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RICHLY FIELD

RICHLY FIELD CHINA DEVELOPMENT LIMITED

裕田中國發展有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 313)

**COOPERATION AGREEMENT
AND
DISCLOSEABLE TRANSACTION
IN RELATION TO THE DISPOSAL OF EQUITY INTEREST
IN A SUBSIDIARY**

On 14 April 2023 (after trading hours), (i) the Seller, a wholly-owned subsidiary of the Company, (ii) the Purchaser, (iii) Qinhuangdao Arirang, and (iv) the Project Company entered into the Cooperation Agreement, pursuant to which the Purchaser and the Seller have agreed to cooperate to develop the Qinhuangdao Project. Pursuant to the Cooperation Agreement, among other things, the Purchaser has conditionally agreed to purchase and the Seller has conditionally agreed to sell the Sale Interests (i.e. the Disposal). As part of the arrangement under the Cooperation Agreement, the Seller and Qinhuangdao Arirang have also entered into the Equity Transfer Agreement on the same day to set out the terms of the Disposal.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio of the Disposal exceeds 5% but is less than 25%, the Disposal constitute discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements of the Listing Rules of the Listing Rules.

1. INTRODUCTION

On 14 April 2023 (after trading hours), (i) the Seller, a wholly-owned subsidiary of the Company, (ii) the Purchaser, (iii) Qinhuangdao Arirang, and (iv) the Project Company entered into the Cooperation Agreement, pursuant to which the Purchaser and the Seller have agreed to cooperate to develop the Qinhuangdao Project. Pursuant to the Cooperation Agreement, among other things, the Purchaser has conditionally agreed to purchase and the Seller has conditionally agreed to sell the Sale Interests (i.e. the Disposal). As part of the arrangement under the Cooperation Agreement, the Seller and Qinhuangdao Arirang have also entered into the Equity Transfer Agreement on the same day to set out the terms of the Disposal. Further details of the Cooperation Agreement and the Equity Transfer Agreement, including but not limited to the Disposal, are set out in this announcement.

2. THE COOPERATION AGREEMENT

The principal terms of the Cooperation Agreement are set out below:

Date	14 April 2023
Parties	(i) The Seller: King Future Holdings Limited
	(ii) The Purchaser: Heilongjiang Fenglin Investment Company Limited* (黑龍江楓林投資有限責任公司)
	(iii) Qinhuangdao Arirang
	(iv) The Project Company

As at the date of this announcement, the Project Company is wholly owned by the Seller which is owned as to 100% by the Company.

As at the date of this announcement, the Purchaser is owned as to 52% by Chen Xuhui, 20% by Xu Gui and remaining 28% by six individuals each of whom holds not more than 10% of the interests in the Purchaser. Qinhuangdao Arirang is owned as to 80% by Li Xiaobin and 20% by Zhou Yue. Lixiaobin is the brother-in-law of Chen Xuhui. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and Qinhuangdao Arirang and their ultimate beneficial owners is an Independent Third Party.

Subject matter

The Disposal

The Seller agrees to transfer the Sale Interests, being 30% of the equity interests in the Project Company, to Qinhuangdao Arirang for a consideration of USD1.2 million (which shall be converted into RMB at the foreign exchange rate on the day of payment and paid to the account designated by the Seller) in accordance with relevant legal procedures.

Before and during the equity transfer, the Seller shall ensure that there are no other defects or restrictions on the equity of the Project Company held by the Purchaser that may affect the normal transfer of the equity interests of the Project Company.

After the completion of the Disposal, the Seller will hold 70% of the equity of the Project Company and Qinhuangdao Arirang will hold 30% of the equity of the Project Company.

Except for the Disposal, the Seller and the Purchaser may continue to negotiate to transfer further equity interests in the Project Company subject to the requirements of the relevant Listing Rules.

