珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

珠光控股集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1176)

VERY SUBSTANTIAL TRANSACTION: DISPOSAL OF 100% EQUITY INTEREST IN, AND LOAN DUE TO, A SUBSIDIARY

THE DISPOSAL

The Board is pleased to announce that on 22 April 2020, after trading hours, the Vendor, a wholly-owned subsidiary of the Company, the Company, Skyleap, the Target Company and the Purchaser entered into the Co-Development Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Equity Interest at the consideration of RMB1,500 million (equivalent to approximately HK$1,665 million) and the Sale Loan (which amounted to approximately RMB1,818 million (equivalent to approximately HK$2,018 million) as at 31 December 2019) at the face value of the Sale Loan at Completion, upon and subject to the terms and conditions of the Co-Development Agreement. In addition, pursuant to the Co-Development Agreement, the Purchaser shall assume the Outstanding Development Costs in favour of the Company at Completion.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under the Listing Rules and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, details of the Disposal and information required to be disclosed under the Listing Rules will be despatched to the Shareholders on or before 30 June 2020 as more time is required for the Company to prepare the circular.

* *For identification purpose only*

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Set out below are the major terms of the Co-Development Agreement:

THE CO-DEVELOPMENT AGREEMENT

Date

22 April 2020

Parties

(a)	Vendor:	United Talent Investments Limited, a wholly-owned subsidiary of the Company
(b)	Target Company:	Guangzhou Yuhong Investment Company Limited* (廣州御宏投資有限公司), a non-wholly-owned subsidiary of the Company
(c)	the Company:	Zhuguang Holdings Group Company Limited, a company incorporated in Bermuda with limited liability
(d)	Skyleap:	Skyleap Investments Limited, a wholly-owned subsidiary of the Company;
(e)	the Purchaser:	Guangzhou Bohao Corporate Management Partnership (Limited Liability Partnership)* (廣州博浩企業管理合伙企業(有限合伙))

The Purchaser is a partnership established in the PRC with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is principally engaged in corporate management advisory services, corporate management services, investment advisory services, corporate-owned funds investments and project investments and the Purchaser and its ultimate beneficial owners are Independent Third Parties.

* *For identification purpose only*

Assets to be disposed of

Pursuant to the Co-Development Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Equity Interest and the Sale Loan.

Sale Equity Interest

As at the date of this announcement, the Sale Equity Interest (none of which has been paid up as at the date of this announcement) represents the entire equity interest of the Target Company, which is held as to 90% by the Vendor and 10% ("**RC Sale Equity Interest**") by Guangzhou Rongcheng, while the profit of the Target Company is shared as to 73.8% by the Vendor, 18% by Dongjin Company ("**DJ Profit Sharing Right**") and 8.2% by Guangzhou Rongcheng.

As a Condition Precedent, the Vendor shall complete the acquisition ("**RC Sale Equity Interest Acquisition**") of the RC Sale Equity Interest from Guangzhou Rongcheng on or before the Long Stop Date to allow the Vendor to sell the entire Sale Equity Interest, representing 100% equity interest in the Target Company and 82% profit sharing right of the Target Company, to the Purchaser. The Company currently proposes to enter into a legally binding agreement with Guangzhou Rongcheng in relation to the RC Sale Equity Interest Acquisition after the execution of the Co-Development Agreement, and in any event, before the dispatch of the circular in relation to the Disposal. The Vendor transferred 10% equity interest in the Target Company (i.e. the RC Sale Equity Interest) to Guangzhou Rongcheng at nil consideration in January 2019. In January 2019, Guangzhou Rongcheng advanced to the Target Company a shareholder's loan of RMB600 million which bears interest at 10% per annum. The Vendor and Guangzhou Rongcheng will enter into an agreement pursuant to which the RC Sale Equity Interest will be transferred to the Vendor at nil consideration upon full repayment of the above shareholder's loan. The RC Sale Equity Interest Acquisition, if materialises, may constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules, and the Company will make announcement(s) in accordance with the requirements under the Listing Rules.

Pursuant to the second supplemental agreement to the 2014 Cooperation Agreement and the third supplemental agreement to the 2014 Cooperation Agreement as set out in the paragraph headed "Major agreements entered into in relation to the Project" below, Dongjin Company shall transfer the DJ Profit Sharing Right to the Company upon receipt of the DJ Service Fee by Dongjin Company and Science City (at the order of Dongjin Company) from the Project Company. As at the date of this announcement, the DJ Service Fee has not been fully settled by the Project Company. Under the terms of the Co-Development Agreement, the Purchaser shall provide funding for the settlement of the remaining balance of the DJ Service Fee, which constitutes part of the Outstanding Development Costs, for and on behalf of the Project Company to Dongjin Company and Science City. Immediately after the completion of the RC Sale Equity Interest Acquisition and subject to the completion of the transfer of the DJ Profit Sharing Right from Dongjin Company to the Company, 100% of both the equity interest and the profit sharing right in the Target Company can be transferred to the Purchaser at Completion.

Sale Loan

The Sale Loan represents all such sum of money advanced by way of loan by the Vendor and/or the subsidiaries of the Company to the Target Company, the Project Company and Yuxiang Investment, and due and owing by the Target Company, the Project Company and Yuxiang Investment to the Vendor and/or the subsidiaries of the Company at Completion, which constitutes part of the development costs of the Project incurred that have been funded by the Company or the Group via the Target Company at Completion. As at 31 December 2019, the Sale Loan amounted to approximately RMB1,818 million (equivalent to approximately HK$2,018 million).

