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**PROPOSED ISSUE OF 6% CONVERTIBLE BONDS
DUE 2025**



On 11 May 2023, the Company and the CB Subscriber entered into the CB Subscription Agreement pursuant to which the Company conditionally agreed to issue the Convertible Bonds.

The aggregate principal amount of the Convertible Bonds is US\$20 million (equivalent to approximately HK\$157 million). The Convertible Bonds will bear interest at 6% per annum and will due in 2025.

Assuming full conversion of the Convertible Bonds at the conversion price of HK\$2 per Conversion Share, the Convertible Bonds will be convertible into 78,500,000 new Shares. The Conversion Shares represent approximately 1.54% of the existing issued share capital of the Company and approximately 1.52% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The estimated net proceeds from the issue of the Convertible Bonds will be set off against the sums owing to the CB Subscriber under the Existing Bonds (2018) in its entirety.

The Conversion Shares which may fall to be issued upon the exercise of the conversion rights under the Convertible Bonds will be issued under the General Mandate granted by the Shareholders to the Directors at the annual general meeting held on 29 June 2022.

As the CB Subscription Agreement may or may not proceed to completion, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

On 11 May 2023, the Company and the CB Subscriber entered into the CB Subscription Agreement pursuant to which the Company conditionally agreed to issue the Convertible Bonds.

Set out below are the principal terms of the CB Subscription Agreement:

THE CB SUBSCRIPTION AGREEMENT

Date

11 May 2023

Parties

- (1) The Company; and
- (2) Chance Talent Management Limited.

Chance Talent Management Limited (the “**CB Subscriber**”), a business company incorporated in the British Virgin Islands with limited liability and an indirectly and wholly-owned special purpose vehicle of CCB International (Holdings) Limited. To the best knowledge, information and belief of the Directors, having made all reasonable enquires, the CB Subscriber and its ultimate beneficial owners are independent third parties not connected with the Company or any of its connected persons.

Principal terms of the Convertible Bonds

Principal amount	US\$20 million
Maturity date	The date falling on the second anniversary of the issue date.
Interest	The Convertible Bonds bear interest from the issue date of the Convertible Bonds at the rate of 6% per annum on the principal amount of the Convertible Bonds outstanding. The interest will be payable by the Company semi-annually in arrears from the issue date.
Administrative Fee	The Convertible Bonds bear the administrative fee at 2% per annum on the principal amount of the Convertible Bonds outstanding. The administrative fee on the outstanding principal amount of the Convertible Bonds held for the relevant period shall be payable by the Company semi-annually in arrears from the issue date.
Conversion price	HK\$2 per Conversion Share subject to adjustment in accordance with the terms of the Convertible Bonds including, among other things, subdivision or consolidation of Shares, the making of a free distribution of Shares, bonus issue, the declaration of a dividend in Shares, capital distribution, issuance of options, rights or warrants, and issue of new Shares (collective the “ Adjusting Conditions ”).

Number of Conversion Shares issuable 78,500,000 new Shares will be issued upon full conversion of the Convertible Bonds based on the initial conversion price of HK\$2.

(Note: the actual number of conversion shares to be issued will be determined by the relevant principal amount of the Convertible Bonds to be converted translated into HK\$ at the exchange rate as published by or derived from Bloomberg (or its successor) currencies page on the date of the conversion notice for the conversion.)

Transferability The Convertible Bonds is freely transferable subject to prior notification to the Company.

