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Tomson Group

TOMSON GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 258)

CONNECTED TRANSACTION IN RELATION TO A SUPPLEMENTAL FRAMEWORK AGREEMENT AND A GUARANTEE WITH RESPECT TO THE TRANSACTION AGREEMENTS ON A PROPERTY DEVELOPMENT PROJECT IN SHANGHAI

Reference is made to the 25 Jan 2017 Announcement.

Since the Shanghai Municipal People's Government has officially approved the Proposed Zhangjiabang Planning Changes mentioned in the 25 Jan 2017 Announcement, the Board is pleased to announce that Tomson Real Estate, Tomson Golf and SPLH entered into the Supplemental Framework Agreement on 10 January 2020 (during the break after trading hours of the morning session) to vary the terms of the Transaction Agreements. The Company has agreed to guarantee the tax indemnification obligation of Tomson Real Estate under the Supplemental Framework Agreement and undertake not to dispose of the shares of Tomson Real Estate and not to transfer any rights in relation to the Revised Portions.

RELEVANT LISTING RULES REQUIREMENTS

The Company confirms that the Transactions are transactions of revenue nature in the ordinary and usual course of business of the Group and constitute financial assistance to its subsidiaries and therefore the Transactions do not constitute transactions for the Company under Chapter 14 of the Listing Rules.

Nevertheless, as SPLH is a substantial shareholder of a subsidiary of the Company, the Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements.

Madam Hsu Feng, Mr. Albert Tong and Mr. Tong Chi Kar Charles beneficially hold in aggregate 1,224,489,885 Shares (including 181,103,859 Shares and 252,919,265 Shares held via E-Shares Investments Limited and King China Holdings Limited respectively), representing approximately 62.12% of the entire issued shares of the Company as at the date of this announcement. As far as the Board is aware, SPLH and its associates do not hold any Shares as at the date of this announcement and there are no Shareholders who should abstain from voting on the resolutions to be proposed to approve the Transactions. The Company will obtain written approval of the Supplemental Framework Agreement and the Guarantee and the Transactions contemplated thereunder from Madam Hsu Feng, Mr. Albert Tong, Mr. Tong Chi Kar Charles, E-Shares Investments Limited and King China Holdings Limited, being a closely allied group of Independent Shareholders who together beneficially hold more than 50% of the entire issued shares of the Company giving the right to attend and vote at general meetings of the Company, pursuant to Rule 14A.37 of the Listing Rules and an application will be made by the Company to the Stock Exchange for a waiver of the requirement for the Company to hold a Shareholders' meeting on the basis that the Company has obtained the said written approval.

An independent board committee of the Company will be established to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in relation to the Supplemental Framework Agreement and the Guarantee.

It is expected that a circular containing, among other things, further details of the Transactions, together with a letter of advice from the independent board committee of the Company to the Independent Shareholders, a letter of advice from the independent financial adviser to the independent board committee of the Company and Independent Shareholders will be despatched to the Shareholders on or before 4 February 2020, that is within fifteen (15) Business Days after publication of this announcement, in accordance with the Listing Rules.

1. BACKGROUND

Reference is made to the 25 Jan 2017 Announcement.

Since the Shanghai Municipal People's Government has officially approved the Proposed Zhangjiabang Planning Changes mentioned in the 25 Jan 2017 Announcement, the Board is pleased to announce that Tomson Real Estate, Tomson Golf and SPLH entered into the Supplemental Framework Agreement on 10 January 2020 (during the break after trading hours of the morning session) to vary the terms of the Transaction Agreements. The Company has agreed to guarantee the tax indemnification obligation of Tomson Real Estate under the Supplemental Framework Agreement and undertake not to dispose of the shares of Tomson Real Estate and not to transfer any rights in relation to the Revised Portions.

