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CHINA TANGSHANG HOLDINGS LIMITED

中國唐商控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET GROUP

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滋博資本有限公司

On 9 April 2020, the Company entered into the Equity Sale and Purchase Agreement with Mr. Chen Weiwu, pursuant to which the Company has agreed conditionally to acquire, and Mr. Chen Weiwu has agreed conditionally to sell, the Sale Shares at a consideration of HK\$196,861,538 (equivalent to approximately RMB179,144,000). The Consideration shall be settled by way of cash payment of HK\$36,861,538 (equivalent to approximately RMB33,544,000) and issue and allotment of 800,000,000 Consideration Shares, representing approximately 74.23% of the issued share capital of the Company as at the date of this announcement and approximately 42.60% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares upon Completion. The Consideration Shares will be allotted and issued at an issue price of HK\$0.2 per Consideration Share and therefore the total value of the Consideration Shares is HK\$160,000,000.

The Sale Shares represent the total issued share capital of the Target Company. Upon the Completion of the Acquisition, the Company will indirectly wholly hold 35% of the equity interest in the Project Company through the Target Company, thereby engaging in the development of the Dongguan Land and commencing its property development business in the PRC. The major asset of the Project Company is the Dongguan Land.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the consolidated financial statements of the Group. As the decision-making power of the Project Company shall be exercisable by the Target Group upon the Completion of the Acquisition, the financial statements of the Project Company will also be consolidated into the consolidated financial statements of the Group.

As certain percentage ratios as defined under Chapter 14 of the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements. Besides, as of the date of this announcement, Mr. Chen Weiwu, being the executive Director of the Company, is interested in approximately 53.80% of the shares of the Company, Mr. Chen Weiwu is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Consideration Shares will be issued under the specific mandate of the Company in accordance with the Listing Rules.

A special general meeting will be convened and held by the Company for the purpose of considering, and if thought fit, approving the resolution(s) in relation to the Equity Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares. Mr. Chen Weiwu, being the chairman of the Board and an executive Director, has a material interest in the Equity Sale and Purchase Agreement and the transactions contemplated thereunder and has abstained from voting on the Board resolution(s) approving the Equity Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee will advise the Independent Shareholders in respect of the relevant terms of the Equity Sale and Purchase Agreement. Rainbow Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition.

A circular containing, among other things, (i) further information of the terms of the Equity Sale and Purchase Agreement; (ii) a letter from the Independent Board Committee; (iii) an opinion from the Independent Financial Adviser; (iv) the financial information of the Group; (v) the unaudited pro forma financial information of the Group; (vi) a valuation report; (vii) the accountant's report on the Target Group; (viii) a notice convening the special general meeting; and (ix) other information as required under the Listing Rules is expected to be despatched to the Shareholders on 15 May 2020 after taking into account the estimated time required for the Company to prepare relevant information for inclusion in the circular.

As Completion is conditional upon fulfilment or waiver (as the case may be) of the conditions precedent to the Equity Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

THE ACQUISITION OF THE TARGET GROUP

INTRODUCTION

On 9 April 2020, the Company entered into the Equity Sale and Purchase Agreement with Mr. Chen Weiwu, pursuant to which the Company has agreed conditionally to acquire, and Mr. Chen Weiwu has agreed conditionally to sell, the Sale Shares at a consideration of HK\$196,861,538 (equivalent to approximately RMB179,144,000). The Consideration shall be settled by way of cash payment of HK\$36,861,538 (equivalent to approximately RMB33,544,000) and issue and allotment of 800,000,000 Consideration Shares, representing approximately 74.23% of the issued share capital of the Company as at the date of this announcement and approximately 42.60% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares upon Completion. The Consideration Shares will be allotted and issued at an issue price of HK\$0.2 per Consideration Share and therefore the total value of the Consideration Shares is HK\$160,000,000.

