DISPOSALS

On 9 February 2022 (after trading hours), the Sellers and Target Company 1 entered into the Equity Transfer Agreement 1 with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire, and the Sellers have conditionally agreed to sell, the Sale Shares 1 at the consideration of RMB1.

On 9 February 2022 (after trading hours), Seller 1 and Target Company 2 entered into the Equity Transfer Agreement 2 with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire, and Seller 1 has conditionally agreed to sell, the Sale Shares 2 at the consideration of RMB1.

On 9 February 2022 (after trading hours), Seller 1 and Target Company 3 entered into the Equity Transfer Agreement 3 with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire, and Seller 1 has conditionally agreed to sell, the Sale Shares 3 at the consideration of RMB1.

LISTING RULES IMPLICATION

As the relevant percentage ratios of the Disposals calculated pursuant to Rule 14.07 of the Listing Rules exceed 75%, the Disposals, on an aggregate basis, constitute very substantial disposal for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A SGM will be convened for the purpose of considering and, if thought fit, approving the Disposals.

A circular containing, amongst other things, further information on the Disposals, the financial information of the Group, the notice of the SGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before 2 March 2022.

1. INTRODUCTION

On 9 February 2022 (after trading hours), the Sellers and Target Company 1 entered into the Equity Transfer Agreement 1 with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire, and the Sellers have conditionally agreed to sell, the Sale Shares 1 at the consideration of RMB1.

On 9 February 2022 (after trading hours), Seller 1 and Target Company 2 entered into the Equity Transfer Agreement 2 with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire, and Seller 1 has conditionally agreed to sell, the Sale Shares 2 at the consideration of RMB1.

On 9 February 2022 (after trading hours), Seller 1 and Target Company 3 entered into the Equity Transfer Agreement 3 with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire, and Seller 1 has conditionally agreed to sell, the Sale Shares 3 at the consideration of RMB1.

2. EQUITY TRANSFER AGREEMENTS

The principal terms of the Equity Transfer Agreements are summarized as follows:

Date

9 February 2022 (after trading hours)

Parties

(i) Equity Transfer Agreement 1

Seller 1:	裕田幸福城(北京)投資顧問有限公司 (Richly Field (Beijing) Investment Consulting Co., Ltd*)
Seller 2:	Globe Outlets City Holdings Limited
Purchaser:	樂沃居控股集團有限公司 (Lewoju Holding Group Company Limited*)
Target Company 1:	湖南裕田奧特萊斯置業有限公司 (Hunan Richly Field Outlets Real Estate Limited*)

(ii) Equity Transfer Agreement 2

Seller 1:	裕田幸福城(北京)投資顧問有限公司 (Richly Field (Beijing) Investment Consulting Co., Ltd*)
Purchaser:	樂沃居控股集團有限公司 (Lewoju Holding Group Company Limited*)
Target Company 2:	長沙裕田奧特萊斯企業管理有限公司 (Changsha Yutian Outlets Business Administration Co Ltd*)

(iii) Equity Transfer Agreement 3

Seller 1:	裕田幸福城（北京）投資顧問有限公司 (Richly Field (Beijing) Investment Consulting Co., Ltd*)
Purchaser:	樂沃居控股集團有限公司 (Lewoju Holding Group Company Limited*)
Target Company 3:	長沙裕田奥萊物業管理有限公司 (Changsha Yutian Outlets Property Management Co Ltd*)

To the best of the Director's knowledge, information and belief and after having made all reasonable enquiries, (i) the Purchaser and its ultimate beneficial owners are Independent Third Parties; and (ii) there was no previous transaction or business relationship among the Company, the Purchaser and/or their respective associates in the previous 12 months which would result in aggregation under Rule 14.22 of the Listing Rules.

Subject Matter

Pursuant to the Equity Transfer Agreement 1, the Sellers have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares 1.

Pursuant to the Equity Transfer Agreement 2, Seller 1 has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares 2.

Pursuant to the Equity Transfer Agreement 3, Seller 1 has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares 3.

Consideration

Pursuant to the Equity Transfer Agreement 1, the Purchaser shall pay the Sellers the consideration of RMB1, and shall assume all the liabilities of Target Company 1 as at the Completion Date 1.

Pursuant to the Equity Transfer Agreement 2, the Purchaser shall pay Seller 1 the consideration of RMB1, and shall assume all the liabilities of Target Company 2 as at the Completion Date 2.

Pursuant to the Equity Transfer Agreement 3, the Purchaser shall pay Seller 1 the consideration of RMB1, and shall assume all the liabilities of Target Company 3 as at the Completion Date 3.

Basis of consideration

The consideration under the Equity Transfer Agreements was determined based on arm's length negotiations between the Sellers and the Purchaser with reference to various factors, including but not limited to (i) the factors as stated in the section headed "8. REASONS FOR AND BENEFITS OF THE DISPOSALS" below, including, among other things, the net losses incurred by the Target Group for the two years ended 31 March 2021 and for the six months ended 30 September 2021, and the net liabilities position of the Target Group on a combined basis; and (ii) the reassessed net liabilities of the Target Group of approximately HK$572.70 million as at 30 September 2021 (which was determined with reference to (a) the unaudited net liabilities of the Target Group of approximately HK$1,092.76 million as at 30 September 2021 based on the combined financial information of the Target Companies, (b) the unaudited carrying value of the properties held by Target Company 1 (as Target Company 2 and Target Company 3 did not own any property interests as at 30 September 2021) of approximately HK$2.69 billion as at 30 September 2021, and (c) the valuation of the properties held by Target Company 1 of approximately RMB2.67 billion (equivalent to approximately HK$3.21 billion) as at 30 September 2021 appraised by Avista Valuation Advisory Limited, an independent valuer (the "**Independent Valuer**"); and before taking into account the potential tax liabilities). Details of the reassessed net liabilities of the Target Group are set out below:

	HK$ million
Unaudited net liabilities of the Target Group as at 30 September 2021	1,092.76
Add: Valuation surplus (before taxation) of property interests held by the Target Group	520.06
Reassessed net liabilities of the Target Group	572.70

__The valuation__

Details of the valuation of the properties held by Target Company 1 are set out below:

Description of properties	**Valuation methodology**	**Market value in existing state as at 30 September 2021** *(RMB million)* *(approximately)*
Completed residential and commercial properties	The property has been valued by market approach which is generally by comparing recent market evidence of similar properties located in the neighbourhood area of the properties. This approach is commonly used to value properties where reliable market evidence is available. In the course of valuation of the completed residential and commercial properties, the valuation has made references to residential and commercial comparables located in the area close to the subject property with similar building conditions and facilities as the subject property. The valuation has also made references to the previous transaction records of the subject property. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.	89.99

Description of properties	Valuation methodology	Market value in existing state as at 30 September 2021 *(RMB million) (approximately)*
Outlet	The property has been valued by discounted cash flow approach where the value depends on the present value of future economic benefits to be derived from ownership of the property interests, and an indication of value if calculated as the present value of the future cash flow. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar property. In valuing the outlet property by using discounted cash flow approach, the valuation has adopted the capitalization rate of 5.5% and discount rate of 8.5%. The terminal growth rate adopted is 3%. The market monthly unit rent is approximately RMB17-82 per sq.m.. The occupancy rate as at the valuation date is approximately 87%. The land use rights expiry date is 27 October 2049.	418.10
Properties under development	The property has been assumed that it will be developed and completed in accordance with the latest development proposal. In arriving at the valuation, the property interests have been valued by using the market approach by making reference to comparable sales evidence as available in the relevant market and taking into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of cost and fees expected to be incurred for completing the development.	659.60

Description of properties	Valuation methodology	Market value in existing state as at 30 September 2021 *(RMB million)* *(approximately)*
Vacant land	In valuing the property interests which are held for future development, the property interests have been valued by using market approach which is generally by comparing recent market evidence of similar properties located in the neighbourhood area of the properties. This approach is commonly used to value properties where reliable market evidence is available. In the course of valuation of the vacant land, the valuation has considered and analysed the land sale comparables in the vicinity. The valuation has made reference to residential land sale comparables in Wangcheng District, Changsha City, Hunan Province, the PRC. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.	1,503.80
Total		**2,671.49**

The aforesaid valuation of the properties held by Target Company 1 as at 30 September 2021 was appraised by the Independent Valuer using market approach and discounted cash flow approach. The Independent Valuer has assumed that the Company has obtained proper title certificates of the property interests which can be freely transferred in the market in their existing state with no outstanding payable fees or monies.