2. SUPPLEMENTAL FRAMEWORK AGREEMENT

(1) **Date:** 10 January 2020

(2) **Parties:** SPLH

Tomson Real Estate (a wholly owned subsidiary of the Company)

Tomson Golf (a wholly owned subsidiary of the Company)

(3) **Principal modifications made to the Transaction Agreements:**

The Supplemental Framework Agreement is to amend and vary the terms of the Transaction Agreements. The principal terms of the former are summarized below:

(i) ***Subject matter***

1. Phase 7 of the Tomson Portion will not be delivered to Tomson Real Estate and will be adjusted to SPLH. Instead, another land lot within the Northern Portion will be adjusted to Tomson Real Estate.
2. Except for Phase 1 of Tomson Portion and the Development Project at the Additional Portion, there will be an adjustment of other Phases forming the Tomson Portion (which are originally located along the boundaries and in the centre of the Northern Portion).
3. Certain land lots (including the Sports Portion) within the Northern Portion have been planned and varied as land for public welfare (公益性用地) and will be resumed by the local government and will be developed by the relevant PRC government authorities and/or any entity authorised by the PRC government authorities. As such, the Sports Portion will not be delivered to Tomson Real Estate. Accordingly, all previous agreements under the Transaction Agreements in relation to the acquisition of the Sports Portion shall be cancelled and the Sports Portion will no longer be a subject matter of the Transaction Agreements.
4. As a result of the changes mentioned in paragraphs 1 to 3 above, in order to fulfil the adjustment to the Tomson Portion and the Development Project at the Additional Portion, the Revised Portions (including the construction works at the Additional Portion) will be adjusted to Tomson Real Estate and are consolidated to become three combined plots within the Northern Portion as shown below:

<u>Plot</u>	<u>Site Area (square meters)</u>
A2-04	122,740.3
A2-02	159,697.8
A2-21	46,249.4
Total	<u>328,687.5</u>

Note: As compared to the aggregate site area of the Tomson Portion and Additional Portion of approximately 328,986.2 square meters, there is a slight decrease in aggregate site area of 298.7 square meters.

SPLH shall assist Tomson Real Estate in obtaining three (3) real estate ownership certificates (不動產權證) for each of the plots of the Revised Portions from the relevant PRC government authorities.

(ii) ***Consideration***

The total consideration payable under the Transaction Agreements remains unchanged at RMB2,951,130,000 and has already been paid pursuant to the Transaction Agreements prior to the signing of the Supplemental Framework Agreement.

(iii) ***Tax Indemnification***

Tomson Real Estate will indemnify SPLH for any additional tax payable with respect to the adjustment of the Phases forming the Tomson Portion.

(iv) ***Land for Public Welfare***

SPLH will provide reasonable assistance to Tomson Real Estate within its authority in relation to the matters listed below concerning the land for public welfare surrounding the Revised Portions:

- (a) subject to the approval/consent from the relevant planning regulatory department(s), SPLH will cooperate with Tomson Real Estate in relation to the construction, management and usage of entrances and exits of roads and other facilities; and
- (b) Tomson Real Estate may provide recommendations on the planning design and construction of the land for public welfare.

(v) ***Construction***

Tomson Real Estate undertakes to commence construction works within one (1) year of obtaining all the real estate ownership certificates (不動產權證) of the Revised Portions, and shall complete all construction works within five (5) years of the latest construction works commencement date.

(vi) ***Undertaking***

Tomson Real Estate undertakes to obtain the Company's undertaking (i) not to directly or indirectly dispose of the shares of Tomson Real Estate; and (ii) not to in any way transfer any of the land use rights or other rights in relation to the Revised Portions.

(vii) ***Conditions***

The Supplemental Framework Agreement is conditional upon, among others, the approval by the Independent Shareholders in compliance with Chapter 14A of the Listing Rules, the approval by the relevant PRC governmental authorities (including PNAPNR and Pudong SASAC) and the Guarantee becoming effective.

3. GUARANTEE

Pursuant to the Supplemental Framework Agreement, the Company executed the Guarantee in favour of SPLH on 10 January 2020 (1) to provide guarantee to SPLH for the due and punctual performance and observance by Tomson Real Estate of the tax indemnification obligation under the Supplemental Framework Agreement; and (2) to undertake (i) not to directly or indirectly dispose of the shares of Tomson Real Estate; and (ii) not to in any way transfer any of the land use rights or other rights in relation to the Revised Portions. The Guarantee is conditional upon the approval by the Independent Shareholders in compliance with Chapter 14A of the Listing Rules.

4. BASIS OF THE CONSIDERATION

The unchanged consideration payable under the Transaction Agreements was arrived at after arm's length negotiations taking into account the location and proximity of the Revised Portions to the original Tomson Portion, potential enhancement to the overall value of the Revised Portions, and prevailing market conditions in Shanghai, the PRC.

