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**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)*

## **CONNECTED TRANSACTION**

### **ACQUISITION OF 100% EQUITY INTEREST IN TARGET COMPANY**

The Board is pleased to announce that on 21 May 2019, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Target Company and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, 100% equity interest in the Target Company at a total consideration of RMB8 million in accordance with the terms and conditions of the Equity Transfer Agreement.

As at the date of this announcement, the Target Company is principally engaged in the development and holding of the Project, which is a commercial development located in Zhangmutou Town, Dongguan City, Guangdong Province, the PRC and is wholly-owned by the Target Company. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

As the Vendor is a connected person of the Company, the Acquisition is a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 0.1% and all applicable percentage ratios are less than 5% and the total consideration is more than HK\$3 million, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **THE ACQUISITION**

The Board is pleased to announce that on 21 May 2019, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Target Company and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, 100% equity interest in the Target Company at a total consideration of RMB8 million in accordance with the terms and conditions of the Equity Transfer Agreement.

The principal terms of the Equity Transfer Agreement are set out below:

**Date**

21 May 2019

**Parties**

- (1) the Purchaser;
- (2) the Target Company; and
- (3) the Vendor.

**Subject Matter**

Pursuant to the Equity Transfer Agreement, the Purchaser agreed to purchase, and the Vendor agreed to sell, 100% equity interest in the Target Company in accordance with the terms and conditions of the Equity Transfer Agreement.

**Consideration**

The consideration for the Acquisition is RMB8 million, which shall be payable by the Purchaser to the Vendor in cash at Completion. The consideration was arrived at after arm's length negotiations among the parties and was determined based on, among other things, (i) the current status and development potential of the Project; and (ii) the estimated market value of the net asset value of the Target Company as at 31 March 2019 in the amount of approximately RMB8.3 million as assessed by an independent valuer engaged by the Company.

The consideration will be satisfied by the internal resources of the Group.

**Completion**

Completion shall take place within seven (7) days after the date of the Equity Transfer Agreement or such other date as the parties to the Equity Transfer Agreement may agree in writing.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

**INFORMATION OF THE GROUP**

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

The Purchaser is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in property development and property investment in the PRC.

**INFORMATION OF THE VENDOR**

The Vendor is a company established in the PRC with limited liability and is ultimately wholly-owned by the family members of Mr. Wong. The Vendor is principally engaged in investment holding.

## INFORMATION OF THE TARGET COMPANY AND THE PROJECT

The Target Company is a company established in the PRC with limited liability and is principally engaged in developing and holding the Project.

The Project is a commercial development consisting of a land parcel for commercial use with an aggregate site area of approximately 20,136.66 sq.m. located in Zhangmutou Town, Dongguan City, Guangdong Province, the PRC. Subject to the requisite governmental approval, it is currently intended that the Project will be developed into a shopping mall with a total planned gross floor area of approximately 61,848 sq.m..

The audited net loss before taxation of the Target Company for the years ended 31 December 2017 and 2018 amounted to approximately RMB3.4 million and RMB10.1 million, respectively. The audited net loss after taxation of the Target Company for the years ended 31 December 2017 and 2018 amounted to approximately RMB3.4 million and RMB10.2 million, respectively.

As at 31 March 2019, the book value of the total assets of the Target Company amounted to approximately RMB372.5 million, comprising primarily the Project. Based on the valuation report prepared by an independent valuer engaged by the Company with reference to the International Valuation Standards issued by the International Valuation Standards Council, the market value of the net asset value of the Target Company (the “**Estimated NAV**”) was estimated to be approximately RMB8.3 million.

In deriving the Estimated NAV, the independent valuer adopted summation method under the cost approach, whereby each identifiable asset and liability of the Target Company was valued using the appropriate valuation approaches, and the independent valuer’s opinion of value of the Estimated NAV was derived by adding component assets and deducting component liabilities. In this connection, among others, the Project was valued by applying the comparison approach by making reference to comparable sales evidence as available in the relevant market and the independent valuer had taken into account the accrued construction cost and professional fees as at the valuation date.

Based on the valuation methodology and assumptions adopted by the independent valuer, the Estimated NAV of approximately RMB8.3 million was arrived at by deducting (a) the estimated market value of the total liabilities of the Target Company as at 31 March 2019 of approximately RMB371.6 million (including, among others, other payables of approximately RMB312.7 million comprising primarily the amounts payable to Shenzhen LVGEM Enterprise Group Co., Ltd.\* (深圳綠景企業集團有限公司) (being a company ultimately wholly-owned by the family members of Mr. Wong) and the Vendor) from (b) the estimated market value of the total assets of the Target Company as at 31 March 2019 of approximately RMB379.9 million (comprising primarily the estimated market value of the Project).

