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# **YUGANG**

## **YUGANG INTERNATIONAL LIMITED**

**(渝港國際有限公司)\***

*(incorporated in Bermuda with limited liability)*

(Stock Code: 613)

### **DISCLOSEABLE TRANSACTIONS IN RELATION TO ACQUISITION OF TWO COMMERCIAL PROPERTIES THROUGH ACQUISITION OF TWO COMPANIES**

#### **THE ACQUISITIONS**

On 14 March 2017 (after trading hours), the Purchaser, the Vendor and the Guarantor entered into the First Acquisition Agreement, pursuant to which the parties thereto conditionally agreed that (i) the Purchaser will acquire the First Sale Shares from the Vendor; and (ii) the Purchaser will acquire from the Vendor the First Debt, at First Acquisition Consideration of HK\$136,100,000. The First Sale Shares represent the entire issued share capital of Supreme Access, which is principally engaged in property investment in Hong Kong through Sharp Light. The principal asset of the Target Group is the First Property.

On the same day (after trading hours), the Purchaser, the Vendor and the Guarantor entered into the Second Acquisition Agreement, pursuant to which the parties thereto conditionally agreed that the Purchaser will acquire the Second Sale Shares from the Vendor at Second Acquisition Consideration of HK\$144,600,000. The Second Sale Shares represent the entire issued share capital of August Estate, which is principally engaged in property investment in Hong Kong. The principal asset of August Estate is the Second Property.

#### **LISTING RULES IMPLICATIONS**

As the First Acquisition Agreement and the Second Acquisition Agreement are entered into with the same party, the transactions contemplated thereunder constitute a series of transactions to be aggregated pursuant to Rule 14.22 of the Listing Rules. Since one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisitions exceed 5% but all of them are less than 25%, the Acquisition Agreements and the transactions contemplated thereunder constitute discloseable transactions and are subject to the relevant requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 14 March 2017 (after trading hours), the Purchaser, the Vendor and the Guarantor entered into the First Acquisition Agreement, pursuant to which the parties thereto conditionally agreed that (i) the Purchaser will acquire the First Sale Shares from the Vendor; and (ii) the Purchaser will acquire from the Vendor the First Debt, at First Acquisition Consideration of HK\$136,100,000. The First Sale Shares represent the entire issued share capital of Supreme Access, which is principally engaged in property investment in Hong Kong through Sharp Light. The principal asset of the Target Group (i.e. Supreme Access and its direct wholly-owned subsidiary, Sharp Light) is the First Property.

On the same day (after trading hours), the Purchaser, the Vendor and the Guarantor entered into the Second Acquisition Agreement, pursuant to which the parties thereto conditionally agreed that the Purchaser will acquire the Second Sale Shares from the Vendor at Second Acquisition Consideration of HK\$144,600,000. The Second Sale Shares represent the entire issued share capital of August Estate, which is principally engaged in property investment in Hong Kong. The principal asset of August Estate is the Second Property.

## **THE FIRST ACQUISITION AGREEMENT**

Major terms of the First Acquisition Agreement are set out below:

- Date: 14 March 2017 (after trading hours)
- Parties:
- (i) Joywell Holdings Limited (i.e. the Purchaser), an indirect wholly-owned subsidiary of the Company, as the purchaser;
  - (ii) Future Master Investments Limited (i.e. the Vendor), being the vendor and the beneficial owner and assignor of the First Debt; and
  - (iii) Cordoba Homes Limited (i.e. the Guarantor), as the guarantor.
- Subject matter: Pursuant to the First Acquisition Agreement, the parties thereto conditionally agreed that (i) the Purchaser will acquire the First Sale Shares, representing the entire issued share capital of Supreme Access, from the Vendor; and (ii) the Purchaser will acquire from the Vendor the First Debt. Further details of Supreme Access and Sharp Light are set out in the sub-section headed "**Information on the Target Group**" below.
- First Acquisition Consideration: The First Acquisition Consideration for the First Acquisition is HK\$136,100,000, which consists of (i) the consideration for the First Debt, which shall be the sum equivalent to the expected outstanding amount of the First Debt immediately prior to First Acquisition Completion, payable to the Vendor on a dollar for dollar basis; and (ii) the consideration for the First Sale Shares, and shall be satisfied:

- (i) as to HK\$13,610,000 by cash or by cheque payable by the Purchaser itself or through its nominee to the Vendor or the Vendor's nominee as the Vendor may direct upon signing of the First Acquisition Agreement; and
- (ii) as to HK\$122,490,000 by cash payable by the Purchaser itself or through its nominee to the Vendor or the Vendor's nominee as the Vendor may direct on First Acquisition Completion,

provided that if the First Acquisition shall fail all the money paid by the Purchaser herein shall be returned by the Vendor to the Purchaser within 5 Business Days on demand.

The First Acquisition Consideration will be funded from internal resources of the Group.

The First Acquisition Consideration was arrived at after arm's length negotiation between the Purchaser and the Vendor with reference to, among other things, the current market value of the First Property of approximately HK\$140 million.

Conditions precedent:

First Acquisition Completion is conditional upon, among other things, the following conditions being fulfilled or waived (as the case may be) on or before the Long Stop Date:

- (i) the Purchaser shall have notified the Vendor in writing that in reliance on the warranties and representations, it is satisfied upon inspection and investigation as to (a) the financial, corporate, taxation and trading positions of the Target Group; (b) the title of Sharp Light to the First Property; and (c) the results of its searches and replies to its enquiries with regard to the First Property;
- (ii) the Vendor shall have given, proved and shown Sharp Light's title to the First Property and made and furnished to the Purchaser the originals or certified copies (as the case may be) of such deeds and documents of title, will and matters of public records as may be necessary to complete and prove such title;
- (iii) the Company shall have obtained all necessary waiver, consent, approval, licence, authorization, qualification, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the execution and performance of the First Acquisition Agreement and any of the transactions contemplated thereunder; and

- (iv) the Vendor shall have caused the Target Group to discharge all the outstanding amount owed by Target Group to a commercial bank in Hong Kong and shall supply all information relating to the same to the satisfaction of the Purchaser.

The Purchaser may waive all or any condition(s) (other than condition (iii) above) by notice in writing to the Vendor.

In the event any of the conditions set out in the First Acquisition Agreement are not being fulfilled (or waived, as the case may be) by the relevant party prior to the Long Stop Date, then the non-defaulting party may elect either:

- (a) that the First Acquisition Agreement shall, subject to the liability of any party to the other or others in respect of any breaches of the terms thereof, antecedent thereto, be null and void and of no effect, and the Vendor shall return to the Purchaser all the money paid by the Purchaser within 5 Business Days on demand; or
- (b) that First Acquisition Completion be proceeded with (without prejudice to the non-defaulting party's rights thereunder).

First Acquisition Completion: First Acquisition Completion shall take place on the fifth Business Day after the fulfillment (or waiver, as the case may be) of all the conditions precedent set out in the First Acquisition Agreement or such other date as the parties to the First Acquisition Agreement may agree in writing.

Guarantee: The Guarantor irrevocably, absolutely and unconditionally guarantees to the Purchaser the due and punctual observance and performance by the Vendor of all obligations of, or expressed to be assumed by, the Vendor under or pursuant to the First Acquisition Agreement and the warranties given or provided by the Vendor to the Purchaser under the First Acquisition Agreement are true, accurate and correct.

The Guarantor also undertakes and agrees to pay to the Purchaser from time to time, upon demand by the Purchaser, any and all sums of money which the Vendor is at any time liable, or expressed to be liable, to pay to the Purchaser under or pursuant to the First Acquisition Agreement and which have become, or are expressed to have become, due and payable but have not been paid at the time such demand is made as if it was the principal obligor in respect to that amount.