Future fundings of the development of the Project Company

The Purchaser and Qinhuangdao Arirang are responsible for investing the funds required for future development of the Project Company, repaying all debts, and ensuring the Qinhuangdao Project is completed, sold, and delivered on time (the initial project development period is 48 months after the completion of the registration of the change of the equity transfer) (the “**Purchaser’s Commitment**”).

Distribution and sharing of income

For the distribution of the Properties Held For Own Use and operating income (including Properties Held For Own Use) of the Project Company, the Seller, the Purchaser and Qinhuangdao Arirang agree to distribute them in a ratio of 3:7 in principle, subject to the fulfillment of Purchaser’s Commitment. The distribution ratio shall not be adjusted with the change of the equity holding ratio of each party in the Project Company. Specifically, the Seller shall receive 30% and the Purchaser together with Qinhuangdao Arirang shall receive 70% of the distribution. The specific distribution details of the Properties Held For Own Use shall be separately negotiated and determined by the three Parties during distribution.

Due to the special nature of the Properties Held For Own Use of the Project Company, all Parties confirm that the property rights of the Properties Held For Own Use distributed and settled to the Seller and the Purchaser in accordance with the principles agreed in the Cooperation Agreement shall be temporarily held under the name of the Project Company. The Seller and the Purchaser shall have complete rights to operate and use those properties. When the relevant conditions are met (such as the government adjusts the proportion of Properties Held For Own Use or unlocks them comprehensively), the Project Company shall prioritize the transfer of the property rights of the Properties Held For Own Use to be distributed and settled to the Seller. In addition, all Parties agree that the Seller may be entrusted to operate the commercial part of the Properties Held For Own Use of the Qinhuangdao Project on a unified basis, and the net profit of the property operation income after deducting the operating costs of the part of the property rights enjoyed by the Purchaser shall be owned by the Purchaser.

All the abovementioned rights of the Purchaser in relation to profit sharing, distribution of the Properties Held For Own Use and investment promotion and operation of the Properties Held For Own Use will be enjoyed by Qinhuangdao Arirang as designated by the Purchaser.

Settlement of liabilities of the Project Company

As of 30 September 2022, the total liabilities of the Project Company amount to approximately RMB975.4 million (based on unaudited management accounts of the Project Company). The Purchaser and Qinhuangdao Arirang shall be responsible for fully settling the debts during the operation and management period of the Project Company, especially for the debts that have a significant impact on the project construction and the operation of the Project Company, such as the principal and interest of the loan payable to related parties with an outstanding principal amount of RMB293.8 million which was a loan borrowed by the related party from Huaxia Bank and lent directly to the Project Company (the “**Huaxia Bank Loan**”), the total contract amount of the Qinhuangdao Project, and the settlement of sales commission. These debts shall be given priority for settlement.

Consideration for the Disposal

The consideration for the transfer of the Sale Interests in the Project Company is USD1.2 million which is payable in cash.

Pursuant to the Cooperation Agreement, the Purchaser and Qinhuangdao Arirang shall transfer RMB50 million to the third-party account designated by the Purchaser as a deposit within five days after the signing of the Cooperation Agreement. Such deposit will be used partially for settlement of the payment of consideration for the Disposal, and the remaining part will be used as part of the repayment of accounts payable to the Project Company’s related party. The consideration of USD1.2 million was arrived at after arm’s length negotiations between the Seller and the Purchaser after taking into account, among other things, the financial information of the Project Company including the recent net losses and net liabilities position of the Project Company.