Conditions precedent of the CB Subscription Agreement

The obligations of the CB Subscriber under the CB Subscription Agreement are conditional upon:

- (i) the execution of the transaction documents including the CB Guarantee;
- (ii) the CB Subscriber being satisfied with the results of (i) their due diligence on the Group; and (ii) all “Know Your Client”, anti-money laundering checks and all other customer due diligence requirements with respect to the CB Obligors;
- (iii) the Stock Exchange having granted the listing of, and permission to deal in, the conversion shares with respect to the Convertible Bonds;
- (iv) the representations and warranties set out in the CB Subscription Agreement not having been breached and remaining true and accurate in all respects and not misleading as at the closing date and each of the CB Obligors having performed all of its/his obligations under the transaction documents to be performed on or before the closing date;
- (v) each of the CB Obligors having, to the extent applicable, (i) duly complied with all requirements under applicable laws and its constitutional documents necessary for the validity and enforceability of the transaction documents and the transactions contemplated thereunder (including without limitation the proposed issue of the Convertible Bonds and the relevant conversion shares); (ii) duly completed all procedural requirements (including without limitation notification, filing, registration, disclosure and/or announcement requirements) required by any relevant governmental authority and its constitutional documents in connection with the signing of the transaction documents and the transactions contemplated thereunder (including without limitation the proposed issue of Convertible Bonds and the relevant conversion shares) that is reasonably capable of being completed prior to the Closing; and (iii) obtained all necessary approvals and consents under applicable laws, regulations and rules in connection with the transaction documents and the transactions contemplated thereunder (including without limitation the proposed issue of the Convertible Bonds and the relevant conversion shares);

- (vi) the CB Subscriber having obtained all necessary internal approvals, including but not limited to the approval from its or its holding company's investment committee (as applicable) in respect of the subscription of the Convertible Bonds as set forth in the CB Subscription Agreement;
- (vii) there being no governmental authority or other Person that has: (i) requested any information in connection with or instituted or, threatened any action or investigation to restrain, prohibit or otherwise challenge the subscription for the Convertible Bonds by the CB Subscriber, or any other transactions contemplated by the transaction documents; (ii) threatened to take any action as a result of or in anticipation of the subscription for the Convertible Bonds by the CB Subscriber, or any other transactions contemplated by the transaction documents; or (iii) proposed or enacted any applicable laws which would prohibit, materially restrict or materially delay the subscription for the Convertible Bonds by the CB Subscriber, or any other transactions contemplated by the transaction documents and/or the operation of any member of the Group after the closing;
- (viii) there being no event existing or having occurred and no condition being in existence which would (had the Convertible Bonds already been issued) constitute an event of default and no event or act having occurred which, with the giving of any required notice or any required lapse of time or both, would (has the Convertible Bonds already been issued) constitute an event of default;
- (ix) there shall not have occurred (i) any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls; (ii) a general moratorium on commercial banking activities in the Cayman Islands, the BVI, Hong Kong or the PRC by any governmental authority; (iii) an outbreak or escalation of hostilities or act of terrorism, and which, with respect to any of (i) to (iii) above, individually or in aggregate, is having or is likely to have a material adverse effect; or (iv) a suspension or material limitation of trading in securities generally on the Stock Exchange;
- (x) Mr. Wong maintaining his shareholding interest in, directly or indirectly, not less than 51% of the Shares of the Company (on a fully diluted basis) and no Encumbrance (as defined in the CB Subscription Agreement) having been created over such Shares, unless (i) Mr. Wong at all times, directly or indirectly holds at least 51% of all outstanding Shares in the Company (on a fully diluted basis) and (ii) the amount of the Shares subject to any encumbrances shall not exceed the percentage of Mr. Wong's shareholding less 51%;
- (xi) the shareholder's equity of the Company being not less than RMB15,000,000,000 (or its equivalent in any other currency);
- (xii) the ratio of the Company's total liabilities (excluding contractual liabilities relating to sale of properties) to total assets being not more than 0.8:1 (each of the "total liabilities" and "total assets" as defined in the Company's latest audited financial statements provided to the satisfaction of the CB Subscriber);
- (xiii) the CB Subscriber having received from the Company a copy of the securities account statement confirming the number of Shares held in the name of Kinson Group Limited, a copy of the register of members of the Company and a copy of the share certificate showing the number of Shares held in the name of China LVGEM Property Holdings Limited and True Vantage Group Limited; and

- (xiv) the payment of any accrued unpaid interest and any amounts due and unpaid under the Existing Bonds (2018) owing by the Company to the CB Subscriber (including such amounts that would have made up the internal rate of return (as defined in the terms and conditions of the Existing Bonds (2018)) as required to be paid under the Existing Bonds (2018)) which exceed the bond selling price and are not set off by the bond selling price, and all legal fees and expenses in connection with the negotiation and preparation of the transaction documents.