Consideration

Cash consideration

The consideration for the Sale Equity Interest is RMB1,500 million (equivalent to approximately HK$1,665 million) and the consideration for the Sale Loan shall be at the face value of the Sale Loan at Completion. The Total Consideration shall be settled in the following manner:

(a) within 5 working days from the date of the Co-Development Agreement, the Purchaser shall pay to the Vendor or any party as designated by the Vendor RMB1,405 million (equivalent to approximately HK$1,560 million) in tranches as deposit ("**Deposit**"); and

(b) at Completion, the Purchaser shall pay to the Vendor or any party as designated by the Vendor the remaining balance of the Total Consideration.

Assumption of liabilities by the Purchaser

In addition, pursuant to the Co-Development Agreement, the Purchaser shall assume the Outstanding Development Costs in favour of the Company at Completion.

Pursuant to the agreements in relation to the Project as set out in the paragraph headed "Major agreements entered into in relation to the Project" below, the Company shall be responsible for funding all the expenditure of the Project (i.e. it shall be responsible for funding all the development costs of the Project). Given that the consideration for the Sale Equity Interest was determined by reference to the Business Valuation (as defined below) on the basis that the total development costs of the Project ("**Total Development Costs**") would be assumed by the Project Company which will be owned by the Purchaser through the Target Company and the Project Company after Completion, it is agreed in the Co-Development Agreement that the Outstanding Development Costs (which are originally borne by the Company for funding and which constitute the development costs of the Project to be assumed by the Project Company as referred to in the Business Valuation), shall be assumed by the Purchaser at Completion, to the effect that after Completion, the Purchaser shall provide funding for the Outstanding Development Costs and the Company will not need to provide funding for the Outstanding Development Costs.

The relevant agreements in relation to the Project do not set out the exact amount of the development costs of the Project as the Company shall provide funding to cover all the development costs of the Project. The Company currently estimates that the Total Development Costs will be approximately RMB19,013 million (equivalent to approximately HK$21,108 million). As at 31 December 2019, the Project Company already incurred and paid development costs of approximately RMB3,471 million (equivalent to approximately HK$3,853 million) and approximately RMB43 million (equivalent to approximately HK$47 million) for the Reconstruction Area and the Attributable Financing Area, respectively, which were partially funded by the Company or the Group via the Target Company (as such borrowed amounts being reflected in the Sale Loan). Out of the total development costs of RMB3,514 million (equivalent to approximately HK$3,901 million) incurred and paid by the Project Company up to 31 December 2019, approximately RMB1,979 million (equivalent to approximately HK$2,197 million) and approximately RMB1,535 million (equivalent to approximately HK$1,704 million) were funded by the Group and the Project Company respectively.

Set out below are the details of the Outstanding Development Costs as at 31 December 2019:

Area	**Estimated Total Development Costs**	**Development Costs incurred and paid up to 31 December 2019**	**Outstanding Development Costs as at 31 December 2019**
Reconstruction Area	RMB11,461 million (equivalent to approximately HK$12,724 million)	RMB3,471 million (equivalent to approximately HK$3,853 million)	RMB7,990 million (equivalent to approximately HK$8,871 million)
Attributable Financing Area	RMB5,895 million (equivalent to approximately HK$6,545 million)	RMB43 million (equivalent to approximately HK$48 million)	RMB5,852 million (equivalent to approximately HK$6,497 million)
Non-Attributable Financing Area	RMB1,657 million (equivalent to approximately HK$1,839 million)	—	RMB1,657 million (equivalent to approximately HK$1,839 million)
Total:	**RMB19,013 million (equivalent to approximately HK$21,108 million)**	**RMB3,514 million (equivalent to approximately HK$3,901 million)**	**RMB15,499 million (equivalent to approximately HK$17,207 million)**

Basis of the Consideration

The consideration for the Sale Loan was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the face value of the Sale Loan at Completion, while the consideration for the Sale Equity Interest was determined after arm's length negotiations between the Vendor and the Purchaser with reference to:

(i) the preliminary valuation of the Attributable Financing Area (i.e. such area of the Land which the Purchaser will be entitled through the Target Company and the Project Company after Completion) of RMB14,700 million (equivalent to approximately HK$16,320 million) as at 29 February 2020 conducted by an independent professional valuer ("**Land Valuation**") using the comparison method;

(ii) the preliminary valuation of the Target Company of RMB1,479 million (equivalent to approximately HK$1,642 million) (on the assumptions that (a) the Project Company is set up solely for accomplishment of the Project and the result from the Land Valuation reflects the market value of the Project Company; and (b) 100% equity interest of the Project Company is owned by the Target Company, and on the basis that the Project Company shall bear all the development costs of the Project, having taken into account the Land Valuation and the unaudited net liabilities of the Target Company as at 29 February 2020) conducted by an independent professional valuer ("**Business Valuation**") using the asset approach; and

(iii) the unaudited net liabilities of the Target Company of approximately RMB103 million (equivalent to approximately HK$114 million) as at 29 February 2020.

The Business Valuation of RMB1,479 million (equivalent to approximately HK$1,642 million) mentioned above is arrived at as follows:

	RMB (million)
Land Valuation *(Note)*	14,700
Less: Estimated development costs of the Non-Attributable Financing Area	(1,657)
Estimated development costs of the Reconstruction Area	(11,461)
Net liabilities of the Target Company as at 29 February 2020	(103)
Business Valuation	**1,479**

Note: The Land Valuation has taken into account the development costs of the Attributable Financing Area and thus such development costs are not deducted in the Business Valuation to avoid double deduction.