The original cost of the Target Company to the Vendor was RMB20 million representing the incorporation cost of the Target Company.

The guarantee and/or collaterals provided by Mr. Wong, the Vendor and other connected persons (as the case may be) for securing the bank borrowings of the Target Company will be released and replaced by the guarantee and/or collaterals to be provided by the Group (as the case may be) upon or as soon as practicable after Completion.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition represents a successful collaboration with the Group's controlling shareholder which benefits the Group with less risk exposure and higher flexibility. The Acquisition will enable the Group to acquire the Project at a reasonable cost. The Group intends to complete the Project and operate the shopping mall thereat under the Group's "Zoll" brand which will become the 8th shopping mall in the Group's successful line of "Zoll" branded commercial developments. The Company believes that the Project has great potential, and with the Group's sound operating model and expertise in commercial property management, the Project can generate stable rental income and cash flow as well as investment returns for the Shareholders. The Company also believes that the Acquisition is in line with the Group's business strategy of focusing on projects in the Guangdong-Hong Kong-Macao Greater Bay Area. The Group will continue to expand its project portfolio through flexible collaboration with its controlling shareholder in the field of property development and property investment.

Based on the abovementioned, the Directors (including the independent non-executive Directors) are of the view that the Equity Transfer Agreement was entered into on normal commercial terms in the ordinary and usual course of business of the Group, and the Equity Transfer Agreement and the transactions contemplated thereunder (including the total consideration for the Acquisition as described in "The Acquisition – Consideration" above) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Wong is indirectly interested in approximately 71.40% of the issued Shares and is the controlling shareholder of the Company. As the entire issued share capital of the Vendor as at the date of this announcement is ultimately wholly-owned by the family members of Mr. Wong, the Vendor is an associate of Mr. Wong and therefore a connected person of the Company. As such, the Acquisition is a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 0.1% and all applicable percentage ratios are less than 5% and the total consideration is more than HK\$3 million, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Ms. Huang Jingshu ("**Ms. Huang**"), the chairman and an executive director of the Company, and Mr. Huang Hao Yuan, an executive director of the Company, are the daughter and son of Mr. Wong, respectively. By virtue of their relationship with Mr. Wong, Ms. Huang and Mr. Huang Hao Yuan are considered to have a material interest in the transactions contemplated under the Equity Transfer Agreement. Therefore, each of Ms. Huang and Mr. Huang Hao Yuan had abstained from voting on the resolutions of the Board approving the Equity Transfer Agreement and the transactions contemplated thereunder. Save as aforementioned, no other Director had any material interest in the Acquisition or was required to abstain from voting on the relevant resolutions at the Board meeting.

## DEFINITIONS

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

“Acquisition”	the acquisition of 100% equity interest in the Target Company by the Purchaser pursuant to the Equity Transfer Agreement
“Board”	the board of Directors
“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 Stock Exchange (Stock Code: 95)
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 21 May 2019 entered into by the Purchaser, the Target Company and the Vendor in relation to the Acquisition
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“Mr. Wong”	Mr. Wong Hong King, a controlling shareholder of the Company
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project”	a commercial development project located in Zhangmutou Town, Dongguan City, Guangdong Province, the PRC, further information on which is set out under “Information of the Target Company and the Project” of this announcement

“Purchaser”	Shenzhen LVGEM Real Estate Development Co., Ltd.* (深圳市綠景房地產開發有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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 the Share(s)
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Dongguan LVGEM Real Estate Development Co., Ltd.* (東莞市綠景房地產開發有限公司), a company established in the PRC with limited liability which is wholly-owned by the Vendor as at the date of this announcement
“Vendor”	Dongguan Lusheng Enterprise Investment Co., Ltd.* (東莞市綠晟實業投資有限公司), a company established in the PRC with limited liability which is ultimately wholly-owned by the family members of Mr. Wong
“%”	per cent

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

Hong Kong, 21 May 2019

*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, Ms. DENG Chengying and Mr. HUANG Hao Yuan; the non-executive director of the Company is Ms. LI Lihong; and the independent non-executive directors of the Company are Mr. WANG Jing, Ms. HU Gin Ing and Mr. MO Fan.*

*\* For identification purposes only*