Completion of the CB Subscription Agreement will take place no later than the third business day following the conditions precedent under the CB Subscription Agreement have been satisfied or such other date as the Company and the CB Subscriber shall agree in writing. If the conditions precedent cannot be fulfilled by 18 May 2023 or such later date as the Company and the CB Subscriber may agree in writing, the CB Subscription Agreement will terminate and cease to be of any effect.

Undertakings of the Company

The Company has confirmed and given undertakings to the CB Subscriber including without limitation:

- (i) the Company shall use the proceeds from the subscription of the Convertible Bonds pursuant to the CB Subscription Agreement as general working capital of the Company (including without limitation, to repay the Existing Bonds (2018) as required), and shall not use the proceeds for the purchase of listed securities;
- (ii) the shareholder's equity of the Company is not less than RMB15,000,000,000 (or its equivalent in any other currency);
- (iii) the ratio of the Company's total liabilities (including contractual liabilities relating to sale of properties) to total assets is not more than 0.8:1 (each of the "total liabilities" and "total assets" as defined in the Company's latest audited financial statements provided to the satisfaction of the CB Subscriber); and
- (iv) during the term of the Convertible Bonds, in the event the Company issues any Shares or convertible securities at an issue price or conversion price, respectively, less than the conversion price, the conversion price shall be adjusted in accordance with the Adjusting Conditions.

Application for listing

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued upon conversion of the Convertible Bonds.

No Shareholders' approval is required for the allotment and issue of the new Shares that may fall to be issued upon the conversion of the Convertible Bonds. The new Shares that may fall to be issued upon the conversion of the Convertible Bonds will be issued under the General Mandate.

At the annual general meeting held on 29 June 2022, the Shareholders have granted to the Directors the General Mandate to issue up to 1,019,540,795 Shares, being 20% of the issued share capital of the Company on 29 June 2022 of 5,097,703,975 Shares. As at the date of this announcement, the General Mandate has not been utilized. Upon completion of the issue of the Convertible Bonds, the Company will have remaining mandate to issue up to 941,040,795 Shares under the General Mandate.

Other terms of the Convertible Bonds

Set out below is a summary of the other principal terms of the Convertible Bonds:

Issue price	100% of the principal amount of the Convertible Bonds, payable in full at completion of the relevant CB Subscription Agreement.
Conversion period	<p>The Bondholder has the right to convert the Convertible Bonds in whole or any part (in the authorised denominations) of the outstanding principal amount of its Convertible Bonds into Conversion Shares at any time from after the issuance of the Convertible Bonds until the maturity date.</p> <p>Without prejudice to any other provision in the terms and conditions of the Convertible Bonds, if the Company fails or is unable to deliver Conversion Shares upon the exercise of a conversion right as to do so will result in a breach of the minimum public float requirement under the Listing Rules or due to any restriction on the allotment or issuance of Shares imposed by any general mandate, the Company shall, on or before the conversion date, satisfy the conversion right in accordance with the terms and conditions of the Convertible Bonds by (i) delivery of the shortfall shares to the relevant Bondholder and (ii) payment to such Bondholder an amount, in cash, equal to the shortfall equity value.</p>
Redemption at maturity	Convertible Bond will be redeemed on maturity at a value equal to Redemption Amount of the outstanding principal amount of the Convertible Bonds.
Status	The Convertible Bonds will represent direct, unsubordinated and unconditional obligations of the Company and will at all times rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company without any preference or priority among themselves.
Voting	A Bondholder will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being a Bondholder.
Listing	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other exchange.

Guarantee Mr. Wong, the controlling shareholder of the Company, has provided a guarantee to the Bondholder to guarantee the Company's obligations under the Convertible Bonds.