In valuing the property interests with rental income, the properties have been valued by discounted cash flow approach where the value depends on the present value of future economic benefits to be derived from ownership of the property interests, and an indication of value if calculated as the present value of the future cash flow. The future cash flow is discounted at market-derived rate of return appropriate for the risks and hazards of investing in a similar property.

For the property interests which are currently under development and the property interests held for future development, the properties have been assumed that they will be developed and completed in accordance with the latest development proposal. In arriving at the valuation, the property interests have been valued by using the market approach by making reference to comparable sales evidence as available in the relevant market and taking into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of costs and fees expected to be incurred for completing the development.

Subsequent to 30 September 2021, being the valuation date of the aforesaid valuation report, and up to the date of this announcement, there had been no material changes in the business operation of the Target Group, and the Target Group had not conducted any significant acquisition or disposal of assets other than in the ordinary course of businesses of the Target Group.

The Directors considered the Independent Valuer's competence and independence before engaging the Independent Valuer. In order to assess the competence of the Independent Valuer, the Directors noted that the Independent Valuer has experience in provision of property valuation services to a number of Hong Kong listed companies in different industries. To the best knowledge of the Directors and having made all reasonable enquiries, the Independent Valuer is independent to the Group, the Purchaser, the Target Group and their respective beneficial owners and associates. The Directors have also reviewed and discussed with the Independent Valuer the valuation approaches adopted, the methodology of valuation and the principal inputs used in the valuation, and are of the view that the valuation approaches, valuation methodology and valuation inputs are fair and reasonable.

Accordingly, the Board considers reasonable to determine the consideration under the Equity Transfer Agreements with reference to the aforesaid reassessed net liabilities of the Target Group of approximately HK$572.70 million as at 30 September 2021. Since the Target Group recorded net liabilities as at 30 September 2021 (on a reassessed combined basis as mentioned above) and net loss on a combined basis for the two years ended 31 March 2021 and for the six months ended 30 September 2021, and taking into account the Default Loans, the Board considers that a consideration of RMB1 for each of the Equity Transfer Agreement 1, the Equity Transfer Agreement 2 and the Equity Transfer Agreement 3 is fair and reasonable.

Conditions Precedent

The Equity Transfer Agreements will be effective upon fulfillment of the conditions precedent.

Equity Transfer Agreement 1

Completion 1 is conditional upon the following conditions being satisfied:

(i) the board of directors and shareholders of Target Company 1 passing the relevant resolution(s) to approve the Equity Transfer Agreement 1 and the transactions contemplated thereunder in accordance with the articles of association of Target Company 1;

(ii) the board of directors of the Sellers passing the relevant resolution(s) to approve the Equity Transfer Agreement 1 and the transactions contemplated thereunder;

(iii) the Board and the Shareholders passing the relevant resolution(s) to approve the Equity Transfer Agreement 1 and the transactions contemplated thereunder in accordance with the Company's articles of association and the Listing Rules; and

(iv) the Sellers agree and undertake that the Sellers will cause the board of directors and shareholders of Target Company 1, the board of directors of the Sellers, the Board and the Shareholders, to pass the relevant resolution(s) to approve the Equity Transfer Agreement 1 and the transactions contemplated thereunder in an appropriate manner upon the Equity Transfer Agreement 1 becoming effective, and to obtain approval from the Stock Exchange in an appropriate manner within 120 calendar days from the date of the Equity Transfer Agreement 1 becoming effective. The Purchaser agrees and undertakes that it will cause its board of directors and general meeting (shareholders) to pass the relevant resolution(s) to approve the Equity Transfer Agreement 1 and the transactions contemplated thereunder in an appropriate manner within the same time limit mentioned above.

If both the Sellers and the Purchaser confirm that all or one of items ii, iii and iv of the above agreed to in the Equity Transfer Agreement 1 cannot be satisfied, it is deemed that the Sellers must bear the responsibility for fault in contracting, and the Purchaser has the right to require the Sellers to compensate the necessary expenses actually incurred in the process of equity acquisition in the Equity Transfer Agreement.

As at the date of this announcement, conditions (i) and (ii) have been satisfied.

Equity Transfer Agreement 2

Completion 2 is conditional upon the following conditions being satisfied:

(i) the board of directors of Seller 1 passing the relevant resolution(s) to approve the Equity Transfer Agreement 2 and the transactions contemplated thereunder;

(ii) the Board and the Shareholders passing the relevant resolution(s) to approve the Equity Transfer Agreement 2 and the transactions contemplated thereunder in accordance with the Company's articles of association and the Listing Rules;

(iii) the board of directors and shareholders of Target Company 2 passing the relevant resolution(s) to approve the Equity Transfer Agreement 2 and the transactions contemplated thereunder in accordance with the articles of association of Target Company 2;

(iv) the board of directors and shareholders' meeting of the Purchaser (or designated subsidiary of the Purchaser) passing the relevant resolution(s) to approve the Equity Transfer Agreement 2 and the transactions contemplated thereunder in accordance with the articles of association of the Purchaser; and

(v) the Equity Transfer Agreement 1 being effective.

As at the date of this announcement, conditions (i), (iii) and (iv) have been satisfied.

Equity Transfer Agreement 3

Completion 3 is conditional upon the following conditions being satisfied:

(i) the board of directors of Seller 1 passing the relevant resolution(s) to approve the Equity Transfer Agreement 3 and the transactions contemplated thereunder;

(ii) the Board and the Shareholders passing the relevant resolution(s) to approve the Equity Transfer Agreement 3 and the transactions contemplated thereunder in accordance with the Company's articles of association and the Listing Rules;

(iii) the board of directors and shareholders of Target Company 3 passing the relevant resolution(s) to approve the Equity Transfer Agreement 3 and the transactions contemplated thereunder in accordance with the articles of association of Target Company 3;

(iv) the board of directors and shareholders' meeting of the Purchaser (or designated subsidiary of the Purchaser) passing the relevant resolution(s) to approve the Equity Transfer Agreement 3 and the transactions contemplated thereunder in accordance with the articles of association of the Purchaser; and

(v) the Equity Transfer Agreement 1 being effective.

As at the date of this announcement, conditions (i), (iii) and (iv) have been satisfied.

Transitional Arrangement

The transitional period starts from the date of the Equity Transfer Agreements becoming effective to the date on which the Sellers transfers the Sale Shares to the Purchaser. During the transitional period, the Purchaser shall supervise the Target Companies, and the Target Companies shall co-manage all important business elements such as permits, seals, bank account seals, USB keys and all documents of the Target Companies with the Purchaser. Where a need for the staff of the Target Companies to use the above seals and permits arises, such staff may only have access to the same after undergoing the existing approval process of the Target Companies and verification by the personnel appointed by the Purchaser (the Purchaser must respond within 24 hours after the Target Companies' submission for approval, and must not refuse all normal requests for use of the seals of the Target Companies). The Sellers shall maintain the normal operation of the Target Companies during the transitional period, and must not do any act detrimental to the Purchaser's subsequent development.

Completion

Equity Transfer Agreement 1

All formalities required for registration of equity transfer must be completed within 10 days after the Equity Transfer Agreement 1 comes into effect. Completion 1 takes place when equity transfer is completed. Within 5 days after the Purchaser obtains the Sale Shares 1, the Sellers and the Purchaser shall complete the delivery procedures regarding Target Company 1.