The Group has also considered the valuation by Cushman & Wakefield Limited, an independent professional valuer, which indicated a preliminary valuation of the Revised Portions (including the construction works at the Additional Portion) to be not less than RMB2,951,130,000. A valuation report will be included in a circular to be dispatched to the Shareholders.

Therefore, the Board (other than the independent non-executive directors of the Company whose opinion will be provided after reviewing the advice of the independent financial adviser) considers that the unchanged consideration payable under the Transaction Agreements is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. PARTICULARS OF THE GROUP, SPLH AND THE REVISED PORTIONS

The Group

The Company is an investment holding company incorporated in the Cayman Islands whose subsidiaries are principally engaged in property development and investment, hospitality and leisure business, securities trading, PVC operations as well as operation of and investment in media and entertainment business.

Tomson Golf, a wholly owned subsidiary of the Company, is the developer and operator of Tomson Shanghai Pudong Golf Club, an 18-hole golf course in Pudong, Shanghai, the PRC. Tomson Golf and Tomson Real Estate, a wholly owned subsidiary of the Company, are the developers of villas and apartments adjoining Tomson Shanghai Pudong Golf Club.

SPLH

SPLH, being a state-owned enterprise established in Pudong, Shanghai, the PRC, is under the direct supervision of Pudong SASAC. The operation scope of SPLH includes property development and operation, construction of municipal infrastructure, landscaping, investment in rail transport projects, asset management, investment advisory business (other than brokerage), property management, cultivation of agricultural products, floral products and seedlings and sale of edible agricultural products, floral products and

seedlings.

The Revised Portions

The Revised Portions are located at the Northern Portion and are designated as Area A2-04, A2-02 and A2-21 at Zhangjiabang Wedge-shaped Green Area, Pudong, Shanghai, the PRC. The Revised Portions have a total site area of 328,687.5 square meters and are for residential purpose.

6. REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL FRAMEWORK AGREEMENT AND THE GUARANTEE

In view of the approval of the Proposed Zhangjiabang Planning Changes mentioned in the 25 Jan 2017 Announcement, the Sports Portion not being able to be delivered to the Group as contemplated under the Transaction Agreements and the Group's commitment to the subject property development project for close to 20 years, the Supplemental Framework Agreement and the Guarantee represent a practical solution to the changes in regulatory planning, legal and operating environment and complications encountered by the Group and SPLH in their efforts in consummating the transactions contemplated under the Transaction Agreements.

Given that (a) the Revised Portions are more centralized and further away from the high voltage pylons area running along the northern side of the original Tomson Portion; (b) albeit the Sports Portion will not be delivered to Tomson Real Estate, the Revised Portions will still be surrounded by the land for public welfare, whereas the development and future operating and maintenance costs in relation to the land for public welfare will no longer be borne by Tomson Real Estate but by the relevant PRC government authorities; and (c) Tomson Real Estate may enjoy certain rights to participate in the design and development and to use the roads or other facilities on the land for public welfare surrounding the Revised Portions (subject to the approval/consent from the relevant planning regulatory department(s)), the Company is of the view that the changes arising out of the Supplemental Framework Agreement are advantageous to Tomson Real Estate and the Company as a whole.

Given Tomson Real Estate is wholly-owned by the Company, the Company is required to provide the Guarantee in respect of the tax indemnification obligation of Tomson Real Estate under the Supplemental Framework Agreement at the request of SPLH, in view of the financial position of the Company and its status as a listed company in Hong Kong.

The terms of the Supplemental Framework Agreement and the Guarantee were negotiated on an arm's length basis amongst SPLH, Tomson Real Estate, Tomson Golf and the Company. Each of the parties thereto considered the terms of the Supplemental Framework Agreement and the Guarantee to be on normal commercial terms, fair and reasonable.

By entering into the Supplemental Framework Agreement and the Guarantee and once they become unconditional, the Group will be able to proceed with the Transactions and the Board considers that the entering into of the Supplemental Framework Agreement and the Guarantee is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

7. CONNECTED TRANSACTIONS

The Company confirms that the Transactions are transactions of revenue nature in the ordinary and usual course of business of the Group and constitute financial assistance to its subsidiaries and therefore the Transactions do not constitute transactions for the Company under Chapter 14 of the Listing Rules.