Comparison of conversion price

The initial conversion price of HK\$2 per Conversion Share was arrived at after arm's length negotiation between the Company and the CB Subscriber and, in accordance with the terms and conditions of the CB Subscription Agreement, is the lower between HK\$2 per Conversion Share and 130% of the volume weighted average price per Share for a period of twenty (20) Trading Days immediately before the date of the CB Subscription Agreement. The initial conversion price represents:

- (i) a premium of approximately 23.46% to the closing price of the Shares of HK\$1.620 as quoted on the Stock Exchange on the last trading date before the date of the CB Subscription Agreement;
- (ii) a premium of approximately 21.21% to the average closing price of HK\$1.650 per Share for the last 5 consecutive trading days up to and including the last trading date before the date CB Subscription Agreement; and
- (iii) a premium of approximately 19.47% to the average closing price of HK\$1.674 per Share for the last 10 consecutive trading days up to and including the last trading day before the date of the CB Subscription Agreement.

Conversion Shares

Assuming full conversion of the Convertible Bonds at the conversion price of HK\$2 per Conversion Share, the Convertible Bonds will be convertible into 78,500,000 new Shares. The Conversion Shares represent approximately 1.54% of the existing issued share capital of the Company and approximately 1.52% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares have a nominal value of HK\$785,000 and a market value of approximately HK\$127 million based on the closing price of the Shares of HK\$1.62 on 10 May 2023.

The Conversion Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS AND USE OF PROCEEDS

The Directors consider that the issue of the Convertible Bonds represents an opportunity for the Company to raise additional funds for its operations. The estimated net proceeds from the issue of the Convertible Bonds will be set off against the sums owing to the CB Subscriber under the Existing Bonds (2018) in its entirety.

SHAREHOLDING OF THE COMPANY

The table below sets out the Company's shareholding structure as at the date of this announcement and upon full conversion of the Convertible Bonds, assuming no further issue or repurchase of Shares and no conversion of any of the convertible securities of the Company:

	Shareholding as at the date of this announcement		Shareholding immediately upon full conversion of the Convertible Bonds	
	No. of Shares	%	No. of Shares	%
Mr. Wong and his associates (<i>Note</i>)	3,772,909,094	74.01	3,772,909,094	72.89
CB Subscriber	–	–	78,500,000	1.52
Public Shareholders	<u>1,324,794,881</u>	<u>25.99</u>	<u>1,324,794,881</u>	<u>25.59</u>
Total	<u><u>5,097,703,975</u></u>	<u><u>100.00</u></u>	<u><u>5,176,203,975</u></u>	<u><u>100.00</u></u>

Note: Mr. Wong's interest in the Company are held indirectly through (i) China LVGEM, an indirect wholly-owned company of Mr. Wong, who is beneficially interested in 1,372,909,094 Shares; and (ii) Kinson Group Limited who is beneficially interested in 2,400,000,000 Shares. Kinson Group Limited is owned as to 100% by Evergreen Holdings Limited, and Evergreen Holdings Limited is owned as to 100% by Cantrust (Far East) Limited, acting as the trustee for the family trust of Mr. Wong.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE LAST 12 MONTHS

The Company has not carried out any other equity fund raising exercise in the twelve months immediately preceding the date of this announcement.

GENERAL

The Group is principally engaged in property development, property investment and other related services.

The Conversion Shares which may fall to be issued upon the exercise of the conversion rights under the Convertible Bonds will be issued under the General Mandate.