## Information on the Target Group

### *Supreme Access*

Supreme Access was incorporated in the BVI and is principally engaging in property investment in Hong Kong through Sharp Light. As at the date of this announcement, Supreme Access is a direct wholly-owned subsidiary of the Vendor. According to the unaudited consolidated management accounts of Supreme Access, the consolidated net asset value of Supreme Access was approximately HK\$81.9 million as at 28 February 2017. For the two financial years ended 31 March 2015 and 2016, the unaudited consolidated net profits before and after taxation of Supreme Access were approximately:-

	<b>For the year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit before taxation	6.5	5.4
Net profit after taxation	6.3	5.2

### *Sharp Light*

Sharp Light was incorporated in Hong Kong and is principally engaged in property investment in Hong Kong. As at the date of this announcement, Sharp Light is a direct wholly-owned subsidiary of Supreme Access and an indirect wholly-owned subsidiary of the Vendor. The principal asset of Sharp Light is the First Property, which is a commercial property located at the Eleventh Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong with a saleable area of approximately 8,366 square feet. As at the date of this announcement, the First Property is being rented to an independent third party at a monthly rental of approximately HK\$340,000 (exclusive of government rent, rates, management fees and other charges) under a tenancy agreement for a period of three years from 1 July 2016 to 30 June 2019 (both dates inclusive).

According to the unaudited management accounts of Sharp Light, net asset value of Sharp Light was approximately HK\$65.9 million as at 28 February 2017. For the two financial years ended 31 March 2015 and 2016, the audited net profits before and after taxation of Sharp Light were approximately: -

	<b>For the year ended 31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit before taxation	6.5	5.5
Net profit after taxation	6.3	5.2

## THE SECOND ACQUISITION AGREEMENT

Major terms of the Second Acquisition Agreement are set out below:

- Date: 14 March 2017 (after trading hours)
- Parties:
- (i) Joywell Holdings Limited (i.e. the Purchaser), an indirect wholly-owned subsidiary of the Company, as the purchaser;
  - (ii) Future Master Investments Limited (i.e. the Vendor), as the vendor; and
  - (iii) Cordoba Homes Limited (i.e. the Guarantor), as the guarantor.
- Subject matter: Pursuant to the Second Acquisition Agreement, the parties thereto conditionally agreed that the Purchaser will acquire the Second Sale Shares, representing the entire issued share capital of August Estate, from the Vendor. Further details of August Estate are set out in the sub-section headed "**Information on August Estate**" below.
- Second Acquisition Consideration: The Second Acquisition Consideration for the Second Acquisition is HK\$144,600,000, which shall be satisfied:
- (i) as to HK\$14,460,000 by cash or by cheque payable by the Purchaser itself or through its nominee to the Vendor or the Vendor's nominee as the Vendor may direct upon signing of the Second Acquisition Agreement; and
  - (ii) as to HK\$130,140,000 by cash payable by the Purchaser itself or through its nominee to the Vendor or the Vendor's nominee as the Vendor may direct on Second Acquisition Completion
- provided that if the Second Acquisition shall fail all the money paid by the Purchaser herein shall be returned by the Vendor to the Purchaser within 5 Business Days on demand.
- The Second Acquisition Consideration will be funded from internal resources of the Group.
- The Second Acquisition Consideration was arrived at after arm's length negotiation between the Purchaser and the Vendor with reference to, among other things, the current market value of the Second Property of approximately HK\$145 million.
- Conditions precedent: Second Acquisition Completion is conditional upon, among other things, the following conditions being fulfilled or waived (as the case may be) on or before the Long Stop Date:

- (i) the Purchaser shall have notified the Vendor in writing that in reliance on the warranties and representations, it is satisfied upon inspection and investigation as to (a) the financial, corporate, taxation and trading positions of August Estate; (b) the title of August Estate to the Second Property; and (c) the results of its searches and replies to its enquiries with regard to the Second Property;
- (ii) the Vendor shall have given, proved and shown August Estate's title to the Second Property and made and furnished to the Purchaser the originals or certified copies (as the case may be) of such deeds and documents of title, will and matters of public records as may be necessary to complete and prove such title; and
- (iii) the Company shall have obtained all necessary waiver, consent, approval, licence, authorization, qualification, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the execution and performance of the Second Acquisition Agreement and any of the transactions contemplated thereunder;

The Purchaser may waive all or any condition(s) (other than condition (iii) above) by notice in writing to the Vendor.