Equity Transfer Agreement 2

Seller 1 shall assist the Purchaser with the registration of equity transfer within 10 days after the Equity Transfer Agreement 2 comes into effect. Within 5 days after the Purchaser obtains the Sale Shares 2, Seller 1 and the Purchaser shall complete the delivery procedures regarding Target Company 2.

Equity Transfer Agreement 3

Seller 1 shall assist the Purchaser with the registration of equity transfer within 10 days after the Equity Transfer Agreement 3 comes into effect. Within 5 days after the Purchaser obtains the Sale Shares 3, Seller 1 and the Purchaser shall complete the delivery procedures regarding Target Company 3.

3. INFORMATION OF THE TARGET GROUP

3.1 Business of the Target Group

Target Company 1 is a company incorporated in the PRC with limited liability. Target Company 1 is held as to 38.73% by Seller 1 and 61.27% by Seller 2, and is an indirect wholly-owned subsidiary of the Company. Target Company 1 is principally engaged in the development and sales of properties.

Target Company 2 is incorporated in the PRC with limited liability. Target Company 2 is wholly owned by Seller 1, and is an indirect wholly-owned subsidiary of the Company. Target Company 2 is principally engaged in the provision of leasing services. Target Company 2 signed a master lease agreement with Target Company 1 regarding the completed commercial properties, i.e. the outlets, owned by Target Company 1. Target Company 2 is then responsible to sub-lease the properties to the shop owners.

Target Company 3 is incorporated in the PRC with limited liability. Target Company 3 is wholly owned by Seller 1, and is an indirect wholly-owned subsidiary of the Company. Target Company 3 is principally engaged in the properties management of both commercial and residential parts of the Changsha Outlets Project. Target Company 3 deals with individual shop owners and properties owners directly.

The primary business activity of the Target Group is the development of the Changsha Outlets Project. All properties under the Changsha Outlets Project were held under Target Company 1. Target Company 2 and Target Company 3 are supporting units of the Changsha Outlets Project and do not own any property assets.

Changsha Outlets Project is a comprehensive project comprising the Globe Outlets (commercial) and Outlets Town (residential) developed by the Group in Changsha, Hunan Province, the PRC. Details of the Changsha Outlets Project are set out in the section headed "4. INFORMATION ON THE CHANGSHA OUTLETS PROJECT" of this announcement below.

3.2 Financial information of the Target Group

Set out below is the financial information of each of Target Company 1, Target Company 2 and Target Company 3, which were respectively prepared in accordance with the Hong Kong Financial Reporting Standards, for the two years ended 31 March 2020 and 2021 and the six months ended 30 September 2021:

Target Company 1:

	For the year ended		For the six months ended
	31 March 2020	**31 March 2021**	**30 September 2021**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue	7,344	3,326	712
Loss before taxation	256,593	281,066	171,270
Loss after taxation	226,067	278,347	167,784

Target Company 2:

	For the year ended		For the six months ended
	31 March 2020	**31 March 2021**	**30 September 2021**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue	24,833	27,054	8,183
Profit/(loss) before taxation	8,720	(11,010)	2,852
Profit/(loss) after taxation	8,720	(11,010)	2,852

Target Company 3:

	For the year ended		For the six months ended
	31 March 2020	**31 March 2021**	**30 September 2021**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue	2,003	1,881	1,298
Loss before taxation	4,180	5,014	1,516
Loss after taxation	4,180	5,014	1,516

Set out below is the combined financial information of the Target Group, based on the financial information of the Target Companies which were respectively prepared in accordance with the Hong Kong Financial Reporting Standards for the two years ended 31 March 2020 and 2021 and the six months ended 30 September 2021:

	For the year ended		**For the six months ended**
	31 March 2020	**31 March 2021**	**30 September 2021**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue	33,615	31,982	9,914
Loss before taxation	252,053	297,090	169,934
Loss after taxation	221,527	294,371	166,448

The unaudited total assets and total liabilities of the Target Group as at 30 September 2021 were approximately HK$2.83 billion and HK$3.92 billion respectively. The unaudited net liabilities of the Target Group as at 30 September 2021 was approximately HK$1.09 billion.

The unaudited combined financial information of the Target Group was prepared by aggregating the results, assets and liabilities of the entities comprising the Target Group after eliminating transactions and balances between the entities comprising the Target Group.

4. INFORMATION OF THE CHANGSHA OUTLETS PROJECT

4.1 Project Overview

Located in Changsha Wangcheng National Economic and Technological Development Zone, the Changsha Outlets Project features a special "residential + commercial" product mix in the local market to establish the Group's market recognition as a featured property developer. The project covers an area over 1,200,000 sq.m., comprising a residential portion (Outlets Town) and a commercial portion (Globe Outlets). Details of the Changsha Outlets Project are as follows:

Residential Project – Outlets Town or Outlets City

Specially designed by the Group as a high-class low-density residential community in Spanish style, Outlets Town offers high-quality detached and semi-detached houses, townhouses, bungalows, mid-rise and high-rise buildings, surrounded by verdant plants along with well-designed streams and bridges, with a super-low plot ratio. It outperforms other nearby property projects in terms of appearance, quality, unit layout and comfort. In particular, the greenery and landscape design of the community highlight the project out of the others, which offers a green space ratio of 40%, creating abundant oxygen by plenty of plants.

Commercial Properties – Globe Outlets

Globe Outlets, the commercial portion of the Changsha Outlets Project, has more than 200 domestically and internationally renowned fashion retail brands settling therein, a large separate indoor trampoline centre, an IMAX cinema complex, an art education and training institution, HappyNest (a supermarket for imported household products), a cartoon amusement park for children, a high-end chain kindergarten, children's water park, brand specialty catering, and Internet-famous stores popular among young people. It has become a locally well-known large commercial centre integrating shopping, recreation, entertainment and education.

Property	Description	Classification	Total GFA *(sq. m.)*
Residential phase 1 (completed)	Villa, shop, clubhouse and ancillary	Properties held for sale	60,510.39
Residential phase 2 (completed portion)	Mid-rise building	Properties held for sale	54,446.12
Residential phase 3 (under development)	High-rise building	Properties under development	177,161.31
Commercial	Outlet and commercial land	Investment properties	177,930.64
Vacant land (including remaining part of Residential phase 2 and phase 4)	Residential land	Properties under development and right-of-use assets	771,940.39
School	Nine-year school	Properties under development	28,274.75

4.2 Project status

Since the commencement of construction of the Changsha Outlets Project in 2010, the Target Group has completed the construction of the north portion of the commercial portion of the Changsha Outlets Project in 2017. There is another south portion of the commercial portion of the Changsha Outlets Project which is still at preliminary construction stage. The Changsha Outlets Project was a large-scale development project with residential and commercial portion, and it was among the first few outlet development projects in the proximity around the site area of the Changsha Outlets Project. It was the agreement between the Target Group and the local government to complete the commercial portion first so as to bring in the outlet to the local area earlier.

Regarding the residential portion, the Target Group has completed and delivered phase 1 of the residential portion and certain parts of phase 2 of the residential portion. During the year ended 31 March 2018, the Target Group has applied to change the development plan of the remaining phases of the residential portion of the Changsha Outlets Project. As stated in the interim report of the Company for the six months ended 30 September 2017, under the original development plan, the residential portion would mainly comprise villas which are not easy to de-stock, making it difficult for the Company to realise cash flow within a short period of time. Apart from that, there were no educational facilities in the original development plan, hence the original development plan could not meet the new policy requirements of the current government for a large community. Thus, under the new development agenda, the Target Group suggests to strategically focus on developing high-rise buildings and bungalows which are more readily realisable, while introducing adequate educational facilities as required by the government. On 27 April 2018, the adjustment of the master plan was approved by the Planning and Construction Bureau of Wangcheng Economic and Technological Development Zone. After one month, the Target Group has successfully obtained the planning permit for the new area development on 30 May 2018.