Conditions precedent

The Cooperation Agreement will be conditional upon satisfaction of the following conditions:

1. Each Party ensures that its internal governance structure (including but not limited to the shareholder meeting and board of directors) has approved the equity transaction and project cooperation method involved in this agreement, and the Company has obtained the approval from the Stock Exchange and the Shareholders in accordance with the Listing Rules (where applicable).
2. From the date of signing of the Cooperation Agreement to the date of equity transfer for the Disposal, there is no legal, judicial, or government agency ruling, judgment, decision, or prohibition that restricts, prohibits, or cancels the equity transfer of the Project Company.
3. In order to ensure the smooth resumption of the Qinhuangdao Project, the Purchaser and Qinhuangdao Arirang will invest RMB300 million in the first installment (this amount will be used as an increase in the share capital corresponding to Qinhuangdao Arirang's shareholding in the Project Company and will not be returned by the Project Company) to resolve issues that affect the resumption of the Qinhuangdao Project, such as construction disputes with China Construction Eighth Engineering Division Corp. Ltd ("CCEED"), the extension of the Huaxia Bank Loan, repayment of payables to related parties of the Project Company, and project-related disputes. At the same time, the Purchaser and Qinhuangdao Arirang will obtain 70% of the Project's income rights subject to the assurance of subsequent capital investment and full repayment of all debts as planned.

4. Before entering into of the Equity Transfer Agreement of the Project Company, the Purchaser and Qinhuangdao Arirang shall provide the Seller with a bank credit certificate showing a deposit balance of no less than RMB300 million. Within five days after entering into the Cooperation Agreement, the Purchaser and Qinhuangdao Arirang shall transfer RMB50 million of the above-mentioned RMB300 million as cooperation deposit to a third-party account designated by the Seller. The remaining RMB250 million shall be transferred in installments to the Project Company's account or related designated account as the Purchaser and Qinhuangdao Arirang's initial investment in the project cooperation. The specific arrangements for equity change registration and fund payment are as follows:

(1) *Equity transfer registration*

Arrangements for the signing of a 30% equity transfer agreement (i.e. the Equity Transfer Agreement): to be signed concurrently with the Cooperation Agreement; and

Arrangements for the registration procedures for the transfer of 30% equity: to be processed on the same day after the Purchaser and Qinhuangdao Arirang have paid the cooperation deposit of RMB50 million as set out above.

(2) *Payment arrangements*

Within five days after the signing of the Cooperation Agreement: RMB50 million (cooperation deposit, to be remitted to the third-party bank account designated by the Seller);

Within fifteen days after the signing of the Equity Transfer Agreement: RMB100 million (to be synchronized with the extension of the Huaxia Bank Loan, whichever is earlier);

Within thirty days after the signing of the Equity Transfer Agreement: RMB100 million (to be synchronized with the settlement negotiation for resumption of work with CCEED, whichever is earlier); and

Within sixty days after the signing of the Equity Transfer Agreement: RMB50 million (to be synchronized with the settlement of other outstanding issues, whichever is earlier).

5. The Purchaser and Qinhuangdao Arirang agree to fully pay the equity transfer payment as required by the Seller and ensure that investment funds are injected into the Project Company in accordance with the Cooperation Agreement, and to partially repay the debt of the Project Company in advance. Specifically:
 - (1) For accounts payable of the Project Company to the Seller and its related party (approximately RMB170 million, the specific amount shall be confirmed by the Seller and the Purchaser based on the financial data), the Purchaser and Qinhuangdao Arirang agree to arrange for the Project Company to repay RMB80 million within one month after signing the Equity Transfer Agreement and completing the equity transfer registration of the Project Company. The remaining accounts payable shall be fully settled within one year after the completion of the equity transfer registration of the Project Company (specifically in accordance with the repayment agreement to be confirmed and signed at that time).
 - (2) After the Project Company repays the interest on the outstanding Huaxia Bank Loan (interest of approximately RMB70 million, specifically based on the data confirmed by Huaxia Bank) and part of the principal, all Parties shall actively negotiate with Huaxia Bank to achieve an extension agreement.
 - (3) All Parties shall actively negotiate with CCEED, the general contractor of the Project, to reach a settlement for resumption of work (estimated initial payment of RMB80 million to RMB100 million for the general contract project, specifically based on the data to be confirmed by CCEED in the settlement negotiation).
 - (4) Properly settle other debts and disputes of the Project Company, such as sales refunds and commission settlements (estimated amount of approximately RMB50 million, specifically based on the financial data to be confirmed).

