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# **L.gem 綠景(中國)地產投資有限公司**

**LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

(HKSE Stock Code: 95)

## **(I) MAJOR TRANSACTION IN RELATION TO DISPOSAL OF PROPERTIES; AND (II) DISCLOSEABLE TRANSACTION IN RELATION TO LEASEBACK ARRANGEMENT**

### **THE DISPOSAL**

The Board announces that Shenzhen LVGEM, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement on 7 March 2024 (as supplemented on 16 April 2024), whereby Shenzhen LVGEM agreed to sell, and the Purchaser agreed to purchase, the Properties at a cash consideration of RMB813.87 million.

### **THE LEASEBACK ARRANGEMENT**

Shenzhen LVGEM and the Purchaser further entered into the Tenancy Agreement on 13 March 2024 (as supplemented on 16 April 2024), pursuant to which the Purchaser agreed to let the Properties to Shenzhen LVGEM for a term of five years commencing from the handover of the Properties at the rent of RMB4,178,333.33 per calendar month for the first leasing year with an increment of 1.5% for each of the next four leasing years.

### **LISTING RULES IMPLICATIONS**

The Disposal constituted a major transaction for the Company under Chapter 14 of the Listing Rules and should have been subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or its/his/her associate(s) has a material interest in the Agreement and the transactions contemplated thereunder and accordingly, no Shareholder was required to abstain from voting if the Company was to convene a Shareholders' meeting for approving the Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, the Company has obtained shareholders' written approval from the Closely Allied Shareholders, holding an aggregate of 74.01% of the issued share capital of the Company as at the date of this announcement, for approving the Agreement and the transactions contemplated thereunder. As such, the Company is not required to convene an extraordinary general meeting for approving the Agreement and the transactions contemplated thereunder.

The Leaseback Arrangement constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and should have been subject to the reporting and announcement requirements but is exempt from circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

A circular containing, among other things, information relating to the Disposal, the financial information and other information of the Group and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 31 July 2024 so as to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

## **BACKGROUND**

The Board announces that Shenzhen LVGEM, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into (i) the Agreement on 7 March 2024 (as supplemented on 16 April 2024) in relation to the Disposal at a cash consideration of RMB813.87 million, and (ii) the Tenancy Agreement on 13 March 2024 (as supplemented on 16 April 2024) in relation to the Leaseback Arrangement for a term of five years commencing from the handover of the Properties.

## **THE AGREEMENT**

### **Date:**

7 March 2024 (as supplemented on 16 April 2024)

### **Parties:**

- (i) Shenzhen LVGEM; and
- (ii) the Purchaser.

### **Assets to be disposed of:**

The Properties comprised (i) the Commercial Units, being 59 commercial units of Hongwan Shopping Mall, with a gross floor area of approximately 33,188.61 m<sup>2</sup>, (ii) the Car Parking Spaces, being 426 car parking spaces located at Basement Level 1 and Ground Floor of Hongwan Shopping Mall; and (iii) the Property Facilities, being decoration, furnishings and ancillary equipment of the Commercial Units and the Car Parking Spaces.

**Consideration:**

The Consideration was RMB813.87 million, which has been settled by the Purchaser to Shenzhen LVGEM in the following manner:

- (i) the first instalment of RMB244,161,000 in cash has been paid to the bank account designated by Shenzhen LVGEM within 10 business days after the transfer of registered property ownership from Shenzhen LVGEM to the Purchaser;
- (ii) the second instalment of RMB67,209,000 in cash has been paid to the bank account designated by Shenzhen LVGEM within 10 business days after the handover of the Properties from Shenzhen LVGEM to the Purchaser; and
- (iii) the third instalment of RMB502,500,000 in cash has been paid to the Escrow Account within 10 business days after the handover of the Properties from Shenzhen LVGEM to the Purchaser. Subsequent to the transfer of security deposit of RMB50,140,000 in relation to the Leaseback Arrangement from the Escrow Account to the Purchaser, the remaining balance of the third instalment of RMB452,360,000 has been released to Shenzhen LVGEM.

The Consideration was determined after arm's length negotiations between Shenzhen LVGEM and the Purchaser after taking into account, among other things, (i) the valuation of the Properties of approximately RMB1,279.40 million as at 31 December 2023, comprising the valuation of the Commercial Units of RMB1,164.14 million as at 31 December 2023 conducted by an independent qualified valuer and the estimated value of the Car Parking Spaces and the Property Facilities of approximately RMB115.26 million as at 31 December 2023 assessed by the Directors based on the then prevailing market conditions, (ii) the financial position of the Company and (iii) the opportunity to enhance the liquidity of the Company.