During the years ended 31 March 2019, 2020 and 2021, the Target Group has been continuing the development of the remaining part of the commercial portion, and also remaining part of phase 2, the whole phase 3 and phase 4 of the residential portion of the Changsha Outlets Project. Construction work and pre-sales activities were on-going as at the date of this announcement. However, as a result of, among other things, (i) stringent local regulatory policies on real estate affecting local property prices, sales activities and financing arrangements; (ii) the COVID-19 epidemic affecting construction, sales activities and leasing activities of commercial portion; and (iii) slow return from commercial properties which usually take longer time to recover the return on investments, the development of the Changsha Outlets Project has been slowed down and the Target Group has faced significant financial pressure for the on-going development of the Changsha Outlets Project. Further, the breaching of the terms of the Default Loans made it difficult for the Target Group to raise new funds to support the complete future development of the Changsha Outlets Project at the same time fulfilling the repayment obligation of all the existing debts.

5. INFORMATION OF THE REMAINING GROUP

Upon Completion, the Remaining Group will continue to carry out its business of outlets commercial operation and development and operation of featured commercial properties (such as tourism property, senior care property and wine chateaus), development of high-end residential properties as well as property management. The Remaining Group will continue to develop other projects, in particular the Yinchuan Project and the Qinhuangdao Project.

5.1 The Yinchuan Project

5.1.1 Project overview

The Company held the Yinchuan Project through Ningxia Jinguan Property Investment Co. Ltd.*(寧夏金冠投資置業有限公司)("**Ningxia Jinguan**"), a wholly-owned subsidiary of the Company. The Yinchuan Project comprises both residential and commercial portions. The residential project, Jin Sheng Yue Jing is a large-scale residential community featured with the supporting commercial facilities. It creates a comfortable and convenient living environment on the back of the surrounding resources such as banks, medical institutes, educational institutions, department stores and supermarkets, entertainment facilities and restaurants as well as its own lifestyle amenities and building materials stores. With a planned GFA over 200,000 sq.m., the Jin Sheng Yue Jing project residential portion comprises 20 mid to high-rise buildings to be developed in 3 phases, with 4 buildings in phase 1, 2 buildings in phase 2 and 14 buildings in phase 3 respectively. The Yinchuan Project commercial properties consist of three commercial buildings (being phase 1 of the commercial portion) (namely "建材樓", "家居樓" and "太平商場") and two corridors (being phase 2 of the commercial portion), collectively known as Jeshing International Home Furnishing Mall • Desheng Square(金盛國際家居 • 德勝廣場)with a total GFA over 90,000 sq.m.. It is an integrated commercial complex featuring building materials and furniture stores, department stores, restaurants and supermarkets, with malls offering high-end building materials and upscale household products. Details of the Yinchuan Project are as follows:

	Property type	GFA *(sq.m.)*	Time of completion	Commencement time of sales/income generation	Notes
Residential phase 1	Flats, shops and ancillary	33,672	Completed	Majority sold and delivered	NA
Residential phase 2	Flats, shops and ancillary	45,788	Main part of construction completed	To be sold during the year ending 31 March 2026 (expected)	Residential phase 2 mainly represents two plegded residential buildings and related shops, completion of construction and commencement of sales depend on the release of pledge.
Residential phase 3	Flats and ancillary	150,932	Completed	Majority of residential properties sold and under delivery	NA
Commercial	Shops	90,005.28	Completed	Under lease	44,921 sq.m. of the commercial properties were under pledge, and 15,655.05 sq.m. of the unpledged portion were sold to various independent third parties. The operation of the unpledged portion of the commercial properties does not rely on the operation of the pledged portion.

5.1.2 Project status

As at the date of this announcement, the construction work of the commercial portion of the Yinchuan Project (including both the commercial phase 1 and commercial phase 2) has been completed. Phase 1 of the commercial portion represents all three commercial complexes of the Yinchuan Project and was completed in stages in 2012 and 2013. The Group started leasing the commercial complexes of the Yinchuan Project since 2012. Phase 2 of the commercial portion is an expansion project consisting of two corridors which link up the commercial complexes. Phase 2 was completed in 2019. There are 3 blocks of commercial complexes under the Phase 1 commercial portion, 2 blocks are under pledge for the Default Loans of the Target Group. Among the unpledged portion, portion with a total GFA of approximately 15,655.05 sq.m. was sold to various independent third parties, and the remaining unsold portion was retained by the Remaining Group. As at the date of this announcement, approximately 83% of total GFA of the commercial properties of the Yinchuan Project owned by the Remaining Group were leased to tenants.

For the residential portion (residential area with both residential properties and shops), phase 1 with a GFA of 33,672.00 sq.m. has been completed, and main part of the construction work of phase 2, including the two blocks of residential properties (together with the related shops) under pledge for the Default Loans of the Target Group, has been completed. Pre-sales permit of phase 2 of the residential portion was obtained in 2017, and the sales and delivery of the whole phase 2 (including the two pledged residential buildings and the related shops) is expected to complete during the year ending 31 March 2026 after the release of pledge. Phase 3 with a GFA of 150,932.00 sq.m. is completed. Pre-sales permit for phase 3 was obtained in 2019, and the Group has completed the pre-sales of approximately 96% of total GFA of the phase 3 residential properties, representing a total of 753 units out of a total of 784 units up to 7 February 2022. The phase 3 residential properties are under delivery and such delivery is expected to be completed during the year ending 31 March 2023.

As at 7 February 2022, the Remaining Group has completed the delivery of 471 units pre-sold units of phase 3 residential properties and it is expected that the remaining 282 pre-sold units will be delivered in the next six months. It is anticipated that the remaining approximately 4% (in terms of GFA) of the residential properties of phase 3 of the residential portion of the Yinchuan Project will be sold and delivered by 31 March 2023.

Among the commercial and residential portions of the Yinchuan Project, commercial properties with a GFA of 44,921 sq.m. and residential properties with a GFA of 45,788 sq.m. were pledged for a loan of the Target Group (as set out in the section headed "8. REASONS FOR AND BENEFITS OF THE DISPOSALS" of this announcement). Regarding the pledged properties under commercial phase 1, they represent two blocks out of 3 blocks of the commercial complexes of the Yinchuan Project. The Group is generating and will continue to generate rental income from such pledged properties as long as the pledge is not executed by the lender. The operation of the unpledged portion of the commercial complex does not rely on the operation of the pledged portion of the commercial complexes. As for the pledged properties under residential phase 2, the Group expects that the construction work will be completed and the sales of properties will begin after the pledge is released. Further details of the pledged assets are set out in the section headed "8. REASONS FOR AND BENEFITS OF THE DISPOSALS" of this announcement.

5.1.3 Financial information

Set out below is the financial information of Ningxia Jinguan prepared in accordance with the Hong Kong Financial Reporting Standards during the year ended 31 March 2021 and the six months ended 30 September 2021:

	For the year ended 31 March 2021	**For the six months ended 30 September 2021**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	9,186	1,991
Loss before taxation	19,436	7,809
Loss after taxation	20,068	8,095

The unaudited total assets and total liabilities of Ningxia Jinguan as at 30 September 2021 were approximately HK$1.12 billion and HK$827.22 million respectively. The unaudited net assets of Ningxia Jinguan as at 30 September 2021 was approximately HK$297.26 million.

Upon Completion, the Remaining Group will continue the development of the Yinchuan Project and will sell and/or lease the properties as and when appropriate. The Remaining Group will also generate management fees income from the Yinchuan Project by providing property management services to the tenants. The Board expects that the Remaining Group will continue to generate revenue from sale of properties, lease of properties and property management from the Yinchuan Project upon Completion.