The principal terms of the Equity Sale and Purchase Agreement are as follows:

Date:

9 April 2020

Parties:

Purchaser: the Company

Vendor: Mr. Chen Weiwu

Subject Matter:

The Company has agreed conditionally to acquire, and Mr. Chen Weiwu has agreed conditionally to sell, the Sale Shares, which represent the total issued share capital of the Target Company. An indirect wholly-owned subsidiary of the Target Company shall acquire 35% of the equity interest in the Project Company held by Shenzhen Yaoling, because Shenzhen Yaoling successfully won the bid for the Dongguan Land at the price of RMB511,840,000 jointly with Shenzhen Leju lately in December 2019, and has established the Project Company to hold and develop the Dongguan Land. Upon Completion of the Acquisition, the Company will engage in the development of the Dongguan Land through the Target Company.

The shareholders of Shenzhen Yaoling are Mr. Zeng Qinghua (holding 3% of the shares) and Shenzhen Tangshang Equity Investment Company Limited (深圳市唐商股權投資有限公司) (holding 97% of the shares). Mr. Zeng Qinghua is the legal representative of Shenzhen Tangshang Equity Investment Company Limited, and ultimate beneficial owner of Shenzhen Yaoling. Mr. Zeng Qinghua is also the cousin-in-law of Mr. Chen Weiwu.

The general partner of Shenzhen Leju is Mr. Chen Danjun, and its limited partners are Shenzhen Yinghui Investment Ltd.* (深圳盈暉投資有限公司), Mr. Chen Zhenshou and Mr. Weng Qihao. Mr. Chen Danjun, Shenzhen Yinghui Investment Ltd. (深圳盈暉投資有限公司), Mr. Chen Zhenshou and Mr. Weng Qihao respectively holds 60%, 10%, 15% and 15% of interest in Shenzhen Leju. The legal representative and ultimate beneficial owner of Shenzhen Yinghui Investment Ltd. is Ms. Jiang Xiumei.

To the Directors' knowledge, information and belief and having made all reasonable enquiries, save that Ms. Jiang Xiumei's niece is the spouse of the aforesaid Mr. Zeng Qinghua, Shenzhen Leju and its ultimate beneficial owners are independent third parties not connected with the Company and its connected persons, as well as Shenzhen Yaoling and its beneficial owners.

Consideration

Pursuant to the Equity Sale and Purchase Agreement, the Consideration of HK\$196,861,538 (equivalent to approximately RMB179,144,000) shall be payable by the Company to Vendor by way of (i) cash payment of HK\$36,861,538 (equivalent to RMB33,544,000), and (ii) issue and allotment of Consideration Shares to Mr. Chen Weiwu at an issue price of HK\$0.2 per Consideration Share, i.e. 800,000,000 new Shares for total HK\$160,000,000 in value, on the Completion Date. The above cash payment of Consideration can be settled in Hong Kong dollar or Renmenbi equivalent.

The Company has the discretion to decide the currency for settlement. The closing middle rate of exchange between Hong Kong Dollar and Renminbi as quoted by the People's Bank of China at 5p.m on the business day preceding the date of Completion will be adopted.

The Consideration was calculated proportionally based on the Dongguan Land's land bidding price of RMB511,840,000 (equivalent to approximately HK\$562,461,538.46) and the 35% of the equity interest in the Dongguan Land to be indirectly held by the Target Company.

The Company determined the current portion of cash consideration and Consideration Shares after considering the liquidity and financial resources of the Company. As at 30 September 2019, the Group had current assets of approximately HK\$277.6 million and current liabilities of HK\$216.4 million, resulting in a net current asset position of approximately HK\$61.1 million. The issue of the Consideration Shares to satisfy the bulk of the Consideration shall reduce the cash outlay for the Acquisition to a level which is within the Group's financial capacity. To reserve sufficient working capital for the operation of the Company, the Company is of the view that the cash consideration should be approximately HK\$40.0 million at most.