**Completion:**

Completion took place on 17 April 2024.

**THE TENANCY AGREEMENT****Date:**

13 March 2024 (as supplemented on 16 April 2024)

**Parties:**

- (i) Shenzhen LVGEM (as tenant); and
- (ii) the Purchaser (as landlord).

**Premises:**

The Properties

**Terms:**

Five years commencing from the handover of the Properties

**Rent:**

The rent payable under the Tenancy Agreement is RMB4,178,333.33 per calendar month for the first leasing year with an increment of 1.5% for each of the next four leasing years.

The rent payable by Shenzhen LVGEM under the Tenancy Agreement was determined after arm's length negotiations by the parties with reference to the prevailing market rent for similar properties in the vicinity of the Commercial Units.

**Security deposit:**

A security deposit of RMB50,140,000, representing 12 months' rent of the first leasing year, was transferred from the Escrow Account to the Purchaser. The Purchaser shall release RMB25,070,000 of the security deposit to Shenzhen LVGEM after 6 months of the first leasing year. Starting from the second leasing year, the required security deposit will be two months' rent equivalent of the relevant leasing year. Any surplus/shortfall relating to the security deposit should be released to/paid by Shenzhen LVGEM at the material time.

**FINANCIAL EFFECT OF THE DISPOSAL**

The Properties were classified as investment properties in the audited financial statements of the Group as at 31 December 2023 with an audited carrying value of approximately RMB1,279.40 million.

Based on (i) the Consideration (net of value added tax) of approximately RMB775.11 million; (ii) the audited carrying value of the Properties of approximately RMB1,279.40 million as at 31 December 2023; and (iii) the reversal of deferred tax liabilities of approximately RMB112.29 million, the Group expects to record a fair value loss on Disposal of approximately RMB392.00 million. The actual loss on the Disposal for the Group is subject to audit and therefore may be different from the amount mentioned above.

The net proceeds, being the Consideration net of value added tax, arising from the Disposal are estimated to be approximately RMB775.11 million and are expected to be applied as general working capital of the Group.

**FINANCIAL INFORMATION OF THE PROPERTIES**

Set out below is certain financial information of the Properties for 31 December 2022 and 2023:

	<b>For the years ended 31 December</b>	
	<b>2022</b>	<b>2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	unaudited	unaudited
<b>Rental income</b>	54,802	61,164
<b>Net profit/(loss) before tax</b>	34,161	(210,760)
<b>Net profit/(loss) after tax</b>	37,873	(144,273)

The net loss related to the Properties for the year ended 31 December 2023 was mainly attributable to the decrease in fair value of approximately RMB265.95 million.

Pursuant to HKFRS 16, as a result of the entering into of the Tenancy Agreement, the unaudited value of the right-of-use asset recognized by the Group under the terms of the Tenancy Agreement amounted to a sum of approximately RMB189.29 million, being the present value of the aggregate security deposit and rent under the Tenancy Agreement. The total rent will be settled from the internal resources of the Company. The final amount of the right-of-use asset to be recorded by the Company will be subject to audit.

### **INFORMATION ON THE PURCHASER**

The Purchaser is a company established under the laws of the PRC with limited liability. It is a state-owned enterprise in Shenzhen. The principal activities of the Purchaser include investment in industrial parks, construction and management of industrial parks and property development.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

### **INFORMATION ON THE GROUP**

The Group is a leading property developer in the PRC which is principally engaged in property development and property investment businesses. The Group has been focusing on the development of high-value residential and commercial projects in core areas of major cities in Guangdong-Hong Kong-Macao Greater Bay Area over the years.

### **REASONS AND BENEFIT FOR ENTERING INTO THE AGREEMENT AND THE TENANCY AGREEMENT**

Given the current market conditions in connection with residential properties and the financial position of the Company, the management of the Company has been considering means, including, but not limited to, selling properties classified as investment properties in the audited financial statements of the Group as at 31 December 2023 as and when buyers are available, to generate additional cashflow to improve the financial position of the Company.

Taking into consideration the current financial and liquidity position of the Group, the Board is of the view that the Disposal will allow the Group to realize its investment in the Properties and apply the net proceeds as general working capital of the Group, thereby improving the financial position of the Company. The Leaseback Arrangement can facilitate a stable business environment of the Properties.