5.2 The Qinhuangdao Project

5.2.1 Project overview

The Company held the Qinhuangdao Project through Qinhuangdao Outlets Real Estate Company Limited* (秦皇島奧特萊斯置業有限公司) ("**Qinhuangdao Outlets**"), a wholly-owned subsidiary of the Company. The Qinhuangdao Project is a large coastal shopping, tourism and healthcare resort complex with outlets business as the major operation, integrated with high-end hot spring resort hotels, high-end hospitals, health preservation and elderly care, cultural and entertainment activities, and recreational resorts. The residential and commercial parts of the Qinhuangdao Project aggregate to a total GFA over 500,000 sq.m.. Details of the Qinhuangdao Project are as follows:

	Property type	**GFA** *(sq.m.)*	**Time of completion**	**Commencement time of sales/income generation**	**Notes**
Phase 1	Duplexes, resort units, hotel, shopping mall and exhibition centre	126,141	By the year ending 31 March 2026 (expected)	Sales of duplexes and resorts units with an aggregate GFA of 57,578 sq.m. will commence by stages upon completion. Leasing/operation of the hotel and shopping mall with an aggregate GFA of 64,262 sq.m. and operation of exhibition centre with GFA of 4,301 sq.m. are expected to commence by the year ending 31 March 2027 upon completion	Sales of majority portion of duplexes and resorts units expected by the year ending 31 March 2026
Phase 2	Villas	248,529.5	By the year ending 31 March 2026 (expected)	To be sold by stages upon completion	Sales of majority portion expected by the year ending 31 March 2026
Phase 3	Health and wellness centre	127,898	By the year ending 31 March 2026 (expected)	Operation commencement expected by the year ending 31 March 2027 upon completion	Expected to be retained by the Remaining Group

5.2.2 Project status

The Qinhuangdao Project signed the land use rights purchase agreements to purchase the land use rights of 1,077 mu in the first quarter of 2012 and started the preparations for the preliminary stage of construction, including fencing and backfill work, in order to prepare for the official kick-off of the construction. It was expected to obtain the land use right certificates on or before the second half in 2013, however, the lands were re-located to be managed under Beidaihe New District, which originally would be managed by Changli County, and it created a delay of the project and the Company only received the land use right certificates in March 2015. As disclosed in the 2014 annual report of the Company, the whole fencing and part of the backfill works for the land parcels have been completed, which basically met the land use requirement for phase 1 construction. Meanwhile, the Qinhuangdao Project was proactively fulfilling the preliminary work of application for land use and construction licenses and permits, including application for permit for the general project plan and design, so as to be prepared for the commencement of phase 1. During the six months ended of 30 September 2017, the planned conceptual design for the phase 1 of the Qinhuangdao Outlets Project has been adjusted as per the requirements from the local government to comply with the general urban planning, and the project has experienced a further delay. As at the date of this announcement, the Group has successively obtained the construction work planning and commencement permits for sections A, B, and C of phase 1 and the exhibition centre (i.e. the whole phase 1 except for the resort units and hotel), the construction work planning permit for section D of phase 1 (i.e. the resort units and hotel) as well as the pre-sales permits for the first 59 duplexes. The delay of phase 1 has also impacted the construction planning on phase 2 and phase 3, and the planning schemes for phase 2 and phase 3 were reviewed and approved by Qinhuangdao Municipal Planning Commission on 8 April 2020. During the year ended 31 March 2021, sections 1 to 5 of phase 2 (i.e. the whole phase 2) have obtained the reply of approval for project initiation, sections 1 and 2 of phase 2 has obtained the notice of joint proposal review, and section 2 of phase 2 has passed the joint proposal review. The planning on phase 2 and phase 3 interlinks with the sales strategies of phase 1, and that explained the slow progress of the sales of phase 1 since obtaining the pre-sales permits in January 2019. After the planning schemes for phase 2 and phase 3 were approved in April 2020, the progress of the Qinhuangdao project was impacted negatively by COVID-19 epidemic and the Default Loans (the Group breached the terms of loan agreements in June 2020 which has negatively impacted on the Group's ability to obtain financial resources).

5.2.3 Development plan

As at the date of this announcement, the project is still under development and the Group is accelerating the pre-sales process of the project after the Disposals. For phase 1 (which includes residential portion with a total GFA of 57,578 sq.m. and commercial portion with a total GFA of 68,563 sq.m.), the Group began the sales of the residential properties in 2019. As at the date of this announcement, residential properties with a total GFA of 4,775 sq.m. (representing approximately 8.3% of the total GFA of the residential properties of phase 1) have been pre-sold. The pre-sales of the remaining phase 1 residential properties with a total GFA of 52,803 sq.m. is on-going and it is expected that the sales of majority portion of the phase 1 residential properties will be completed by the year ending 31 March 2026. It is expected that the phase 1 residential properties will be completed in stages by the year ending 31 March 2026. The pre-sold residential properties will be delivered in stages upon completion and the Remaining Group will recognise revenue from such portion accordingly. The Remaining Group will also record revenue from the provision of properties management services (upon delivery of residential properties and leasing of the commercial properties) and rental income of commercial properties (upon completion of the commercial properties). It is expected that the phase 1 commercial properties, which represents a shopping mall, a hotel and an exhibition centre with a total GFA of 68,563 sq.m., will be completed in stages by the year ending 31 March 2026. The Remaining Group expects to begin the leasing of the shopping mall and operation of the hotel starting from the year ending 31 March 2027 upon completion of construction.

For phase 2 (which includes only residential portion with a total GFA of 248,529.5 sq.m.), commencement of construction is expected to be in November 2022, and completion of construction is expected by the year ending 31 March 2026. The Remaining Group is planning to commence pre-sales of the phase 2 residential properties in January 2023. It is expected that sales of majority portion of the phase 2 residential properties will be completed by the year ending 31 March 2026. It is expected that the phase 2 residential properties will be completed in stages by the year ending 31 March 2026. The pre-sold residential properties will be delivered in stages upon completion and the Remaining Group will recognise revenue from such portion accordingly.

For phase 3 (which includes only commercial portion with a total GFA of 127,898 sq.m.), commencement of construction is expected to be in February 2024, and completion of construction is expected by the year ending 31 March 2026. Such commercial properties, which represents a health and wellness centre, will be retained by the Remaining Group for leasing purpose. The Remaining Group targets to begin the operation of the health and wellness centrestarting from the year ending 31 March 2027.

It is expected that development of the Qinhuangdao Project will continue and construction of the project will be completed in stages in around four years. The Remaining Group will finance the capital expenditure of the project by proceeds from the sales of project properties, loan from the controlling Shareholder and existing borrowings.

5.2.4 Financial information

Set out below is the financial information of Qinhuangdao Outlets prepared in accordance with the Hong Kong Financial Reporting Standards, during the year ended 31 March 2021 and the six months ended 30 September 2021:

	For the year ended 31 March 2021 *HK$'000* (unaudited)	**For the six months ended 30 September 2021** *HK$'000* (unaudited)
Revenue	nil	367
Loss before taxation	109,044	38,263
Loss after taxation	94,071	35,814

Qinhuangdao Project is still under the development stage and the profit or loss items recorded during the development period included depreciation of right-of-use assets, fair value changes on investment properties and some miscellaneous expenses.

The unaudited total assets and total liabilities of Qinhuangdao Outlets as at 30 September 2021 were approximately HK$1.45 billion and HK$1.58 billion respectively. The unaudited net liabilities of Qinhuangdao Outlets as at 30 September 2021 was approximately HK$131.16 million, after considering the deferred income, under other payables, of approximately HK$447.35 million. The deferred income refers to the government grants received previously for construction of the project. The balance will be net off construction costs of the project on a proportional basis and no cash outflow will be required to set off the balance.

Upon Completion, the Remaining Group will continue the development of the Qinhuangdao Project and will sell and/or lease the properties as and when appropriate. The Remaining Group will also generate management fees income from the Qinhuangdao Project by providing property management services to the tenants and residents. The Board expects that the Remaining Group will generate revenue from sales of properties, lease of properties and property management from the Qinhuangdao Project upon the completion of construction.

5.3 Other projects

Apart from the Yinchuan Project and the Qinhuangdao Project, the Remaining Group will also continue to participate in the development of the Huailai Project and the Changchun Project through its associated companies.