The Company is of the view that the issuance of Consideration Shares would be the best way to satisfy the remaining Consideration because:

- (a) the issue price of the Consideration Shares of HK\$0.2 per Consideration Share represents a significant premium over historical closing prices of the Shares as well as the unaudited net asset value of approximately HK\$0.11 per Share as at 30 September 2019. As such, the issue of the Consideration Shares would not reduce the net asset value per Share;
- (b) though the Company has considered debt financing, such as bank borrowings, to be other possible fund raising alternatives, the Company is of the view that this will depend on the prevailing market condition, and may be subject to lengthy due diligence and negotiations with banks. As such, the Company considers debt financing to be relatively uncertain and time-consuming as compared to equity financing. In addition, taking into account the requirement of interest payments, working capital requirement and the maturity of the Group's borrowings, the Company is of the view that obtaining further bank borrowings to finance the Acquisition, which would reduce banking facilities otherwise available for other working capital requirements, is not in the interests of the Shareholders; and
- (c) the Company has also considered other alternatives of equity financing for the Acquisition which would not affect the cash and debt position of the Group, including a private placement of Shares to independent third party investors or a rights issue or open offer to existing Shareholders. A private placement has a similar dilutive potential as an issue to a connected person. However, private placements are also normally made at a significant discount to current market price, say around 10%, whereas the issue of the Consideration Shares is priced at a premium to the Share price. As regards a rights issue or open offer, the Company has considered such factors as (1) the price of a rights issue or open offer would normally involve a substantial discount to market, based on the discounts involved for recent rights issues and open offers of companies listed on the Stock Exchange; (2) the large size of the rights issue or open offer which would be required; (3) the likely costs involved (including the amount of underwriting commissions and other administrative and legal expenses); and (4)

the lack of certainty in the successful implementation of a rights issue or open offer with their longer timetable. On this basis, the Company did not consider a rights issue or open offer as appropriate means of raising fund for the Acquisition.

A consolidated management account of the Target Group after consolidation as at the date of Completion should be prepared by the accountants appointed by the Company within 30 days after the Completion. If there is any difference between the net asset value of the Target Group as at the date of the Equity Sale and Purchase Agreement and as at the date of Completion, any deficit would decrease the amount of the cash consideration. The number of Consideration Shares shall remain unchanged. There will not be any upward adjustment on the Consideration. The Directors consider that this arrangement is fair and reasonable and in the interest of the Company and the Shareholders as a whole as any decrease in the net asset value of the Target Group would be reflected in the Consideration proportionally pursuant to the shareholding of Dongguan Holding Company (Huachuang) in the Project Company. For example, if the net asset value of the Target Group decreases by RMB1,000,000, the Consideration will be adjusted downward by RMB350,000.

The net asset value of the Target Group as at the date of the Equity Sale and Purchase Agreement (assuming the acquisition of 35% shares of the Project Company by the Dongguan Holding Company (Huachuang) is completed) is RMB511,840,000, being the acquisition cost of the Dongguan Land. The loan from Mr. Chen Weiwu used to acquire 35% equity interests in the Project Company by Dongguan Holding Company (Huachuang) shall be capitalized immediately before Completion.

Consideration Shares

The issue price of HK\$0.2 per Consideration Share at which the Consideration Shares will be allotted and issued represents:

- (i) a premium of approximately 61.29% over the closing price of HK\$0.124 per Share as quoted on the Stock Exchange on the date of the Agreement;
- (ii) a premium of approximately 61.29% over the average closing price of approximately HK\$0.124 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the date of the Agreement;
- (iii) a premium of approximately 53.85% over the average closing price of approximately HK\$0.130 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the date of the Agreement;
- (iv) a premium of approximately 30.72% over the average closing price of approximately HK\$0.153 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the date of the Agreement;

- (v) a premium of approximately 19.05% over the average closing price of approximately HK\$0.168 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the date of the Agreement;
- (vi) a premium of approximately 6.95% over the average closing price of approximately HK\$0.187 per Share as quoted on the Stock Exchange for the last 360 consecutive trading days up to and including the date of the Agreement; and
- (vii) a premium of approximately 81.8% over the unaudited net asset value of approximately HK\$0.11 per Share as at 30 September 2019 calculated based on the 1,077,778,570 Shares in issue as at the date of the Agreement.

The issue price was determined after arm's length negotiation between the Company and Mr. Chen Weiwu with reference to the recent price performance of the Shares and the prevailing market conditions.

The Consideration Shares also represent:

- (i) approximately 74.23% of the issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 42.60% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be issued under the specific mandate to be sought from the Independent Shareholders at the special general meeting. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the outstanding Shares in issue on the date of the allotment and issue of the Consideration Shares.