In the event any of the conditions set out in the Second Acquisition Agreement are not being fulfilled (or waived, as the case may be) by the relevant party prior to the Long Stop Date, then the non-defaulting party may elect either:

- (a) that the Second Acquisition Agreement shall, subject to the liability of any party to the other or others in respect of any breaches of the terms thereof, antecedent thereto, be null and void and of no effect, and the Vendor shall return to the Purchaser all the money paid by the Purchaser within 5 Business Days on demand; or
- (b) that Second Acquisition Completion be proceeded with (without prejudice to the non-defaulting party's rights thereunder).

Second Acquisition Completion: Second Acquisition Completion shall take place on the fifth Business Day after the fulfilment (or waiver, as the case may be) of all the conditions precedent set out in the Second Acquisition Agreement or such other date as the parties to the Second Acquisition Agreement may agree in writing.

**Guarantee:** The Guarantor irrevocably, absolutely and unconditionally guarantees to the Purchaser the due and punctual observance and performance by the Vendor of all obligations of, or expressed to be assumed by, the Vendor under or pursuant to the Second Acquisition Agreement and the warranties given or provided by the Vendor to the Purchaser under the Second Acquisition Agreement are true, accurate and correct.

The Guarantor also undertakes and agrees to pay to the Purchaser from time to time, upon demand by the Purchaser, any and all sums of money which the Vendor is at any time liable, or expressed to be liable, to pay to the Purchaser under or pursuant to the Second Acquisition Agreement and which have become, or are expressed to have become, due and payable but have not been paid at the time such demand is made as if it was the principal obligor in respect to that amount.

### **Information on August Estate**

August Estate was incorporated in the BVI and is principally engaged in property investment in Hong Kong. As at the date of this announcement, August Estate is a direct wholly-owned subsidiary of the Vendor. The principal asset of August Estate is the Second Property, which is a commercial property located at the First Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong with a saleable area of approximately 7,572 square feet. As at the date of this announcement, the Second Property is being rented to an independent third party at a monthly rental of HK\$320,000 (exclusive of government rent, rates, management fees and other charges) under a tenancy agreement for a period of two years from 1 March 2017 to 28 February 2019 (both dates inclusive).

According to the unaudited management accounts of August Estate, net asset value of August Estate was approximately HK\$158.7 million as at 28 February 2017. As August Estate was newly incorporated in August 2016, the table below sets forth the available unaudited financial information of August Estate:

**For the period from 17 August 2016**  
**(Date of incorporation)**  
**to 28 February 2017**  
*HK\$ million*

Loss before taxation	(0.35)
Loss after taxation	(0.35)



## **GENERAL INFORMATION ON THE PARTIES**

The Company is a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the principal activities of its subsidiaries are (i) treasury management; (ii) property investment; and (iii) trading of scrap metals and other materials.

The Vendor is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons defined under the Listing Rules.

The Guarantor is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The Guarantor is the legal and beneficial owner of the entire issued share capital of the Vendor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Guarantor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons defined under the Listing Rules.

## **REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

The Group has been cautiously exploring suitable potential investment opportunities to broaden its source of revenue and to create value for the Shareholders. The Acquisitions represent a prime opportunity for the Group to gradually diversify into the property leasing market in Hong Kong to create value in terms of rental and capital appreciation.

Following the Acquisitions, both Supreme Access and August Estate will become wholly-owned subsidiaries of the Company, and property leasing will be recognised as another principal activity of the Group whereby the Group will generate a steady rental income from the First Property and Second Property.

Accordingly, the Directors consider that the terms of the Acquisition Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and it is in the interests of the Company and the Shareholders as a whole to enter into the Acquisition Agreements.

