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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 DISPOSAL OF 74% OF A SUBSIDIARY

DISPOSAL OF 74% OF A SUBSIDIARY

The Board announces that, on 12 July 2018, One Polaris, Shenzhen Weixin, Fainmark and Nanjing Jiqingfeng (all of which are indirect wholly-owned subsidiaries of the Company, as the Vendors) and Perfect Area, Shanghai Hongxing, Xuzhou Vanke and Charm Silver (collectively, as the Purchasers) entered into the Agreement in relation to the Disposal.

Upon completion of the Disposal, the Group's effective equity interest in the Target Company will be reduced from 100% to 26% and the Target Company will be under the joint control of the parties to the Agreement. Therefore, the Target Company will cease to be accounted for as a subsidiary of the Company and will be accounted for as a joint venture of the Group. The financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group.

LISTING RULES IMPLICATIONS

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

INTRODUCTION

The Board announces that, on 12 July 2018, One Polaris, Shenzhen Weixin, Fainmark and Nanjing Jiqingfeng (all of which are indirect wholly-owned subsidiaries of the Company, as the Vendors) and Perfect Area, Shanghai Hongxing, Xuzhou Vanke and Charm Silver (collectively, as the Purchasers) entered into the Agreement in relation to the Disposal.

THE AGREEMENT

Date: 12 July 2018

Parties: The Vendors : One Polaris, Shenzhen Weixin, Fainmark and Nanjing Jiqingfeng, all of which are indirect wholly-owned subsidiaries of the Company

The Purchasers : Perfect Area, Shanghai Hongxing, Xuzhou Vanke and Charm Silver

Assets to be disposed:

74% of the Target Company. The effective equity interest to be disposed by each of the Vendors are as follows:

Vendors	Percentage in effective equity interest
One Polaris	24.5%
Shenzhen Weixin (directly owned 100% of Nanjing Jiqingfeng)	24.5%
Fainmark	25.0%
Total	74.0%

Consideration:

Pursuant to the Agreement, the total consideration (including the undertaking of all debts and liabilities of the Target Company) for the Disposal is approximately RMB831 million, of which approximately RMB651 million is the registered capital and approximately RMB180 million is the shareholders' loan of the Target Company.

The consideration was determined after arm's length negotiations between the parties with reference to the existing registered capital of the Target Company, the existing net asset value, the capital requirements of the Project and the potential business development of the Target Company in the future.

The consideration is payable at completion of the Disposal to the Vendors in the following manner:

Purchasers	Percentage in effective equity interest immediately after completion of the Disposal	Consideration (RMB million)
Perfect Area	24.5%	275
Shanghai Hongxing	0.5%	6
Xuzhou Vanke	24.0%	269
Charm Silver	25.0%	281
Total	74.0%	831

The allocation of the consideration among the Vendors is set out in the table below:

Vendors	Percentage in effective equity interest agreed to be sold under the Agreement	Consideration (RMB million)
One Polaris	24.5%	275
Shenzhen Weixin (directly owned 100% of Nanjing Jiqingfeng)	24.5%	275
Fainmark	25.0%	281
Total	74.0%	831

Completion:

Completion of the Disposal is expected to take place within 5 working days from the date of the Agreement.

Shareholding structure of the Target Company:

As at the date of the Agreement, the shareholding structure of the Target Company is set out below:

Shareholders of the Target Company	Percentage equity interest
Fainmark (which is a wholly-owned subsidiary of One Polaris)	75%
Nanjing Jiqingfeng (which is a wholly-owned subsidiary of Shenzhen Weixin)	25%
Total	100%

Immediately after completion of the Disposal, the shareholding structure of the Target Company is set out below:

Shareholders of the Target Company	Percentage in effective equity interest
	%
The Group <i>(Note 1)</i>	26.0
Perfect Area <i>(Note 2)</i>	24.5
Shanghai Hongxing <i>(Note 2)</i>	0.5
Xuzhou Vanke	24.0
Charm Silver	25.0
Total	100.0

Notes:

1. The Group (through its indirect wholly-owned subsidiaries, One Polaris and Shenzhen Weixin) will hold a total of 26% of the effective equity interest in the Target Company.
2. Perfect Area and Shanghai Hongxing are parties acting in concert under the Agreement and will hold a total of 25% effective equity interest in the Target Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 27 March 2018. As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Group and is principally engaged in property development and operation as well as property management in the PRC.

The principal assets of the Target Company is the Project located at 中國徐州三環西路朱莊西側 (the west of Zhuzhuang, Sanhuanxi Road, Xuzhou, the PRC*), which consists of three parcels of land for residential use, one parcel of land for commercial use and one parcel of land for educational use, with a total site area of approximately 163,394 square meters. The Target Company has obtained the State-owned Land Use Rights Certificate and the Construction Land Planning Permit of the Property. The Property is currently bare land for future residential, commercial and educational development.