Nevertheless, as SPLH is a substantial shareholder of a subsidiary of the Company, the Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements.

As far as the Board is aware, SPLH and its associate do not hold any Shares as at the date of this announcement and there are no Shareholders who should abstain from voting on the resolutions to be proposed to approve the Transactions. The Company will obtain written approval of the Supplemental Framework Agreement and the Guarantee and the Transactions contemplated thereunder from the following Shareholders, being a closely allied group of Independent Shareholders who beneficially hold in aggregate 1,224,489,885 Shares, representing approximately 62.12% of the entire issued shares of the Company as at the date of this announcement, pursuant to Rule 14A.37 of the Listing Rules:

- (a) Madam Hsu Feng, Mr. Albert Tong (who is a son of Madam Hsu Feng) and Mr. Tong Chi Kar Charles (who is a son of Madam Hsu Feng) together hold an aggregate of 790,466,761 Shares, representing 40.10% interest in the entire issued shares of the Company as at the date of this announcement;
- (b) E-Shares Investments Limited, which is wholly owned by Madam Hsu Feng, holds 181,103,859 Shares, representing 9.19% interest in the entire issued shares of the Company as at the date of this announcement; and
- (c) King China Holdings Limited, which is wholly owned by Madam Hsu Feng, holds 252,919,265 Shares, representing 12.83% interest in the entire issued shares of the Company as at the date of this announcement.

An application will be made by the Company to the Stock Exchange for a waiver of the requirement for the Company to hold a Shareholders' meeting on the basis that the Company has obtained the said written approval from the Independent Shareholders who together beneficially hold more than 50% of the entire issued shares of the Company giving the right to attend and vote at general meetings of the Company.

8. GENERAL

The Board (other than the independent non-executive directors of the Company whose opinion will be provided after reviewing the advice of the independent financial adviser) considers that the Supplemental Framework Agreement and the Guarantee and the Transactions contemplated thereunder have been entered into on normal commercial terms, and the terms and conditions therein are fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

An independent board committee of the Company will be established to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in

relation to the Supplemental Framework Agreement and the Guarantee.

It is expected that a circular containing, among other things, further details of the Transactions, together with a letter of advice from the independent board committee of the Company to the Independent Shareholders, a letter of advice from the independent financial adviser to the independent board committee of the Company and Independent Shareholders will be despatched to the Shareholders on or before 4 February 2020, that is within fifteen (15) Business Days after publication of this announcement, in accordance with the Listing Rules.

9. DEFINITIONS

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

“2 nd Supplemental Agreement”	the conditional agreement dated 10 September 2010 entered into amongst SPLH, Tomson Golf and Tomson Real Estate in relation to the acquisition of the land use rights of the Tomson Portion, which has become effective
“25 Jan 2017 Announcement”	the announcement of the Company dated 25 January 2017
“Additional Portion”	the additional residential portion located within the Northern Portion with a site area of approximately 28,286.2 square meters
“Additional Portion Transfer Agreement and Supplemental Agreement”	the conditional agreement dated 9 December 2014 entered into between SPLH and Tomson Real Estate in relation to the acquisition of the rights of the Development Project at the Additional Portion, which has become effective, and the supplemental agreement dated 29 July 2016 entered into amongst SPLH, Tomson Real Estate and Tomson Golf in relation to the Additional Portion
“associates”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Days”	any day on which the Stock Exchange is open for the business of dealing in securities
“Company”	Tomson Group Limited
“Development Project at the Additional Portion”	the residential development project at the Additional Portion, which comprises the land use right of the Additional Portion and the construction works at the Additional Portion
“Framework Agreement”	the conditional agreement dated 28 January 2013 entered into amongst SPLH, Tomson Real Estate and Tomson Golf in relation to (i) the acquisition of the land use rights of the Sports Portion and the rights of the Development Project at