## **LISTING RULES IMPLICATIONS**

As the First Acquisition Agreement and the Second Acquisition Agreement are entered into with the same party, the transactions contemplated thereunder constitute a series of transactions to be aggregated pursuant to Rule 14.22 of the Listing Rules. Since one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisitions exceed 5% but all of them are less than 25%, the Acquisition Agreements and the transactions contemplated thereunder constitute discloseable transactions and are subject to the relevant requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings when used herein:

"Acquisitions"	the First Acquisition and the Second Acquisition
"Acquisition Agreements"	the First Acquisition Agreement and the Second Acquisition Agreement
"August Estate"	August Estate Limited, a company incorporated in the BVI with limited liability and wholly-owned by the Vendor
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturdays and Sundays and a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time and remains in effect between 9: 00 a.m. and 5: 00 p.m.) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	Yugang International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 613)
"connected person(s)"	has the meanings ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"First Acquisition"	the transactions contemplated under the First Acquisition Agreement
"First Acquisition Agreement"	the sale and purchase agreement dated 14 March 2017 entered into between the Purchaser and the Vendor in relation to the acquisition of the First Sale Shares and the First Debt
"First Acquisition Completion"	completion of the transactions contemplated under the First Acquisition Agreement
"First Acquisition Consideration"	the aggregate consideration of HK\$136,100,000 for the sale and purchase of the First Sale Shares and the First Debt under the First Acquisition Agreement
"First Debt"	the outstanding unsecured, interest-free loan (if any) without any fixed term of repayment owed by the Target Group to the Vendor immediately prior to First Acquisition Completion

"First Property"	a commercial property located at the Eleventh Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong
"First Sale Shares"	2 issued shares of US\$1.00 each in the share capital of Supreme Access, representing the entire issued share capital of Supreme Access
"Group"	the Company and its Subsidiaries
"Guarantor"	Cordoba Homes Limited, a company incorporated in the BVI with limited liability
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	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
"Long Stop Date"	14 June 2017 or such later date as the parties to the First Acquisition Agreement or the Second Acquisition Agreement (as the case may be) may agree in writing
"Purchaser"	Joywell Holdings Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
"Second Acquisition"	the transactions contemplated under the Second Acquisition Agreement
"Second Acquisition Agreement"	the sale and purchase agreement dated 14 March 2017 entered into between the Purchaser and the Vendor in relation to the acquisition of the Second Sale Shares
"Second Acquisition Completion"	completion of the transactions contemplated under the Second Acquisition Agreement
"Second Acquisition Consideration"	the aggregate consideration of HK\$144,600,000 for the sale and purchase of the Second Sale Shares under the Second Acquisition Agreement
"Second Property"	a commercial property located at the First Floor, China United Centre, No. 28 Marble Road, North Point, Hong Kong
"Second Sale Shares"	2 issued shares of US\$1.00 each in the share capital of August Estate, representing the entire issued share capital of August Estate

"Shareholder(s)"	holder(s) of ordinary share(s) of HK\$0.01 each in the share capital of the Company
"Sharp Light"	Sharp Light International Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Supreme Access
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"/ "subsidiaries"	any entity within the meaning of the term "subsidiary" as defined in the Listing Rules and the term "Subsidiaries" shall be construed accordingly
"Supreme Access"	Supreme Access International Limited, a company incorporated in the BVI with limited liability and wholly-owned by the Vendor
"Target Group"	Supreme Access and Sharp Light
"US\$"	US dollars, the lawful currency of the United States
"Vendor"	Future Master Investments Limited, a company incorporated in the BVI with limited liability and a third party independent of and not connected with the Company and any of its connected persons
"% "	per cent

By order of the Board  
**Yuen Wing Shing**  
Managing Director

Hong Kong, 14 March 2017

*As at the date of this announcement, the Board comprises nine Directors, namely Mr. Cheung Chung Kiu (Chairman), Mr. Yuen Wing Shing (Managing Director), Mr. Zhang Qing Xin, Mr. Lam Hiu Lo and Mr. Liang Kang as executive Directors; Mr. Lee Ka Sze, Carmelo as non-executive director; and Mr. Luk Yu King, James, Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu as independent non-executive Directors.*

*\* for identification purpose only*