Conditions Precedent

Completion shall be conditional upon the following:

(a) the completion of the RC Sale Equity Interest Acquisition;

(b) the Vendor and the Company having procured the parties to the Development Agreements to enter into a supplemental agreement to the effect that (i) the Target Company shall be the party designated by the Company and Dongjin Company in the Development Agreements; (ii) where the conditions to transfer (i.e. the completion of preliminary registration of properties developed under the Reconstruction Area) is fulfilled, the equity interest in the Project Company shall be transferred to the Target Company in tranches;

(c) the parties to the Co-Development Agreement shall enter into an agreement to the effect that the Target Company will appoint the Company to sign all the relocation and compensation agreements in relation to the Project on its behalf, and all the rights and obligations of the Company under such agreement shall belong to and be taken up by the Target Company;

(d) the procedures and activities undertaken under the Project by the Vendor Group and the Project Company not being in breach of any applicable laws, regulations and policies;

(e) all the approval, consent, registration in relation to the Project having been obtained and having remained in full force and effect and there being no material impediments or material adverse change to the performance of the Co-Development Agreement and transactions contemplated under by the parties thereto;

(f) the arrangement for the Project undertaken by the Vendor Group and the Company remaining valid and there being no circumstance leading to impediments or material adverse impact;

(g) the Vendor Group having obtained all necessary acknowledgement, consents and approvals in relation to the Co-Development Agreement and the transactions contemplated thereunder, and such acknowledgement, consents and approvals having remained in full force and effect as at the date of Completion;

(h) the information, representations and undertakings given by the Purchaser being accurate, true and complete; and

(i) the information, representations and undertakings given by the Vendor Group being accurate, true and complete.

Except for condition (h) which can be waived by the Vendor Group and condition (i) which can be waived by the Purchaser, none of the above conditions set out above can be waived. If any of the conditions set out above is not fulfilled by the Long Stop Date, the Co-Development Agreement shall automatically lapse, and save that (1) the Vendor Group shall refund the Deposit (without interest) to the Purchaser; and (2) the parties shall be liable for any antecedent breach, no party to the Co-Development Agreement shall have any obligations towards the other parties to the Co-Development Agreement.

Other major obligations of the parties under the Co-Development Agreement

Pursuant to the Co-Development Agreement,

(a) the Purchaser shall (i) bear all the construction costs (and related taxes) of the Reconstruction Area and the Financing Area; and (ii) be responsible for the construction of the Financing Area; and

(b) the Vendor Group shall be responsible for the construction of the Reconstruction Area, provided that the funding for the cost of construction of the Reconstruction Area and the Financing Area shall be provided by the Purchaser.

Although the Vendor Group is responsible for the construction of the Reconstruction Area, the construction of the Reconstruction Area will be undertaken by the contractors engaged by the Project Company and the funding for the construction of the Reconstruction Area will be provided by the Purchaser. In addition, the responsibilities of the Vendor Group in relation to the construction of the Reconstruction Area under the Co-Development Agreement are mainly co-ordination and supervision work, namely, (i) selecting and supervising the construction contractors engaged by the Project Company to carry out the construction work of the Reconstruction Area; (ii) assisting the Project Company in organising and carrying out the allocation, title confirmation, inspection and delivery of properties developed under the Reconstruction Area; (iii) co-ordinating with Huocun Econ Organisation, Dongjin Company and the government authorities involved to ensure smooth construction of the Project. In addition, it is also agreed in the Co-Development Agreement that the Vendor Group shall complete the remaining demolition work on the Land, which is in progress as at the date of the Co-Development Agreement. Given that the completion of the demolition work on the Land will affect the progress of the development of the Project, it is considered to be in the interests of the parties to the Co-Development Agreement that the Vendor Group shall complete such work to ensure smooth and efficient completion.

Taking into account that pursuant to the 2018 Agreement For Setup Of Project Company as set out in the paragraph headed "Major agreements entered into in relation to the Project" below, the Project Company will be transferred to Dongjin Company, the Company or company(ies) owned by them at nil consideration when the land under the Project meets the condition for the transfer of equity interest in the Project Company (i.e. the completion of preliminary registration of properties developed under the Reconstruction Area), the completion of the construction of the Reconstruction Area is critical to the interest of the Purchaser (through the Project Company) after Completion, and thus the Purchaser requires the Vendor Group to be responsible for the construction of the Reconstruction Area to the effect that the Vendor Group shall ensure smooth completion of the construction of the Reconstruction Area, which is a condition to the completion of the preliminary registration of properties developed under the Reconstruction Area (i.e. a condition to the transfer of the equity interest in the Project Company, which will affect the interest of the Purchaser after Completion), the Directors consider that it is fair and reasonable for the Vendor Group to be responsible for the construction of the Reconstruction Area provided that the funding for the costs of construction of the Reconstruction Area shall be provided by the Purchaser.

Termination of the Co-Development Agreement

Pursuant to the Co-Development Agreement, the party not in default may elect to terminate the Co-Development Agreement if:

(a) the other party to the Co-Development Agreement fails to comply with the terms of the Co-Development Agreement; and

(b) any information or representation made by the other party to the Co-Development Agreement being inaccurate, false or incomplete.