The Huailai Project is developed by Huailai Dayi Winery Company Limited* (懷來大一葡萄酒莊園有限公司), a 50%-owned associated company of the Company. It is a private wine estate located at Sangyuan Town, Huailai County, Zhangjiakou, with a total GFA of 104,038 sq.m.. The master plan, demonstration area design plan, chateau design plan and environmental impact assessment of the characteristic villa residential and winery project in Huailai of Hebei Province have been completed.

The Changchun Project is developed by Globe Outlet Town (Jilin) Limited* (吉林奧特萊斯世界名牌折扣城有限公司) (the "**Jilin Company**"), a 42%-owned associated company of the Company. It is an integrated project combining a theme park and a cultural tourism town under the theme of cultural tourism and the objective of building a liveable place with elderly care, with a total GFA of 573,504 sq.m.. Jilin Company initially developed the C3 residential lot of the land under the promotion name of JeShing Premium (金盛逸品) (later renamed as JeShing Jiuli New City (金盛 • 九里新城) in April 2020), which covers an area of approximately 74 mu with plot ratio of 1.49 and greening ratio of 30.81%, by planning and building it into a high-end residential community with 12 multi-storey buildings and planned GFA of approximately 105,000 sq.m. with hot spring directly accessible to each individual unit. The construction of all buildings under Phase 1 of JeShing Jiuli New City was basically completed, and delivered in January 2021 for owners to move in.

6. INFORMATION OF THE SELLERS

Seller 1 is a company incorporated in the PRC. It is principally engaged in investment holding. Seller 1 is a direct wholly-owned subsidiary of the Company.

Seller 2 is a company incorporated in Hong Kong and is principally engaged in investment holding. Seller 2 is an indirect wholly-owned subsidiary of the Company.

7. INFORMATION OF THE PURCHASER

The Purchaser is a private company incorporated in the PRC in 2017, headquartered in Changsha City, Hunan Province, the PRC. It is an enterprise group whose main business involves real estate development, equity investment, art collection and other fields. The Purchaser is ultimately owned by Mr. Li Jianghua（李將華）("**Mr. Li**") as to 99.9% and by Ms. Liu Meizhen（劉美真）("**Ms. Liu**") as to 0.1%.

The Purchaser possesses second-level real estate development qualifications, and its subsidiaries include 湖南燎原房地產開發有限公司 (Hunan Liaoyuan Real Estate Development Co., Ltd.*), 湖南省將華置業有限公司 (Hunan Jianghua Real Estate Co., Ltd.*), 樂沃居（珠海）置業有限公司 (Lewoju (Zhuhai) Real Estate Co., Ltd.*), 長沙恆儀文化科技開發有限公司 (Changsha Hengyi Cultural Technology Development Co., Ltd.*), 長沙大觀置業有限公司 (Changsha Daguan Real Estate Co., Ltd.*), etc. These property development companies focus on cultivating strong second-tier core cities such as Changsha, Nanchang and Zhuhai.

Mr. Li has over 20 years of knowledge and experience in property development and construction management in the PRC. Mr. Li is the founder and chairman of the board of directors of the Purchaser. He is also the executive president of Jiangxi Chamber of Commerce in Hunan Province*（湖南省江西商會執行會長）, honorary president of Jiangxi Chamber of Commerce in Hengyang City*（衡陽市江西商會名譽會長）and chairman of Nanchang Chamber of Commerce in Changsha City*（長沙市南昌縣商會會長）.

Ms. Liu joined Hunan Leji Real Estate Co., Ltd.*（湖南樂基置業有限公司）in December 2017, which is the shareholder of the Purchaser. She has over 10 years of experience in business management.

At the same time, the Purchaser also cooperated with other property developers to jointly develop multiple real estate projects in Changsha, Zhuzhou, Hengyang, Chenzhou, Shaoyang and other places. The Purchaser has a project that is proximate to the Changsha Outlets Project.

8. REASONS FOR AND BENEFITS OF THE DISPOSALS

8.1 Financial position of the Target Group and the Default Loans

The Group is principally engaged in outlets commercial operation and development and operation of featured commercial properties (such as tourism property, senior care property and wine chateaus), development of high-end residential properties as well as property management.

The primary business activity of the Target Group is the development of the Changsha Outlets Project, which is a comprehensive project comprising the "Globe Outlets" (commercial) and "Outlets Town" (residential) developed by the Group in Changsha, Hunan Province, the PRC.

As set out in the section headed "4. INFORMATION OF THE CHANGSHA OUTLETS PROJECT" of this announcement, the Target Group has been incurring net loss for the two years ended 31 March 2021 and for the six months ended 30 September 2021, with a net loss of approximately HK$294.37 million and HK$166.45 million for the year ended 31 March 2021 and the six months ended 30 September 2021, respectively. As at 30 September 2021, the unaudited net liabilities of the Target Group on a combined basis amounted to approximately HK$1.09 billion.

As disclosed in the interim report of the Company for the six months ended 30 September 2021, the Group breached the terms of two loans from two financial institutions (i.e. the Default Loans), with outstanding principal amounts of RMB940.7 million and RMB270.0 million respectively during the six months ended 30 September 2021. These two loans relate to the Target Group and was held by Target Company 1, and will be part of the liabilities of the Target Group to be assumed by the Purchaser. Pursuant to the terms of the Default Loans, the lenders have a discretionary right to demand immediate full repayment of the outstanding principal together with any unpaid interests. As at 30 September 2021, together with the Default Loans, the Target Group had total borrowings of approximately HK$1.74 billion, of which the Default Loans were repayable on demand, and the remaining loans will be repayable within 2022. Details of the total borrowings of the Target Group are set out below:

	Lender	**Outstanding principal amount as at 30 September 2021** *(RMB)* *(approximately)*	**Repayment status**	**Maturity**	**Pledge**
Loan 1	Huarong Xiangjiang Bank Co., Ltd.* (華融湘江銀行股份有限公司)	940.7 million	In default	All remaining principal balance and accrued interest of the loan shall be repaid before 30 June 2022, with payment of the default interests of approximately RMB14.7 million before 29 June 2020.	Pledged by certain of the Target Group's and the Remaining Group's assets
Loan 2	China Huarong Asset Management Co Ltd (Hunan Branch)* (中國華融資產管理股份有限公司湖南省分公司)	270 million	In default	All remaining principal balance and accrued interest of the loan shall be repaid on 30 June 2022.	Pledged by certain of the Target Group's assets

	Lender	Outstanding principal amount as at 30 September 2021 *(RMB) (approximately)*	Repayment status	Maturity	Pledge
Loan 3	Nanjing Jeshing International Home Decoration Operation Management Co., Ltd.* (南京金盛國際家居市場經營管理有限公司)	231.79 million	Non-default	All remaining principal balance and accrued interest of the loan shall be repaid on 31 December 2022.	Pledged by certain of the Target Group's assets
Loan 4	Bank of Changsha Co., Ltd.* (長沙銀行股份有限公司)	10 million	Non-default	All remaining principal balance and accrued interest of the loan shall be repaid on 31 March 2022.	No pledge

In view of the significant losses incurred by the Target Group, and the financial position of the Target Group, including the net liabilities position, together with the breaching of the aforesaid Default Loans by the Target Group, the Board considers that it is difficult for the Target Group to have sufficient internal resources to settle all the outstanding loans. Further, since the Target Group recorded net liabilities and breached the terms of the Default Loans, it is impractical for the Target Group to obtain any additional debt financing. In view of the above, the Company intends to carry out the Disposals to release the Group from the liabilities of the Target Group. It would therefore enable the Group to rationalise and deploy resources on other areas of operations with the objective of enabling the Group to improve its overall business performance.