6. As the Project Company is part of the Group, the operation of the Project Company needs to be subject to the Company's supervision, and the Project Company's financial statements need to be consolidated by the Company and subject to audit supervision in accordance with the requirements for listed companies in Hong Kong. The Purchaser and Qinhuangdao Arirang are aware of and agree to this.
7. Other preconditions that all Parties deem necessary to meet and reach a written supplementary agreement on after consultation.

None of the conditions above can be waived by the parties to the Cooperation Agreement.

3. THE EQUITY TRANSFER AGREEMENT

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

Date

14 April 2023

Parties

The Seller and Qinhuangdao Arirang

Subject matter

The Seller agrees to transfer the Sale Interests, being 30% of the equity interests in the Project Company, to Qinhuangdao Arirang for a consideration of USD1.2 million. The consideration shall be settled by Qinhuangdao Arirang within fifteen days after the date of the Equity Transfer Agreement (which shall be converted into RMB at the foreign exchange rate on the day of payment and paid to the account designated by the Seller). Further details of the consideration for the Disposal are set out in the sub-section headed "Consideration for the Disposal" under the section headed "2. The Cooperation Agreement" of this announcement.

4. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the PRC. It is principally engaged in property development, commercial property and hotels in the Heilongjiang Province, the PRC.

Qinhuangdao Arirang is a company incorporated in the PRC. It is principally engaged in property development in Qinhuangdao, the PRC.

5. INFORMATION ON THE SELLER AND THE PROJECT COMPANY

The Seller is a company incorporated in Hong Kong. It is principally engaged in investment holding.

The Project Company is a company incorporated in the PRC. It is principally engaged in the development of the Qinhuangdao Project.

Financial information on the Project Company

Set out below is the financial information of the Project Company based on its unaudited management accounts prepared in accordance with China Accounting Standards for Business Enterprises:

	For the six months ended 30 September 2022 <i>RMB'000</i> Unaudited	For the year ended 31 March 2022 <i>RMB'000</i> Unaudited	For the year ended 31 March 2021 <i>RMB'000</i> Unaudited
Revenue	–	–	–
Loss before tax and extraordinary items	1,396	7,059	2,423
Net loss	1,396	7,059	2,423

	As at 30 September 2022 RMB'000 Unaudited	As at 31 March 2022 RMB'000 Unaudited	As at 31 March 2021 RMB'000 Unaudited
Total assets	954,033	953,468	620,692
Total liabilities	975,357	973,395	614,549
Net assets/(liabilities)	(21,324)	(19,927)	6,143

Following completion of the Disposal, the Project Company will be held as to 70% by the Company and will continue to be a subsidiary of the Company.

6. REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group is principally engaged in outlets commercial operation and development and operation of featured commercial properties (such as tourism property, senior care property and wine chateaus), development of high-end residential properties as well as property management. Key projects of the Group include (i) a residential and commercial property project in Yinchuan City, Ningxia Hui Autonomous Region, the PRC; and (ii) the Qinhuangdao Project, being a comprehensive project in Qinhuangdao, the PRC.

The Group's property development business, including the projects located in Yinchuan City and Qinhuangdao, was adversely affected by the tightened government policies on the property industry and market in recent years. As discussed in the 2022/2023 interim report of the Company, the policy orientation of housing for accommodation rather than speculation was never wavered even amid the periods severely stricken by the pandemic. The Group's future development fundamentally hinges on identifying ways to fully use funds and proactively broaden revenue sources. In view of the uncertainties in the future development of the property market, the Group will enhance cooperation with financing institutions, government agencies and other parties of the same or different industries to activate its various projects with concerted efforts.