If the party in default to the Co-Development Agreement fails to rectify the non-compliance with the terms of the Co-Development Agreement within 15 days ("**Grace Period**") from the date on which the non-defaulting party to the Co-Development Agreement issues a notice in relation to the non-compliance to the party in default, the non-defaulting may (i) demand the party in default to pay default interest at the rate of 0.05% per day on the amount payable by such party (i.e. being the amount of the Deposit or the balance of the Total Consideration payable to the Vendor) with effect from the expiry of the Grace Period; and (ii) elect to terminate the Co-Development Agreement 45 days after the expiry of the Grace Period. In the event that the party in default is the Vendor, after the expiry of the Grace Period, the Purchaser may also demand the Vendor to pay interest of 18% per annum on the Deposit amount with effect from the payment date of the Deposit. It is further provided in the Co-Development Agreement that if any party elects to terminate the Co-Development, the Sale Equity Interest shall then be returned to the Vendor Group at the consideration of RMB1,500 million and the Sale Loan shall be returned to the Vendor Group at the then face value of the Sale Loan.

As the consideration for the Sale Equity Interest was determined (i) on the basis that after Completion, the Project Company will be owned by the Target Company and the Purchaser would, through the Target Company and the Project Company, be entitled to the Attributable Financing Area after the completion of preliminary registration of properties developed under the Reconstruction Area; and (ii) by reference to the value of the Project Company as mentioned in the paragraph headed "Basis of Consideration" above, it is a term of the Co-Development Agreement that the Vendor Group shall ensure that the Project Company shall be transferred to the Target Company after Completion and within six months after completion of the preliminary registration of all the properties developed under the Reconstruction Area required to be delivered to the original residents of the Land and Huocun Econ Organisation, and if the Project Company is not transferred to the Target Company pursuant to the Co-Development Agreement as mentioned above, the Purchaser may exercise its rights against the Vendor Group in accordance with the provision above.

Completion

Completion shall take place within six months after all the Conditions Precedent have been fulfilled or waived. After all the Conditions Precedent have been fulfilled or waived, the Vendor and the Purchaser shall commence the transfer of the Sale Equity Interest and complete the change in industrial and commercial registration in respect of such transfer, including signing all necessary documents required by the change in industrial and commercial registration in respect of such transfer.

Immediately after Completion, the Company will cease to have any interest in the Target Company.

INFORMATION ABOUT THE TARGET COMPANY AND THE PROJECT

Target Company

The Target Company is a co-operative joint venture established in the PRC and is principally engaged in the provision of business services (商務服務業). As at the date of this announcement, the equity interest in the Target Company is owned as to 90% by the Vendor and 10% by Guangzhou Rongcheng, while the profit sharing right in the Target Company is owned as to 73.8% by the Vendor, 18% by Dongjin Company and 8.2% by Guangzhou Rongcheng. Subject to the completion of the RC Sale Equity Interest Acquisition and the transfer of the DJ Profit Sharing Right from Dongjin Company to the Company as mentioned in the paragraph headed "Assets to be disposed of" above, 100% of the equity interest and the profit sharing right in the Target Company can be transferred to the Purchaser at Completion.

As at the date of this announcement, the registered capital of the Target Company is RMB20 million which shall be paid up as to RMB18 million by the Vendor and RMB2 million by Guangzhou Rongcheng by 15 August 2023 and none of such registered capital has yet been paid up.

Project Company

As at the date of this announcement, the Project Company is wholly owned by Yuxiang Investment, which is owned by 15 Economic Organisations, the reorganisation of which was conducted by Huocun Econ Organisation. As at the date of this announcement, the Target Company does not hold any equity interest in the Project Company. However, pursuant to the agreements entered into between Huocun Econ Organisation and the Company set out in the paragraph "Major agreements entered into in relation to the Project" below and the supplemental agreement to be entered into between the parties involved as referred to in condition (2) under the paragraph headed "Conditions Precedent" above, it is agreed that subject to the completion of the preliminary registration of the properties developed under the Reconstruction Area, the equity interest in the Project Company shall be transferred to the Target Company in tranches. It is also a term of the Co-Development Agreement that the Project Company shall be wholly owned by the Target Company after Completion and within six months after completion of the preliminary registration of all the properties developed under the Reconstruction Area required to be delivered to the original residents of the Land and Huocun Econ Organisation.

Major agreements entered into in relation to the Project

In January 2011, Huocun Econ Organisation and the parent company of Dongjin Company entered into a cooperation agreement ("**2011 Cooperation Agreement**") pursuant to which they agreed to cooperate to undertake the Project, to the extent that Huocun Econ Organisation will provide the land for development while the parent company of Dongjin Company will provide the funding of the Project.

In September 2014, Dongjin Company and Huocun Econ Organisation entered into a supplemental agreement to the 2011 Cooperation Agreement, pursuant to which, among others, (1)_Dongjin Company would take up the rights and obligations of its parent company under the 2011 Cooperation Agreement; (2) Dongjin Company shall be responsible for bringing about a strategic partner of the Project, who shall be responsible for the funding of the Project; (3) Huocun Econ Organisation shall provide the land for the development of the Project at the agreed price; and (4) Huocun Econ Organisation shall obtain consent of more than 90% of the original residents on the land of the Project for the re-development of the land and procure them to enter into related compensation agreements.

In September 2014, Dongjin Company and the Company entered into a framework agreement ("**2014 Framework Agreement**"), pursuant to which, (1) the Company and Dongjin Company shall set up a joint venture, while the profit of the joint venture is expected to be shared as to 82% by the Company and 18% by Dongjin Company; and (2) Dongjin Company will elect not to contribute its portion of the equity in the joint venture and the Company will be responsible to provide the funding for the operation of the joint venture.