As the CB Subscription Agreement may or may not proceed to completion, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Administrative Fees”	administrative fee at 2% per annum on the principal amount of the Convertible Bonds outstanding;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bondholder”	holder of the Convertible Bonds;
“BVI”	the British Virgin Islands
“CB Guarantee”	the guarantee to be executed by Mr. Wong in favour of the CB Subscriber in relation to the obligations of the CB Obligors under the Convertible Bonds;
“CB Subscription Agreement”	the agreement dated 11 May 2023 entered into between the Company and the CB Subscriber;
“CB Subscriber”	Chance Talent Management Limited, a company incorporated in the British Virgin Islands with limited liability;
“CB Obligors”	the Company and Mr. Wong;
“China LVGEM”	China LVGEM Property Holdings Limited, a company incorporated in the Cayman Islands and a company ultimately wholly-owned by Mr. Wong;
“Company”	LVGEM (China) Real Estate Investment Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Conversion Shares”	new Shares to be issued upon conversion of the Convertible Bonds;
“Convertible Bonds”	6% unlisted convertible bonds due 2025 in the aggregate principal amount of US\$20 million (equivalent to approximately HK\$157 million) to be issued by the Company to the CB Subscriber;
“Directors”	the directors of the Company;

“Existing Bonds (2018)”	the US\$100,000,000 5.5% convertible bonds due 2018 issued by the Company to the CB Subscriber pursuant to a subscription agreement dated 6 November 2016, as amended, supplemented and/or restated from time to time, in particular as amended and/or supplemented by (i) an amendment agreement dated 8 November 2016; (ii) an amendment deed dated 3 October 2018; (iii) a supplemental deed dated 8 October 2018; (iv) an amendment deed dated 18 November 2020; and (v) an amendment deed dated 18 May 2022;
“General Mandate”	the authorisation granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting of the Company held on 29 June 2022 to allot and issue up to 20% of the aggregate of the nominal value of the share capital of the Company in issue on the date of the passing of the resolution;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Wong”	Mr. Wong Hong King, the controlling shareholder of the Company;
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
“Redemption Amount”	means the amount equal to the aggregate of: <ul style="list-style-type: none"> (a) the aggregate principal amount of such outstanding Convertible Bonds held by the relevant Bondholder; (b) any accrued but unpaid interest on such outstanding Convertible Bonds on the redemption date (other than default interest); (c) any accrued but unpaid Administrative Fees on such outstanding Convertible Bonds on the redemption date (other than default interest); (d) upon any default by the Company in the payment of any sum due and payable under the Convertible Bonds, without prejudice to any other rights or remedy of the Bondholders under the terms and conditions of the Convertible Bonds, interest to the Bondholder from the due date up to and including the date of actual payment in full calculated at a rate which is 16% per annum on a daily basis. Such default interest shall accrue on the basis of the actual number of days elapsed and a 365-day year; and

- (e) upon the occurrence of an event of default other than failure by the Company to pay any sum in respect of the Convertible Bonds when the same becomes due and payable, without prejudice to any other rights or remedy of the Bondholders under the terms and conditions of the Convertible Bonds, an additional interest accrued on the outstanding principal amount of the Convertible Bonds at a rate of 16% per annum from the date of occurrence of such event of default up to (and including) the date that such event of default has been fully remedied by the Company to the satisfaction of the Bondholders. Such default interest shall accrue on the basis of the actual number of days elapsed and a 365-day year;

“Shareholders”	registered holders of Shares from time to time;
“Shares”	shares of HK\$0.01 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollars, the lawful currency in the United States of America;
“%”	per cent.

By order of the Board
LVGEM (China) Real Estate Investment Company Limited
HUANG Jingshu
Chairman

In this announcement, amounts in US\$ have been converted into HK\$ and vice-versa at the rates of US\$1=HK\$7.85 for illustration purposes only. These translations shall not be taken as a representation that any amounts in US\$ or HK\$ have been or could have been or can be converted at the aforementioned rate or at any other rate or at all.

Hong Kong, 11 May 2023

As at the date of this announcement, the executive directors of the Company are Ms. HUANG Jingshu (Chairman), Mr. TANG Shouchun (Chief Executive Officer), Mr. YE Xingan, Mr. HUANG Hao Yuan and Ms. LI Yufei; and the independent non-executive directors of the Company are Mr. WANG Jing, Ms. HU Gin Ing and Mr. MO Fan.