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Gemdale Properties and Investment Corporation Limited

金地商置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 535)

DISCLOSEABLE TRANSACTION DEEMED DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY

CAPITAL INCREASE AGREEMENT

On 19 May 2017, Shenzhen Xinwei Biaoyuan and Vision Dalian, subsidiaries of the Company, entered into the Capital Increase Agreement with Shanghai Junxu and Shanghai Yuejing, pursuant to which, among others, the parties agreed to increase the registered capital of the Target Company by RMB40 million from RMB10 million to RMB50 million. The Group agreed to participate in the Capital Increase by contributing an aggregate amount of RMB20 million.

LISTING RULES IMPLICATIONS

Upon completion of the Capital Increase, the Group's effective equity interest in the Target Company will be reduced from 92% to 57.6% and the Target Company will be under the joint control of the parties to the Capital Increase Agreement. Therefore, the Target Company will cease to be accounted for as a subsidiary of the Company and will be accounted for as an associated company of the Group. The financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group. The transactions contemplated under the Capital Increase Agreement constitute a deemed disposal of the Group under Rule 14.29 of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) exceed 5% but are less than 25%, the entering into of the Capital Increase Agreement and the transactions contemplated thereunder (including the Deemed Disposal) constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 19 May 2017, Shenzhen Xinwei Biaoyuan and Vision Dalian, subsidiaries of the Company, entered into the Capital Increase Agreement with Shanghai Junxu and Shanghai Yuejing, pursuant to which, among others, the parties agreed to increase the registered capital of the Target Company by RMB40 million from RMB10 million to RMB50 million. The Group agreed to participate in the Capital Increase by contributing an aggregate amount of RMB20 million.

CAPITAL INCREASE AGREEMENT

Date: 19 May 2017

Parties: (i) Shenzhen Xinwei Biaoyuan, a 92% owned subsidiary of the Company;
(ii) Vision Dalian, a wholly-owned subsidiary of the Company;
(iii) Shanghai Junxu; and
(iv) Shanghai Yuejing

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiry, Shanghai Junxu and Shanghai Yuejing and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Pursuant to the terms of the Capital Increase Agreement, the parties agreed to increase the registered capital of the Target Company by RMB40 million from RMB10 million to RMB50 million. Each of the parties will contribute additional capital by way of cash. The registered capital and the percentage of equity interest in the Target Company before and immediately after completion of the Capital Increase are set out below:

Shareholders	Before completion of the Capital Increase			Immediately after completion of the Capital Increase	
	Contributed registered capital	Percentage of equity interest	Additional capital contribution	Contributed registered capital	Percentage of equity interest
	RMB	%	RMB	RMB	%
Shenzhen Xinwei Biaoyuan	10,000,000	100.00	5,000,000	15,000,000	30.00
Vision Dalian	-	-	15,000,000	15,000,000	30.00
Shanghai Junxu	-	-	16,700,000	16,700,000	33.40
Shanghai Yuejing	-	-	3,300,000	3,300,000	6.60
Total	10,000,000	100.00	40,000,000	50,000,000	100.00

The Capital Increase is expected to be completed within 30 working days from the date of signing the Capital Increase Agreement. Each party shall make its capital contribution on or prior to 30 June 2017. The Group's portion of the capital contribution will be funded by the internal resources of the Group.

The amount of the Capital Increase is determined after arm's length negotiations between the parties with reference to the existing registered capital of the Target Company, the capital requirements of the Shanghai Songjiang Project and the potential business development of the Target Company in future.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 22 January 2016. As at the date of this announcement, the Target Company is 100% owned by Shenzhen Xinwei Biaoyuan while Shenzhen Xinwei Biaoyuan is 92% owned by the Company. Therefore, the Target Company is 92% owned by the Group and it is principally engaged in real estate, management and property management in the PRC.

The principal asset of the Target Company is the Shanghai Songjiang Project which contains a parcel of land located at 中國上海松江區新橋鎮陳春路一號 (No. 1 Chen Chun Road, Xinqiao Town, Songjiang District, Shanghai, the PRC*), with a total site area of approximately 65,295 square meters and a gross floor area of approximately 91,413 square meters and is planned to be developed for residential purpose for sale.