With reference to the 2014 Framework Agreement, in November 2014, Dongjin Company and the Company entered into a project renewal co-operation agreement ("**2014 Cooperation Agreement**") pursuant to which, among others, (1) the Company and Dongjin Company shall set up a company (which subsequently turned out to be the Target Company), and the Company shall contribute all the registered capital of such company while such company shall be owned as to 18% by Dongjin Company and 82% by the Company; and (2) Dongjin Company shall be entitled to pre-redevelopment fees and service fees of RMB120 million and 18% of the net profit of the Project; and (3) Dongjin Company shall provide services in relation to the Project, including obtaining approval on the urban renewal proposal and land use right of the Financing Area and provision of demolition and relocation management and coordination.

In September 2015, Dongjin Company, the Company and Huocun Econ Organisation entered into an agreement dated 14 September 2015, pursuant to which the parties thereto agreed that, among other things, the Company will be the sole strategic partner of Dongjin Company in relation to the Project and the Company shall be responsible for funding all the expenditure of the Project.

In April 2018, Dongjin Company, the Company and Huocun Econ Organisation entered into the Project Company co-operation agreement ("**2018 Agreement For Setup Of Project Company**") dated 18 April 2018, pursuant to which it was agreed, among other things, that (1) 15 Economic Organisations would set up Yuxiang Investment, which will be the 100% holding company of the Project Company, and Yuxiang Investment will in turn set up the Project Company to hold the Financing Area and the Company shall be responsible for funding in respect of all the operating costs of the Project Company; (2) the Financing Area will be transferred to the Project Company, while the Company shall be responsible for funding the transfer costs to be incurred by the Project Company; (3) the Project Company may raise funds by pledging the Financing Area for funding the development costs of the Reconstruction Area and the Financing Area; (4) when the land under the Project meets the condition for the transfer of equity interest in the Project Company (i.e. the completion of preliminary registration of properties developed under the Reconstruction Area), Huocun Econ Organisation shall arrange for the equity interest in the Project Company to be transferred to Dongjin Company, the Company or company(ies) owned by them at nil consideration; and (5) if Dongjin Company and the Company finally cannot obtain the equity interest in the Project Company, Huocun Econ Organisation shall arrange for the Company to be compensated for the capital injected and the related capital utilisation fee ("**Capital Utilisation Fee**") (at the rate of 24% per annum). As a result, pursuant to this agreement, after completion of the development of the Project, the Group, through the Project Company, will be entitled to the Financing Area (other than those areas required to be transferred to the original residents of the Land, Huocun Econ Organisation and Dongjin Company). As a result of this agreement, if the Company fails to finally obtain the equity interest in the Project Company through the Target Company, Huocun Econ Organisation shall arrange for the Company to be compensated for the capital injected into the Project and the Capital Utilisation Fee in accordance with the 2018 Agreement For Setup Of Project Company.

In August 2018, Dongjin Company and the Company entered into the supplemental agreement to the 2014 Cooperation Agreement ("**First Supplemental Cooperation Agreement**"), pursuant to which, among others, (i) Dongjin Company and the Vendor (a subsidiary of the Company) shall set up the Target Company, which shall subsequently obtain 100% equity interest in the Project Company and interest in the Financing Area; and (ii) 60,000 sq.m. of properties under the Project will be transferred to Dongjin Company at a reasonable cost for Dongjin Company to realise its interest in the Target Company.

In December 2018 and November 2019, Dongjin Company, the Company, the Target Company, the Project Company and Science City entered into the second supplemental agreement to the 2014 Cooperation Agreement and the third supplemental agreement to the 2014 Cooperation Agreement respectively, pursuant to which, among others, Dongjin Company shall transfer the DJ Profit Sharing Right to the Company upon receipt of the DJ Service Fee by Dongjin Company and Science City (at the order of Dongjin Company) from the Project Company.

After Completion, the only outstanding obligation of the Company under the Development Agreements (which include the agreements set out above in this paragraph headed "Major agreements entered into in relation to the Project") shall be the obligation to provide funding for all the operating costs of the Project Company (i.e. the Outstanding Development Costs). Given that the Purchaser has undertaken with the Company under the Co-Development Agreement that it shall assume the Outstanding Development Costs in favour of the Company at Completion, the Purchaser will perform the Company's outstanding obligation under the Development Agreements for the Company after Completion. Pursuant to the Co-Development Agreement, if the Purchaser fails to perform this obligation after Completion, the Vendor shall be entitled to request the Purchaser to return the Sale Equity Interest at the consideration of RMB1,500 million and the Sale Loan at the then face value of the Sale Loan and indemnify the Vendor Group for all damages. In addition, pursuant to the Co-Development Agreement, the Purchaser shall procure the properties developed on the Financing Area of 38,179 sq.m. to be transferred to the Group at nil consideration after completion of the development of the Project.

The Project

The Project is an urban renewal project of the Land. As at the date of this announcement, the Project is undertaken in the name of the Project Company. The Project is divided into two areas, namely, the Reconstruction Area and the Financing Area.

It is intended that the demolition work on the Land will be completed by December 2020, while certain development has actually already commenced but will not be completed until 2023 as envisaged according to the following indicative timetables:

Reconstruction Area — development timetable

	Reconstruction Area phase 1A	Reconstruction Area phase 1B	Reconstruction Area phase 2	Reconstruction Area phase 3	Reconstruction Area phase 4	Reconstruction Area phase 5
Commencement of construction	commenced	commenced	March 2020	May 2020	March 2020	commenced
Roof-sealing	July 2020	February 2021	June 2021	October 2020	August 2021	December 2020
Completion of construction	October 2021	June 2022	September 2022	June 2021	November 2022	January 2022
Filing for completion	April 2022	October 2022	December 2022	September 2021	February 2023	April 2022
Delivery	May 2022	November 2022	January 2023	October 2021	April 2023	May 2022
Certificate of title obtained	September 2022	April 2023	May 2023	January 2022	July 2023	September 2022

The Reconstruction Area will be developed in five phases. As the development in the Reconstruction Area covers solely the construction of the residential properties, common facilities, commercial properties and offices which will be transferred to the original residents of the Land and Huocun Econ Organisation as compensation at nil consideration, no revenue is expected to be generated from the delivery of the Reconstruction Area.