The Qinhuangdao Project has a total planned GFA of 672,110 sq.m. (includes both plot ratio based floor area and non plot ratio based floor area) and the Group has only completed partial construction of Phase 1 of the project, covering a total GFA of approximately 163,227 sq.m. It is expected that massive investment will be required to completion the development of the whole Qinhuangdao Project. In addition, given the difficult operating environment of the PRC property industry in recent years, the development of the Qinhuangdao Project has been adversely affected. The Project Company did not generate revenue and recognised a net loss for the past two years ended 31 March 2022. As at 30 September 2022, the Project Company recorded a net liabilities position of approximately RMB21.3 million. Given the current financial position of the Project Company, it is difficult for the Group to continue to raise additional debt financing to support the future development of the Qinhuangdao Project. Through the Cooperation Agreement, the Purchaser and Qinhuangdao Arirang, as new investors, have committed to provide the necessary fundings for the development of the whole Qinhuangdao Project. The fundings will also be used to repay the debts and liabilities of the Project Company. As part of the cooperation, the Group has agreed to sell the Sale Interests (being 30% of interests in the Project Company) to Qinhuangdao Arirang. The Company considers that such cooperation with the Purchaser and Qinhuangdao Arirang will help the Group to continue the development of the Qinhuangdao Project and at the same time restoring the Project Company to a healthier financial position after repayment of debts and liabilities with the fundings from the Purchaser and Qinhuangdao Arirang.

Accordingly, the Directors (including the independent non-executive Directors) are of the view that the entering into of the Cooperation Agreement, together with the entering into of the Equity Transfer Agreement (including the Disposal) are in the interests of the Company and the Shareholders as a whole and the terms of the Cooperation Agreement and Equity Transfer Agreement are fair and reasonable.

7. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio of the Disposal exceeds 5% but is less than 25%, the Disposal constitute discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements of the Listing Rules of the Listing Rules.

DEFINITIONS

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

“Board”	the board of the Directors
“Company”	Richly Field China Development Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 313)
“Cooperation Agreement”	an agreement dated 14 April 2023 entered into by the Parties in relation to the cooperation in the development of the Qinhuangdao Project
“Director(s)”	director(s) of the Company
“Disposal”	disposal of the Sale Interests by the Seller pursuant to the Cooperation Agreement
“Equity Transfer Agreement”	an equity transfer agreement dated 14 April 2023 entered into between the Seller and Qinhuangdao in relation to the Disposal
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) which are independent of the Company and its connected persons
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	parties to the Cooperation Agreement, including the Seller, the Purchaser, Qinhuangdao Arirang and the Project Company, and a Party refers to any of them
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project Company”	Qinhuangdao Outlets Real Estate Company Limited* (秦皇島奧特萊斯置業有限公司), a company incorporated in the PRC
“Properties Held For Own Use”	the portion of properties of the Qinhuangdao Project which will be held for own use by the Project Company
“Purchaser”	Heilongjiang Fenglin Investment Company Limited* (黑龍江楓林投資有限責任公司), a company incorporated in the PRC
“Qinhuangdao Arirang”	Qinhuangdao Arirang Real Estate Development Company Limited* (秦皇島阿里郎房地產開發有限公司), a company incorporated in the PRC
“Qinhuangdao Project”	a coastal shopping, tourism and healthcare resort complex with outlets business, integrated with high-end hot spring resort hotels, highend hospitals, health preservation and elderly care, cultural and entertainment activities, and recreational resorts developed by the Group in Qinghuangdao, the PRC

“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interests”	30% of the equity interests in the Project Company
“Seller”	King Future Holdings Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States Dollars
“%”	per cent.

By order of the Board
Richly Field China Development Limited
Li Yi Feng
Chairman and Chief Executive Officer

Hong Kong, 14 April 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Li Yi Feng (Chairman and Chief Executive Officer) and Mr. Chen Wei (Vice President) and three independent non-executive Directors, namely Ms. Hsu Wai Man Helen, Mr. Wong Chi Hong William and Mr. Xu Jinghong.

* *For identification purposes only*