FINANCIAL IMPACTS

Based on the audited financial statements of the Target Company for the period ended 31 December 2016 since the date of the establishment, the audited net asset value of the Target Company as at 31 December 2016 was approximately RMB7.77 million and, for the period ended 31 December 2016, the audited net loss of the Target Company before and after taxation was approximately RMB2.97 million and RMB2.23 million, respectively. The Group expected that a deemed gain on disposal of approximately RMB1.77 million will be recognized from the Deemed Disposal. The proceeds from the Deemed Disposal will be applied for general working capital of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The Directors are of the view that the transactions contemplated under the Capital Increase Agreement result in dilution in equity interest can reduce the Group's total investment and the cash inflow of the Shanghai Songjiang Project from the Group in future. It was expected to make the Group's financial position more flexible and thereby enhancing the Group's ability to grasp future development and investment opportunities. In addition, the Board is of the view that the introduction of Shanghai Junxu and Shanghai Yuejing as co-investors will facilitate the Company to establish strategic cooperative relations with them in order to create additional financing channels for the Group and strengthen the Group's financial strength, so that the Group has greater financial security on further development opportunities. Following completion of the Capital Increase, the Group will still hold 57.6% effective equity interest in the Target Company and will continue to benefit from the future growth and success of the Shanghai Songjiang Project.

In view of the abovementioned, the Directors (including the independent non-executive Directors) consider that the Capital Increase Agreement and the transactions contemplated thereunder (including the Deemed Disposal) are on normal commercial terms which are fair and reasonable, and in the interests of the Group and the shareholders of the Company as a whole.

INFORMATION OF THE GROUP AND THE PARTIES

The Group is principally engaged in property development, investment and management of residential, commercial and business park projects. Shenzhen Xinwei Biaoyuan and Vision Dalian are both established in the PRC with limited liability, both of which are subsidiaries of the Company and are principally engaged in investment holding.

Shanghai Junxu is a company established in the PRC with limited liability and is principally engaged in provision of enterprise management and consultancy services. Shanghai Yuejing is a company established in the PRC with limited liability and is principally engaged in investment holding.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiry, Shanghai Junxu and Shanghai Yuejing and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

LISTING RULES IMPLICATIONS

Upon completion of the Capital Increase, the Group's effective equity interest in the Target Company will be reduced from 92% to 57.6% and the Target Company will be under the joint control of the parties to the Capital Increase Agreement. Therefore, the Target Company will cease to be accounted for as a subsidiary of the Company and will be accounted for as an associated company of the Group. The financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group. The transactions contemplated under the Capital Increase Agreement constitute a deemed disposal of the Group under Rule 14.29 of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) exceed 5% but are less than 25%, the entering into of the Capital Increase Agreement and the transactions contemplated thereunder (including the Deemed Disposal) constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meaning:

“Board”	the board of Directors
“Capital Increase”	the increase in the registered capital of the Target Company by RMB40 million from RMB10 million to RMB50 million pursuant to the terms of the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement entered into between Shenzhen Xinwei Biaoyuan, Vision Dalian, Shanghai Junxu and Shanghai Yuejing on 19 May 2017 in relation to, among others, the Capital Increase
“Company”	Gemdale Properties and Investment Corporation Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 535)

“Deemed Disposal”	the reduction of the Group’s effective equity interest in the Target Company from 92% to 57.6% upon completion of the Capital Increase
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Junxu”	上海俊序企業管理有限公司(Shanghai Junxu Enterprise Management Co., Ltd.*), a company established in the PRC with limited liability and a party to the Capital Increase Agreement
“Shanghai Songjiang Project”	a parcel of land held by the Target Company located at 中國上海松江區新橋鎮陳春路一號 (No. 1 Chen Chun Road, Xinqiao Town, Songjiang District, Shanghai, the PRC*) with a site area of approximately 65,295 square meters and a gross floor area of approximately 91,413 square meters
“Shanghai Yuejing”	上海玥璟投資中心（有限合夥）(Shanghai Yuejing Investment Center (limited partnership)*), a partnership established in the PRC with limited liability and a party to the Capital Increase Agreement
“Shenzhen Xinwei Biaoyuan”	深圳市新威標遠投資有限公司(Shenzhen Xinwei Biaoyuan Investment Co., Ltd.*), a company established in the PRC with limited liability, a 92% owned subsidiary of the Company and a party to the Capital Increase Agreement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	上海鑫威房地產開發有限公司 (Shanghai Xinwei Real Estate Development Co. Ltd.*), a company established in the PRC with limited liability, a subsidiary of the Group as at the date of this announcement
“Vision Dalian”	威新房地產開發（大連）有限公司 (Vision Real Estate Development (Dalian) Co., Ltd.*), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company and a party to the Capital Increase Agreement
“%”	per cent.

By Order of the Board
Gemdale Properties and Investment Corporation Limited
Huang Juncan
Chairman and Executive Director

Hong Kong, 19 May 2017

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Ling Ke, Mr. Huang Juncan, Mr. Xu Jiajun and Mr. Wei Chuanjun; two non-executive Directors, namely Mr. Loh Lian Huat and Ms. Zhang Feiyun; and three independent non-executive Directors, namely Mr. Hui Chiu Chung, Mr. Chiang Sheung Yee, Anthony and Mr. Hu Chunyuan.

** For identification purpose only*