8.2 The Remaining Group business

Upon Completion, the Group will continue to be engaged in the property development and property management businesses carried out by the Remaining Group. It is expected that the key property projects of the Remaining Group upon Completion will comprise the Yinchuan Project and the Qinhuangdao Project. Upon Completion, it is expected that the Remaining Group will continue the development of the Yinchuan Project and will sell and/or lease the properties as and when appropriate. Regarding the Qinhuangdao Project, the development has been delayed as a result of the reasons as set out above. However, the Group has managed to continue the development of the Qinhuangdao Project and it is also expected that construction of the project will be completed in stages in around four years. In addition to the Yinchuan Project and the Qinhuangdao Project, the Remaining Group will also continue to participate in the development of the Huailai Project and the Changchun Project through its associated companies. Further details of the development plan of the property projects of the Remaining Group are set out in the section headed "5. INFORMATION OF THE REMAINING GROUP" of this announcement.

During the year ended 31 March 2021 and the six months ended 30 September 2021, the aggregate revenue generated from the development of the Qinhuangdao Project and the Yinchuan Project amounted to HK$9.18 million and HK$2.36 million respectively. The aggregate revenue from the Qinhuangdao Project and the Yinchuan Project only represents approximately 22% and 19% of the consolidated revenue of the Group during the relevant periods as set out above, and it was mainly because a large portion of the two projects were under development during such period. As set out in the section headed "5. INFORMATION ON THE REMAINING GROUP" of this announcement, both the Yinchuan Project and Qinhuangdao Project are on-going and are expected to generate revenue from time to time. The Board expects that the Remaining Group will continue to generate revenue from sales of properties, lease of properties and property management from both the Yinchuan Project and the Qinhuangdao Project upon the Completion.

The Target Group, on a combined basis, recorded net loss after taxation of approximately HK$294.37 million and HK$166.45 million for the year ended 31 March 2021 and the six months ended 30 September 2021, respectively. In addition, the Target Group recorded finance costs of approximately HK$229.21 million and HK$142.38 million respectively for the year ended 31 March 2021 and the six months ended 30 September 2021. Upon Completion, it is expected that the finance costs of the Group will be significantly reduced and the financial position of the Group will be improved. Further, with the disposal of the Target Group which held the Default Loans, the Remaining Group will not bear any loans in default upon Completion. The Remaining Group will be in a better position to arrange for any necessary debt financing for continuous operation of the Remaining Group. The Board is of the view that the Remaining Group would be able to focus on the development of the property projects of the Remaining Group upon Completion, and the significant reduction in finance costs incurred by the Target Group would improve the financial performance of the Remaining Group.

8.3 Gain on Disposals

As set out in the sub-section headed "Consideration" under the section headed "2. EQUITY TRANSFER AGREEMENTS" above, since the Target Group recorded a net liabilities (on a reassessed combined basis), and taking into account the net losses incurred by the Target Group on a combined basis for the two years ended 31 March 2021 and for the six months ended 30 September 2021, together with the Default Loans, the Board considers that a consideration of RMB1 for each of the Equity Transfer Agreement 1, the Equity Transfer Agreement 2 and the Equity Transfer Agreement 3 is fair and reasonable. Upon Completion, the Target Companies will cease to be subsidiaries of the Company and their financial statement will cease to be consolidated in the financial statements of the Group. It is estimated that upon Completion, the Group will record a gain of approximately HK$1.09 billion on the Disposals, which is the difference between the total Consideration and the net liabilities of the Target Group. Shareholders should note that the financial effect is for illustrative purpose only. The actual gain/loss in connection with the Disposals will be determined based on the financial position of the Target Companies as at Completion and will be subject to review and audit by the auditors of the Company.

8.4 Background of the Disposals

As set out above, the Company intends to carry out the Disposals to, among other things, release the Group from the liabilities of the Target Group. The Company has been in discussion with different Independent Third Party potential buyers, including among others, the Purchaser, for the possible sale of the interests in the Target Group since early 2021. The Purchaser was introduced to the Company through the lenders of the Default Loans. Further details of the Purchaser are set out in the section headed "7. INFORMATION OF THE PURCHASER" of this announcement. The Company first met with the Purchaser in June 2021 and entered into a memorandum of understanding with the Purchaser as set out in the Company's announcement dated 29 June 2021. Further negotiations had been carried out between the Company and the Purchaser, as well as other Independent Third Party potential buyers. The Company has continued to have negotiations but could not reach an agreement with other Independent Third Party potential buyers. In December 2021, the Company and the Purchaser have agreed in principle the key terms of the Disposals. On 9 February 2022, the Equity Transfer Agreements were entered into between the Sellers and the Purchaser.

8.5 Other potential impact of the Disposals – the Remaining Group Pledged Assets and the Outstanding Intercompany Balances

The Target Group recorded unaudited net liabilities on a combined basis as at 30 September 2021. The Target Group had total borrowings of approximately RMB1.45 billion (equivalent to approximately HK$1.74 billion) as at 30 September 2021, of which the Default Loans amounted to approximately RMB1.21 billion (equivalent to approximately HK$1.45 billion). The loans of the Target Group were secured by certain of the Group's assets, comprising mainly the assets of the Target Group and the Remaining Group Pledged Assets. The Remaining Group Pledged Assets relate to one of the Default Loans and consist of four properties of the Yinchuan Project, including two blocks of commercial buildings and two blocks of residential buildings (together with the related shops). As at 30 September 2021, the net book values of the Remaining Group Pledged Assets amounted to approximately HK$290.3 million. Upon Completion, the underlying loans regarding the Remaining Group Pledged Assets will continue to be held by the Target Group. It is the understanding of the Board that the Purchaser will negotiate with the financiers for the settlement of the outstanding loans relating to the Remaining Group Pledged Assets, and if this happens, the pledge of the Remaining Group Pledged Assets will be released. Based on the Board's understanding, (i) the Purchaser and Mr. Li who owns 99.9% of interests in the Purchaser have agreed to provide guarantee for the Default Loans such that the Purchaser and Mr. Li will be responsible to repay the Default Loans if the Target Group fails to do so (the "**Purchaser Guarantee**"); (ii) a guarantee agreement would be entered into between the Purchaser, Mr. Li and the lenders of the Default Loans for the Purchaser Guarantee; and (iii) loan revision agreements would be entered into between the Target Group and the lenders of the Default Loans, and such agreements as mentioned in (ii) and (iii) above would be entered into at about the same time of entering into of the Equity Transfer Agreements.

In addition, based on the unaudited financial information of the Target Group and the Remaining Group, the Target Group owed the Remaining Group a net amount of approximately HK$127.07 million as at 30 September 2021, comprising intercompany receivables and payables between the Target Group and the Remaining Group (i.e. the Outstanding Intercompany Balances). Such Outstanding Intercompany Balances between the Target Group and the Remaining Group would also remain upon Completion. Since the Purchaser will assume all the liabilities of the Target Group, it is the understanding of the Board that the Purchaser will be responsible to procure the Target Group to settle such Outstanding Intercompany Balances when they fall due.