FINANCIAL IMPACTS

Upon completion of the Disposal, the Group's effective equity interest in the Target Company will be reduced from 100% to 26% and the Target Company will be under the joint control of the parties to the Agreement. Therefore, the Target Company will cease to be accounted for as a subsidiary of the Company and will be accounted for as a joint venture of the Group. The financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group.

Based on the unaudited financial statements of the Target Company for the period ended 30 June 2018 since the date of its establishment, the unaudited net asset value of the Target Company as at 30 June 2018 was approximately RMB880 million and, for the six months ended 30 June 2018, both of the unaudited net loss of the Target Company before and after taxation were approximately RMB545,000.

Upon completion of the Disposal, the Group expects that there is no significant change in the total assets and the total liabilities of the Group, as well as the cash inflow of approximately RMB830 million will be contributed to the Group. The Group also expects that a gain on disposal of approximately RMB24 million will be recognized from the Disposal. The proceeds from the Disposal will be applied for general working capital of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The Directors are of the view that the entering into of the Agreement and the transactions contemplated thereunder (including the consideration) result in dilution in equity interest can reduce the total investment and liability of the Group. Besides, the cash inflow generated by the Project are expected to make the Group's financial position more flexible and thereby enhancing the Group's ability to grasp future developments and investment opportunities. In addition, the Board believes that the introduction of co-investors will facilitate the Company to establish strategic cooperative relations with them and will pave the way for more project cooperation between the Group and the co-investors in the future. Following completion of the Disposal, the Group will hold 26% effective equity interest in the Target Company and will continue to benefit from the future sales and development of the Project.

In view of the abovementioned, the Directors (including the independent non-executive Directors) consider that the Agreement and the transactions contemplated thereunder (including the consideration) 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 investment, development and management of residential, commercial and commercial park projects. One Polaris is a company incorporated in the British Virgin Islands with limited liability; Fainmark is a company incorporated in Hong Kong with limited liability; while Shenzhen Weixin and Nanjing Jiqingfeng are companies established in the PRC with limited liability, all of the above are indirect wholly-owned subsidiaries of the Company, and are principally engaged in investment holding.

Perfect Area is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. Shanghai Hongxing is a company established in the PRC with limited liability and is principally engaged in property development, investment and management. Xuzhou Vanke is a company established in the PRC with limited liability and is a subsidiary of 萬科企業股份有限公司 (China Vanke Co., Ltd.*). Xuzhou Vanke is principally engaged in property development and operating management. Charm Silver is a company incorporated in Hong Kong with limited liability and is a subsidiary of China Jinmao Holdings Group Limited. Charm Silver is principally engaged in investment holding.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiry, each of the Purchasers 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

As one the applicable percentage ratios (as defined under the Listing Rules) exceed 5% but are less than 25%, the entering into of the Agreement and the transactions contemplated thereunder (including the consideration) 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:

“Agreement”	the Agreement entered into between the Vendors and the Purchasers dated 12 July 2018, in relation to the Disposal
“Board”	the board of Directors
“Charm Silver”	Charm Silver Limited (智銀有限公司), a company incorporated in Hong Kong with limited liability, which is a subsidiary of China Jinmao Holdings Group Limited
“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)
“Director(s)”	director(s) of the Company
“Disposal”	disposal of 74% equity interest in the Target Company
“Fainmark”	Fainmark Limited (榮徽有限公司), a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary 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
“Nanjing Jiqingfeng”	南京吉慶豐企業管理諮詢有限公司 (Nanjing Jiqingfeng Enterprise Management Consultancy Co., Ltd.*), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“One Polaris”	One Polaris Limited (星致有限公司), a company incorporated in the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of the Company

“Perfect Area”	Perfect Area Limited (美範有限公司), a company incorporated in Hong Kong with limited liability
“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
“Project”	three parcels of land for residential use one parcel of land for commercial use and one parcel of land for educational use, all of which are held by the Target Company and are located at 中國徐州三環西路朱莊西側 (the west of Zhuzhuang, Sanhuaxi Road, Xuzhou, the PRC*) with a site area of approximately 163,394 square meters
“Purchasers”	Perfect Area, Shanghai Hongxing, Xuzhou Vanke and Charm Silver
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Hongxing”	上海紅星美凱龍置業有限公司(Shanghai Hongxing Meikailong Real Estate Co., Ltd.*), a company established in the PRC with limited liability
“Shenzhen Weixin”	深圳威新軟件科技有限公司(Vision (Shenzhen) Software Technology Co., Ltd.*), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	徐州威潤房地產開發有限公司(Xuzhou Weirun Real Estate Development Co. Ltd.*), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Group as at the date of this announcement
“Vendors”	One Polaris, Shenzhen Weixin, Fainmark and Nanjing Jiqingfeng

“Xuzhou Vanke” 徐州萬科房地產有限公司 (Xuzhou Vanke Real Estate Co., Ltd.*), a company established in the PRC with limited liability, which is a subsidiary of 萬科企業股份有限公司 (China Vanke Co., Ltd.*)

“%” per cent.

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

Hong Kong, 12 July 2018

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*