Financing Area — development timetable

	Financing Area phase 1	Financing Area phase 2	Financing Area phase 3	Financing Area phase 4	Financing Area phase 5	Financing Area phase 6
Commencement of construction	commenced	March 2020	May 2020	May 2020	May 2020	May 2020
Commencement of pre-sale	June 2020	November 2020	January 2021	January 2021	January 2021	January 2021
Roof-sealing	September 2020	January 2021	May 2021	May 2021	May 2021	May 2021
Completion of construction	June 2022	June 2022	August 2022	August 2022	August 2022	August 2022
Filing for completion	September 2022	September 2022	October 2022	October 2022	October 2022	October 2022
Delivery	October 2022	October 2022	November 2022	November 2022	November 2022	November 2022
Certificate of title obtained	February 2023	February 2023	April 2023	April 2023	April 2023	April 2023

The Financing Area will be developed in six phases. The development in the Financing Area covers the construction of the residential properties, commercial properties and offices, Educational Institutions, Public Service Area, public facilities and properties for old village relocation.

The properties developed on the Reconstruction Area will be transferred to the original residents of the Land and Huocun Econ Organisation while the properties developed on the Financing Area will be held by the Project Company, retained by the Group or transferred to the original residents of the Land and Huocun Econ Organisation and Dongjin Company as set out below:

		Financing Area			
		Attributable Financing Area	**Non-Attributable Financing Area**		
	Reconstruction Area	**The Project Company**	**The Group**	**Original residents of the Land**	**Dongjin Company**
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
Residential properties	764,300	760,420	23,579	75,528	5,000
Common facilities	84,020	—	—	—	—
Commercial properties and offices	26,400	—	12,006	28,837	55,000
Educational Institutions	—	41,804	—	—	—
Public Service Area	—	20,000	—	—	—
Public facilities	—	21,971	2,594	8,300	600
Old village relocation	—	—	—	25,917	—
Total	874,720	844,195	38,179	138,582	60,600

Notes:

1. *Pursuant to the respective compensation agreements ("**Compensation Agreements**") entered into between, among other parties, each of the original residents of the Land and the Company, these properties will be transferred to the original residents of the Land as compensation at nil consideration. Certain properties such as public service area and public facilities will be transferred to Huocun Econ Organisation.*

2. *These properties will belong to the Project Company. Before entering into in the Co-Development Agreement, the Project Company will be transferred to the Target Company (which is a subsidiary of the Company) after completion of development of the Project (including the completion of the preliminary registration of the properties developed under the Reconstruction Area). Pursuant to the Co-Development Agreement, the Purchaser will, through the Target Company, wholly own the Project Company, after Completion. Therefore, after Completion, the Purchaser will be entitled to these properties through its 100% indirect interest in the Project Company after completion of development of the Project (including the completion of the preliminary registration of the properties developed under the Reconstruction Area).*

3. *These properties have been reserved internally for the Group. The Group may either hold such properties for investment properties held for long-term investment purpose or sold to the Group's customers who may be interested in such properties, and the Group may generate revenue from such properties accordingly. It is agreed by the parties to the Co-Development Agreement that (i) these properties will be retained by the Group for delivery after completion of the development of the Project (including the completion of the preliminary registration of the properties developed under the Reconstruction Area); and (ii) the Purchaser shall procure the Project Company to transfer such properties to the Group at nil consideration.*

4. *Given that the original residents of the Land are entitled to be compensated an aggregate of 1,013,302 sq.m. of properties upon completion of the Project under the Compensation Agreements while only 874,720 sq.m. of properties would be developed in the Reconstruction Area, pursuant to the Compensation Agreements, the properties of 138,582 sq.m. of the Non-Attributable Financing Area will be transferred to the original residents of the Land as compensation at nil consideration to make up the shortfall and some of such properties such as public facilities will be transferred to Huocun Econ Organisation.*

5. *Pursuant to the First Supplemental Cooperation Agreement and the property sales agreement entered into between Dongjin Company, the Company and the Project Company on 24 December 2018, properties of 60,000 sq.m. (excluding public facilities) of the Non-Attributable Financing Area will be sold to Science City (the holding company of Dongjin Company) at the agreed cost of RMB12,000 per sq.m..*

Set out below is certain unaudited financial information of the Target Company for the two years ended 31 December 2019 and for the period from 1 January 2020 to 29 February 2020:

	For the period ended 29 February 2020 *approximately RMB'000 (unaudited)*	**Year ended 31 December 2019** *approximately RMB'000 (unaudited)*	**Year ended 31 December 2018** *approximately RMB'000 (unaudited)*
Net loss before taxation	9,851 (equivalent to approximately HK$10,937,000)	94,418 (equivalent to approximately HK$104,823,000)	11,225 (equivalent to approximately HK$12,462,000)
Net loss after taxation	9,851 (equivalent to approximately HK$10,937,000)	84,312 (equivalent to approximately HK$93,603,000)	8,420 (equivalent to approximately HK$9,348,000)

As at 29 February 2020, (i) the unaudited total assets of the Target Company amounted to approximately RMB3,137 million (equivalent to approximately HK$3,483 million); (ii) the unaudited total liabilities of the Target Company (including the Sale Loan) amounted to approximately RMB3,240 million (equivalent to approximately HK$3,597 million); and (iii) the unaudited net liabilities of the Target Company amounted to approximately RMB103 million (equivalent to approximately HK$114 million).