Based on the above, the Board considers that the terms of the Agreement and the Tenancy Agreement are fair and reasonable, and the entering into of the Agreement and the Tenancy Agreement by Shenzhen LVGEM is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Disposal constituted a major transaction for the Company under Chapter 14 of the Listing Rules and should have been subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or its/his/her associate(s) has a material interest in the Agreement and the transactions contemplated thereunder and accordingly, no Shareholder was required to abstain from voting if the Company was to convene a Shareholders' meeting for approving the Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, the Company has obtained shareholders' written approval from China LVGEM, True Vantage and Kinson (being the Closely Allied Shareholders), holding an aggregate of 74.01% of the issued share capital of the Company as at the date of this announcement, for approving the Agreement and the transactions contemplated thereunder. As at the date of this announcement, (i) each of China LVGEM and True Vantage is beneficially owned as to 100% by Mr. Wong; and (ii) Kinson is indirectly wholly-owned by Cantrust (Far East) Limited, being the trustee of a discretionary family trust established by Mr. Wong, who is the settlor of such family trust, the beneficiaries of which include Mr. Wong's family members. As such, the Company is not required to convene an extraordinary general meeting for approving the Agreement and the transactions contemplated thereunder.

The Leaseback Arrangement constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and should have been subject to the reporting and announcement requirements but is exempt from circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company failed to comply with these Listing Rules requirements due to inadvertent and unintentional overlook. The Company will strengthen the relevant internal control procedures and consult professional advisers as and when appropriate to avoid occurrence of similar incidents in the future.

## **GENERAL**

A circular containing, among other things, information relating to the Disposal, the financial information and other information of the Group and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 31 July 2024 so as to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

## DEFINITIONS

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

“Agreement”	the agreement dated 7 March 2024 (as supplemented on 16 April 2024) entered into between Shenzhen LVGEM and the Purchaser in relation to the Disposal
“associate(s)”	has the same meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Car Parking Spaces”	426 car parking spaces located at Basement Level 1 and Ground Floor of Hongwan Shopping Mall
“China LVGEM”	China LVGEM Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability and one of the Closely Allied Shareholders holding 1,265,766,583 Shares (representing 24.83% of the issued Shares) as at the date of this announcement
“Closely Allied Shareholders”	the closely allied group of Shareholders comprising China LVGEM, True Vantage and Kinson, which are together holding 3,772,909,094 Shares (representing 74.01% of the issued Shares) as at the date of this announcement
“Commercial Units”	59 commercial units of Hongwan Shopping Mall
“Company”	LVGEM (China) Real Estate Investment Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	RMB813.87 million, being the consideration for the Disposal payable by the Purchaser to Shenzhen LVGEM pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Properties by Shenzhen LVGEM to the Purchaser pursuant to the terms of the Agreement
“Escrow Account”	escrow account opened under the name of Shenzhen LVGEM

“Group”	collectively, the Company and its subsidiaries for the time being
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongwan Shopping Mall”	Commercial properties of North Hongwan Garden located at North Ring Avenue, Meilin Road, Futian District, Shenzhen City, Guangdong Province, the PRC
“Kinson”	Kinson Group Limited, a company incorporated in the British Virgin Islands with limited liability and one of the Closely Allied Shareholders holding 2,400,000,000 Shares (representing approximately 47.08% of the issued Shares) as at the date of this announcement
“Leaseback Arrangement”	the tenancy in respect of the Properties entered into by the Purchaser as landlord and Shenzhen LVGEM as tenant for a term of five years commencing from the handover of Properties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“m <sup>2</sup> ”	square meter
“Mr. Wong”	Mr. Wong Hong King
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Properties”	collectively, the Commercial Units, the Car Parking Spaces and the Property Facilities
“Property Facilities”	the property facilities of the Commercial Units and the Car Parking Spaces, namely decoration, furnishings and ancillary equipment
“Purchaser”	深圳市福田產業投資服務有限公司 (Shenzhen Futian Industrial Investment Services Co., Ltd.*), a company established under the laws of the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)



“Shenzhen LVGEM”	深圳市綠景房地產開發有限公司 (Shenzhen LVGEM Real Estate Development Co., Ltd.*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the agreement dated 13 March 2024 (as supplemented on 16 April 2024) entered into between Shenzhen LVGEM and the Purchaser in relation to the Leaseback Arrangement
“True Vantage”	True Vantage Group Limited, a company incorporated in the Cayman Islands with limited liability and one of the Closely Allied Shareholders holding 107,142,511 Shares (representing 2.10% of the issued Shares) as at the date of this announcement
“%”	per cent.

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

Hong Kong, 6 June 2024

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

\* *For identification purpose only*