During the negotiation process with the Purchaser regarding the Disposals, the Company has tried to pursue the release of the pledge on the Remaining Group Pledged Assets and the settlement of the Outstanding Intercompany Balances. However, given that, among other things, (i) the Purchaser only agreed to assume all the liabilities of the Target Group and arrange to settle the loans and borrowings accordingly; (ii) if the pledge on the Remaining Group Pledged Assets had to be released and the Purchaser had to, or procure the Target Group to, settle the relevant loans and also the Outstanding Intercompany Balances, it would take a long time for Completion to take place; (iii) the Board considers that it would be more desirable to complete the Disposals earlier such that the Remaining Group would be able to deploy its resources to continue the development of the property projects of the Remaining Group as soon as possible; (iv) the Purchaser and Mr. Li have agreed to provide the Purchaser Guarantee for the Default Loans; (v) the Board has reviewed the background information of the Purchaser, including, among other things, the businesses and financial information for the two years ended 31 December 2020, a credit report of the Purchaser, and a preliminary repayment plan of the liabilities of the Target Group, and has not noted any material issues regarding the Purchaser's financial position; and (vi) the lenders of the Default Loans, under which the shares of Target Company 1 are pledged, are only willing to provide consent on the Disposals provided the existing pledge of assets including the assets of the Target Group and the Remaining Group Pledged Assets is not released, the Company has agreed to enter into the Equity Transfer Agreements based on the existing terms. The Board considers that the Purchaser will be able to, or procure the Target Group to, repay the relevant loan regarding the Remaining Group Pledged Assets and the Outstanding Intercompany Balances. Having considered, among other things, (i) the Purchaser Guarantee; and (ii) the Board's review of the background information of the Purchaser (including the preliminary repayment plan of the liabilities of the Target Group), the Board considers that the chance of execution of the pledge on the Remaining Group Pledged Assets or not recovering the Outstanding Intercompany Balances is low. Having said that, from a prudent point of view and for illustration purpose, the Board has also considered the impact on the Remaining Group if the Purchaser could not repay the relevant loan regarding the Remaining Group Pledged Assets and the Outstanding Intercompany Balances. In such case, the Board considers that the Disposals are still in the interests of the Company and the Shareholders as a whole after considering, among other things, (i) the reasons and benefits of the Disposals as mentioned above; (ii) the Remaining Group Pledged Assets account for only a small part of the development projects of the Remaining Group; (iii) the continuous development of other parts of the development projects of the Remaining Group will not be affected by the Remaining Group Pledged Assets; (iv) the Disposals are expected to generate a disposal gain of approximately HK$1.09 billion as mentioned above; and (v) even if the book values of the Remaining Group Pledged Assets and the net amount of the Outstanding Intercompany Balances are taken into account, the gain on disposal would still be approximately HK$675.38 million.

8.6 The Company's view

Accordingly, having considered the above factors, including, among other things, (i) the poor operating performance of the Target Group and the significant losses incurred by the Target Group; (ii) the net liabilities position of the Target Group; (iii) the significant amount of loans and borrowings, including the Default Loans, of the Target Group and finance costs incurred; (iv) the improvement in financial position and borrowing ability for continuous development of the property projects of the Remaining Group; and (v) the potential gain on disposal as a result of the Disposals, the Directors consider that the terms of the Disposals are fair and reasonable and on normal commercial terms, and the Disposals are in the interests of the Company and the Shareholders as a whole.

9. LISTING RULES IMPLICATION

As the relevant percentage ratios of the Disposals calculated pursuant to Rule 14.07 of the Listing Rules exceed 75%, the Disposals, on an aggregate basis, constitute very substantial disposal for the Company and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

10. SGM

A SGM will be convened for the purpose of considering and, if thought fit, approving the Disposals. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders has a material interest in the Disposals as at the date of this announcement and therefore, no Shareholders is required to abstain from voting at the SGM for the relevant resolution(s).

A circular containing, amongst other things, further information on the Disposals, the financial information of the Group, the notice of the SGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before 2 March 2022.

Shareholders and potential investors should note that Completion is conditional upon satisfaction of certain condition precedent as set out in this announcement. The Disposals may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the securities of the Company.

DEFINITIONS

"Board"	the board of directors of the Company
"Changchun Project"	an integrated project combining a theme park and a cultural tourism town located at Shuangyang District, Changchun, Jilin Province, the PRC
"Changsha Outlets Project"	a comprehensive project comprising the Globe Outlets (commercial) and Outlets Town (residential) developed by the Group in Changsha, Hunan Province, the PRC
"Company"	Richly Field China Development Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 313)

"Completion"	completion of the Disposal 1, Disposal 2 and Disposal 3
"Completion 1"	completion of the Disposal 1
"Completion 2"	completion of the Disposal 2
"Completion 3"	completion of the Disposal 3
"Completion Date 1"	the date of Completion 1
"Completion Date 2"	the date of Completion 2
"Completion Date 3"	the date of Completion 3
"Default Loans"	the two loans of owed by the Target Group to two Independent Third Party financial institutions with outstanding principal amount of approximately RMB940.7 million and RMB270 million respectively as at 30 September 2021
"Director(s)"	director(s) of the Company
"Disposals"	Disposal 1, Disposal 2 and Disposal 3
"Disposal 1"	the disposal of the Sale Shares 1 pursuant to the Equity Transfer Agreement 1
"Disposal 2"	the disposal of the Sale Shares 2 pursuant to the Equity Transfer Agreement 2
"Disposal 3"	the disposal of the Sale Shares 3 pursuant to the Equity Transfer Agreement 3
"Equity Transfer Agreements"	the Equity Transfer Agreement 1, the Equity Transfer Agreement 2 and the Equity Transfer Agreement 3

"Equity Transfer Agreement 1"	the equity transfer agreement entered into between the Sellers, Target Company 1 and the Purchaser dated 9 February 2022 in relation to the Disposal 1
"Equity Transfer Agreement 2"	the equity transfer agreement entered into between Seller 1, Target Company 2 and the Purchaser dated 9 February 2022 in relation to the Disposal 2
"Equity Transfer Agreement 3"	the equity transfer agreement entered into between Seller 1, Target Company 3 and the Purchaser dated 9 February 2022 in relation to the Disposal 3
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Huailai Project"	a wine estate development project located at Sangyuan Town, Huailai County, Zhangjiakou, Hebei Province, the PRC
"Independent Third Party(ies)"	third party(ies) and their ultimate beneficial owner(s) (if applicable) which are independent of the Company and its connected persons
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Outstanding Intercompany Balances"	the intercompany receivables and payables between the Target Group and the Remaining Group
"PRC"	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

"Purchaser"	樂沃居控股集團有限公司 (Lewoju Holding Group Company Limited*), a private company incorporated in the PRC
"Qinhuangdao Project"	a coastal shopping, tourism and healthcare resort complex with outlets business, integrated with high-end hot spring resort hotels, highend hospitals, health preservation and elderly care, cultural and entertainment activities, and recreational resorts developed by the Group in Qinghuangdao, the PRC
"Remaining Group"	the Group upon completion of the Disposals
"Remaining Group Pledged Assets"	certain assets of the Remaining Group under pledge for the loans of the Target Group
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	Sale Shares 1, Sale Shares 2 and Sale Shares 3
"Sale Shares 1"	the entire equity interests of Target Company 1
"Sale Share 2"	the entire equity interests of Target Company 2
"Sale Share 3"	the entire equity interests of Target Company 3
"Seller 1"	裕田幸福城(北京)投資顧問有限公司 (Richly Field (Beijing) Investment Consulting Co., Ltd*), a company incorporated in the PRC and a direct wholly-owned subsidiary of the Company
"Seller 2"	奧特萊斯世界名牌折扣城控股有限公司 (Globe Outlets City Holdings Limited), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"Sellers"	Seller 1 and Seller 2

"SGM"	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the Disposals
"Shareholder(s)"	shareholder(s) of the Company
"Shares"	ordinary share(s) of HK$0.05 each in the share capital of the Company
"sq.m."	square meter(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Companies"	Target Company 1, Target Company 2 and Target Company 3
"Target Company 1"	湖南裕田奧特萊斯置業有限公司 (Hunan Richly Field Outlets Real Estate Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Target Company 2"	長沙裕田奧特萊斯企業管理有限公司 (Changsha Yutian Outlets Business Administration Co Ltd*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Target Company 3"	長沙裕田奧萊物業管理有限公司 (Changsha Yutian Outlets Property Management Co Ltd*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

"Target Group"	the group of the Target Companies on a combined basis
"Yinchuan Project"	a residential and commercial property project developed by the Group in Yinchuan City, Ningxia Hui Autonomous Region, the PRC
"%"	per cent

By order of the Board
Richly Field China Development Limited
Li Yi Feng
Chairman and Chief Executive Officer

Hong Kong, 9 February 2022

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Li Yi Feng (Chairman and Chief Executive Officer) and Mr. Chen Wei (Vice President), and three independent non-executive directors, namely Ms. Hsu Wai Man Helen, Mr. Wong Chi Hong William and Mr. Xu Jinghong.

For the purpose of illustration only, amounts denominated in RMB in this announcement have been translated into HK$ at the rate of RMB1.00 = HK$1.20. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

* *For identification purpose only*