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in property development, property investment, project management and other property development related services in the PRC.

The Group expects to recognise an unaudited gain from the Disposal of approximately RMB1,153 million (equivalent to approximately HK$1,280 million) which is calculated as follows:

	RMB (million)
Total Consideration	3,318
Less: Outstanding Capital Utilisation Fee at Completion	(296)
Add: Net asset value of the Target Company as recorded in the Group's accounts at Completion *(Note 1)*	103
Less: Face value of the Sale Loan at Completion *(Note 2)*	(1,818)
Less: Estimated expenses (such as accounting, legal and other professional fees) and tax to be incurred in connection with the Disposal	(154)
Gain from Disposal	**1,153**

Notes:

1. *The unaudited net liabilities of the Target Company as at 29 February 2020 in the amount of approximately RMB103 million (equivalent to approximately HK$114 million) is used in the calculation.*

2. *The face value of the Sale Loan as at 31 December 2019 in the amount of approximately RMB1,818 million (equivalent to approximately HK$2,018 million) is used in the calculation.*

The actual amount of gain or loss as a result of the Disposal to be recorded by the Group is subject to the review and the final audit to be performed by the Company's auditors.

The Directors expect that the net proceeds from the Disposal, after deducting the expenses directly attributable thereto, will be approximately RMB3,164 million (equivalent to approximately HK$3,513 million), which will be used for (i) repayment of the bank and other borrowings of the Group; and (ii) funding of other property development projects of the Group. Taking into account of (a) the current operating conditions of the Group in the PRC as a results of the trade disputes between China and the United States and the outbreak of the coronavirus which impose great pressure on the Group's ability to raise funds in the near future; and (b) that the Disposal would release the Group from funding the Outstanding Development Costs while the Group would still be able to realise a gain from the Project as a result of the Disposal as mentioned above, the Directors consider that the Disposal allows the Group to realise its investment in the Project at the appropriate time. In addition, the Directors are of the view that it is fair and reasonable for the Sale Loan to be assigned to the Purchaser at face value of the Sale Loan at Completion.

The Directors are of the view that the terms of the Co-Development Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under the Listing Rules and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, details of the Disposal and information required to be disclosed under the Listing Rules will be despatched to the Shareholders on or before 30 June 2020 as more time is required for the Company to prepare the circular.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

"15 Economic Organisations"	the fifteen rural collective economic organisations involved in the Project, which are owned by the original residents of the Land through Huocun Econ Organisation
"Attributable Financing Area"	such area of the Financing Area amounting to 844,195 sq.m. which the Purchaser shall be entitled through the Target Company and the Project Company after the Completion, comprising (i) the residential area of 760,420 sq.m.; (ii) the Educational Institutions of 41,804 sq.m.; (iii) the Public Service Area of 20,000 sq.m.; and (iv) the public facility area of 21,971 sq.m.

"Board"	the board of Directors
"Business Day"	means a day (excluding Saturday, Sunday and public holiday) on which banks in the PRC are open for business and a day (excluding Saturday, Sunday and public holiday) on which the bank in the place at which the bank account of the Purchaser is opened is open for business
"Co-Development Agreement"	the co-development agreement dated 22 April 2020 and entered into between the Vendor, the Company, Skyleap, the Target Company and the Purchaser in relation to the Disposal
"Company"	Zhuguang Holdings Group Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the transfer of the Sale Equity Interest and the assignment of the Sale Loan from the Vendor to the Purchaser
"Conditions Precedent"	conditions precedent to the Completion as set out in the paragraph headed "Conditions Precedent" of this announcement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Development Agreements"	the development agreements entered into among, the Company, Huocun Econ Organisation and Dongjin Company in relation to the development of the Project
"DJ Profit Sharing Right"	has the meaning ascribed to it under the paragraph headed "Asset to be disposed of" in this announcement
"DJ Service Fee"	the sum which Dongjin Company (or any entity at its order) has to receive for the transfer of the DJ Profit Sharing Right from Dongjin Company to the Company, which is also regarded as the upfront service fee payable to Dongjin Company for its provision of services in relation to the Project (including obtaining approval on the urban renewal proposal and land use right of the Financing Area, and provision of demolition and relocation management and coordination) for the period from 2018 to 2020, and consists of a service fee of RMB300 million for each of 2018 and 2019
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Equity Interest and the Sale Loan by the Vendor to the Purchaser pursuant to the Co-Development Agreement