	the Additional Portion; and (ii) the amendment of certain terms of the 2 nd Supplemental Agreement, which has become effective
“Group”	the Company and its subsidiaries
“Guarantee”	the conditional guarantee dated 10 January 2020 executed by the Company in favour of SPLH in relation to (i) the tax indemnification obligation of Tomson Real Estate under the Supplemental Framework Agreement; and (ii) the understanding of forbidding sale of shares of Tomson Real Estate and transfer of any rights in relation to the Revised Portions
“HK\$”	Hong Kong dollars, the official currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders (other than SPLH and its associates)
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Northern Portion”	the portion with a site area of not less than 750,000 square meters located within Area B-2 and Area B-13-4 at Jinqiao-Zhangjiang, Pudong, Shanghai, the PRC and on the north of a stream, namely Zhangjiabang
“Phase” or “Phases”	the phases within the Tomson Portion earmarked for phased development
“Phase 1”	the portion located within the Tomson Portion with a site area of approximately 28,919 square meters
“Phase 7”	the portion located within the Tomson Portion with a site area of approximately 53,249.7 square meters
“PNAPNR”	The Pudong New Area Planning and Natural Resources Authority (浦東新區規劃和自然資源局) of Shanghai, the PRC
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan
“Proposed Zhangjiabang Planning Changes”	the proposed adjustment and change to the development plan of Zhangjiabang Wedge-shaped Green Area in Pudong, Shanghai, the PRC, which covers the Tomson Portion, the Additional Portion and the Sports Portion, as detailed in the Partial Adjustment of Zhangjiabang Wedge-shaped Green Space Development Plan (Units Y001301 and Z001501)

(《上海市浦東新區張家浜楔形綠地 (Y001301、Z001501 單元) 控制性詳細規劃局部調整》) published by the Pudong New Area Planning and Land Authority (浦東新區規劃和土地管理局) of Shanghai, the PRC on 11 January 2017

“Pudong SASAC”	the Pudong New Area State-owned Assets Supervision and Administration Commission (浦東新區國有資產監督管理委員會) of Shanghai, the PRC
“Revised Portions”	the portion with a site area of approximately 328,687.5 square meters located within the Northern Portion for residential purpose
“RMB”	Renminbi, the official currency of the PRC
“Share(s)”	share(s) of HK\$0.50 each in the issued share capital of the Company
“Shareholders”	shareholders of the Company
“SPLH”	Shanghai Pudong Land Holding (Group) Co. Ltd. (上海浦東土地控股(集團)有限公司), a state-owned enterprise established in the PRC
“Sports Portion”	the sports portion located within the Northern Portion with a site area of approximately 422,174.6 square meters
“Sports Portion Transfer Agreement”	the conditional agreement dated 12 August 2013 entered into between SPLH and Tomson Real Estate in relation to the acquisition of the land use rights of the Sports Portion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the same meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Supplemental Framework Agreement”	the conditional agreement dated 10 January 2020 entered into amongst SPLH, Tomson Real Estate and Tomson Golf in relation to the amendment of certain terms of the Transaction Agreements
“Tomson Golf”	Tomson Golf (Shanghai) Limited, a wholly owned subsidiary of the Company established in the PRC
“Tomson Portion”	the portion with a site area of approximately 300,700 square meters located within the Northern Portion for residential purpose
“Tomson Real Estate”	Shanghai Tomson Real Estate Investment & Development

Co., Ltd., a wholly owned subsidiary of the Company established in the PRC

“Transactions”

the transactions, including but not limited to the adjustment of the Revised Portions to Tomson Real Estate according to the revisions made to the Transaction Agreements, as contemplated under the Supplemental Framework Agreement and the Guarantee

“Transaction Agreements”

the agreements entered into between SPLH, Tomson Golf and Tomson Real Estate in 2001 in relation to the acquisition of an interest in Area B-2 and Area B-13-4 at Jinqiao-Zhangjiang, Pudong, Shanghai, the PRC and the preparatory works for the development, the 2nd Supplemental Agreement, the Framework Agreement, the Sports Portion Transfer Agreement, and the Additional Portion Transfer Agreement and Supplemental Agreement

“%”

per cent

For and on behalf of the Board of
TOMSON GROUP LIMITED
Hsu Feng
Chairman and Managing Director

Hong Kong, 10 January 2020

As at the date of this announcement, the Board comprises four executive directors, Madam Hsu Feng (Chairman and Managing Director), Mr. Albert Tong (Vice-Chairman), Mr. Tong Chi Kar Charles (Vice-Chairman) and Mr. Yeung Kam Hoi, and three independent non-executive directors, Mr. Cheung Siu Ping, Oscar, Mr. Lee Chan Fai and Mr. Sean S J Wang.