"Dongjin Company"	Guangzhou Dongjin New District Development Company Limited* (廣州東進新區開發有限公司), a company established in the PRC and an Independent Third Party, whose holding company and ultimate beneficial owner are Science City and the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), respectively
"Educational Institutions"	a 72-classes school and two 18-classes kindergartens, which in aggregate, attribute to 41,804 sq.m. of the Attributable Financing Area
"Financing Area"	part of the Land of a site area of approximately 345,420 sq.m., with area which can be constructed of approximately 289,400 sq.m., comprising residential area of approximately 864,527 sq.m., commercial properties and offices of approximately 95,843 sq.m.; the Educational Institutions; the Public Service Area; public facilities of approximately 33,465 sq.m.; and properties for old village relocation of approximately 25,917 sq.m.; and is divided into six districts which will be developed in six phases
"Group"	the Company and its subsidiaries
"Guangzhou Rongcheng"	Guangzhou Rongcheng Investment Development Company Limited* (廣州融晟投資發展有限公司), a company established in the PRC and a substantial shareholder (as defined in the Listing Rules) of the Target Company. The ultimate beneficial owner of Guangzhou Rongcheng is Huang Kai Xing* (黃開興).
"Huocun Econ Organisation"	Guangzhou Huangpo District East District Street Huocun Economic Organisation* (廣州市黃埔區東區街火村社區經濟聯合社) (now known as Guangzhou Huangpo District Yunbu Street Huocun Economic Organisation* (廣州市黃埔區雲埔街火村社區經濟聯合社)), a rural collective economic organisation established in the PRC and owned by the original residents of the Land
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Third Party(ies)"	third party(ies) independent of the Company and connected persons of the Company
"Land"	the land located at Huocun, Huangpu District, Guangzhou City, Guangdong Province, the PRC with a site area of approximately 615,086 sq.m., which is divided into the Financing Area and the Reconstruction Area

** For identification purpose only*

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	12 months from the date of the Co-Development Agreement (or such later date as the Vendor, the Company, Skyleap and the Purchaser may agree in writing)
"Non-Attributable Financing Area"	the Financing Area other than the Attributable Financing Area
"Outstanding Capital Utilisation Fee"	the capital utilisation fee recorded as other receivables due to the Company from the Project Company, being the aggregate capital utilisation fee payable by the Project Company to the Company up to Completion pursuant to the 2018 Agreement For Setup Of Project Company as disclosed under the paragraph headed "Major agreements entered into in relation to the Project" in this announcement, which will be written off upon Completion according to the applicable accounting standards
"Outstanding Development Costs"	the development costs of the Project which have yet to be incurred and paid as at the date of Completion, which shall be assumed by the Purchaser in favour of the Company at Completion
"PRC"	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Project"	the urban renewal project in respect of the Land for the purpose of, re-developing the Land and the buildings thereon into residential, commercial and office areas
"Project Company"	Guangzhou Hongxiang Real Estate Company Limited* (廣州宏祥房地產有限公司), a company established in the PRC with limited liability and undertaking the Project
"Public Service Area"	public services area which attributes 20,000 sq.m. to the Attributable Financing Area
"Purchaser"	Guangzhou Bohao Corporate Management Partnership (Limited Liability Partnership)* (廣州博浩企業管理合伙企業(有限合伙)), a partnership established in the PRC with limited liability, the ultimate beneficial owners of which are Wen Tian Na* (溫天納) and Zhang Yi* (張懿)

* *For identification purpose only*

"Reconstruction Area"	part of the Land of a site area of approximately 260,900 sq.m., with area which can be constructed of approximately 234,100 sq.m., comprising residential area of approximately 764,300 sq.m., common facilities of approximately 84,020 sq.m., commercial properties and office of approximately 26,400 sq.m.; and is divided into five districts which will be developed in five phases, subject to final approval by the government
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Equity Interest"	100% equity interest in the Target Company
"Sale Loan"	all such sum of money advanced by way of loan by the Vendor and/or the subsidiaries of the Company to the Target Company, the Project Company and Yuxiang Investment and due and owing by the Target Company, the Project Company and Yuxiang Investment to the Vendor and/or the subsidiaries of the Company as at Completion, which amounted to approximately RMB1,818 million (equivalent to approximately HK$2,018 million) as at 31 December 2019
"Science City"	Science City (Guangzhou) Investments Group Limited* (科學城(廣州)投資集團有限公司), a company established in the PRC and an Independent Third Party. It is the holding company of Dongjin Company which has been designated by Dongjin Company to receive fees on its behalf. The ultimate beneficial owner of Science City is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).
"Shareholder(s)"	holder(s) of the share(s) in the share capital of the Company
"sq.m."	square metres
"Skyleap	Skyleap Investments Limited, a wholly-owned subsidiary of the Company and the sole shareholder of the Vendor
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Guangzhou Yuhong Investment Company Limited* (廣州御宏投資有限公司), a company established in the PRC with limited liability and a non-wholly-owned subsidiary of the Company
"Total Consideration"	the total consideration for the Disposal

* *For identification purpose only*

"Vendor"	United Talent Investments Limited, a wholly-owned subsidiary of the Company
"Vendor Group"	the Company, the Vendor and Skyleap
"Yuxiang Investment"	Guangzhou Yuxiang Investment Company Limited* (廣州御祥投資有限公司), a company established in the PRC and wholly owned by the 15 Economic Organisations. It is the sole shareholder of the Project Company.
"%"	per cent

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted using the exchange rate of RMB1:HK$1.1102. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

On behalf of the Board
Zhuguang Holdings Group Company Limited
Chu Hing Tsung
Chairman

Hong Kong, 22 April 2020

As at the date of this announcement, the Board comprises (i) six executive Directors, namely Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (Chairman), Mr. Liu Jie (Chief Executive Officer), Mr. Liao Tengjia (Deputy Chairman), Mr. Huang Jiajue (Deputy Chairman), Mr. Chu Muk Chi (alias Mr. Zhu La Yi) and Ms. Ye Lixia; and (ii) three independent non-executive Directors, namely Mr. Leung Wo Ping JP, Mr. Wong Chi Keung and Dr. Feng Ke.

This announcement is published on the website of the Company (www.zhuguang.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk).

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