Application for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued pursuant to the Equity Sale and Purchase Agreement will be made by the Company to the Stock Exchange.

Conditions Precedent:

Completion is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

- (i) the Company having obtained the approval from its Independent Shareholders in respect of, inter alia, (a) the Acquisition; and (b) the issue of the Consideration Shares to Mr. Chen Weiwu pursuant to the terms of the Equity Sale and Purchase Agreement, in the manner required by the Listing Rules;

- (ii) the Company having obtained the approval from the Board in respect of the transactions contemplated under the Equity Sale and Purchase Agreement;
- (iii) the Company having obtained the approval from the Board in respect of the allotment and issue of the Consideration Shares;
- (iv) the Target Company having indirectly held 35% of the equity interest in the Project Company through its subsidiary;
- (v) the Project Company having legally obtained the entire interest of the Dongguan Land and having fully repaid all the relevant land premium due to the PRC government;
- (vi) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares;
- (vii) the allotment and issue of the Consideration Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Agreement by any legislative, executive or regulatory body or authority of Bermuda or Hong Kong;
- (viii) each of the parties having complied with the terms and conditions of the Agreement and there having been no material breach of the Agreement by any party thereto;
- (ix) all of the warranties and representations contained in the Agreement remaining true, correct, complete, accurate and not misleading in all material respects at Completion, as if repeated at Completion and all undertakings contained in the Agreement, to the extent that it is capable of being fulfilled prior to the Completion Date, having been fulfilled in all respects;
- (x) there having been no material adverse change in the Target Group between the date of the Agreement and the Completion Date;
- (xi) the purchaser, the vendor and the Target Company having complied with the Listing Rules in all respects for the Acquisition;
- (xii) the Company being satisfied with the results of the legal and/or financial due diligence review on the Target Group, including having obtained sufficient evidence indicating the valid title of the properties held by the Target Group pursuant to the relevant laws and regulations of the PRC; and
- (xiii) the Company having satisfied that each member of the Target Group is duly incorporated, validly existing and of good standing, and that the shareholding structure of the Target Group pursuant to the Agreement is true, correct, accurate, complete, legal and valid.

As at the date of this announcement, conditions (ii), (iii), (iv), (v) and (xiii) above are already satisfied. [Co to confirm]

The Company may at any time waive the conditions set out in (x) and (xii) above by notice in writing to Mr. Chen Weiwu. As at the date of this announcement, the Company has no intention to waive any of the above conditions.

If the conditions above have not been fulfilled or waived (as the case may be) within six months from the date of the Agreement (or such later date as the parties may agree), the Equity Sale and Purchase Agreement shall cease and determine and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Agreement.

Board composition:

The Company shall have the right to appoint all director(s) of the Project Company. The director(s) of the Project Company shall have the power and authority to decide on matters relating to its affairs and business.

Given that the existing Board already has experience in property development business, the other shareholders of the Project Company agreed that the Company shall have the right to appoint all directors of the Project Company to operate and manage the business.

There will be one director and one chief executive officer in the Project Company, which will both be nominated by Dongguan Holding Company (Huachuang) as per the shareholders' agreement (the "Shareholders' Agreement") signed by all shareholders of the Project Company on 9 April 2020. Therefore, the Target Group could exercise decision-making power at both the board level and the management level despite it will only be interested in 35% equity interest of the Project Company.

Completion

Completion shall take place within seven business days after fulfilment or waiver (as the case may be) of all the conditions precedent to the Agreement, or such other date as the parties to the Agreement may agree in writing.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the consolidated financial statements of the Group. As the decision-making power of the Project Company shall be exercisable by the Target Group upon Completion of the Acquisition, the financial statements of the Project Company will also be consolidated into the consolidated financial statements of the Group, and the auditors of the Company have agreed with such proposed consolidation.

Shareholders' agreement

All the shareholders of the Project Company have entered into the Shareholders' Agreement on 9 April 2020 alongside with the execution of the Equity Sale and Purchase Agreement, and the Shareholders' Agreement will prevail over the articles of association of the Project Company, as advised by the PRC legal advisers to the Company.

The keys terms of the Shareholders' Agreement are as follows:

Scope of business

The scope of business of the Project Company includes urban renewal information consulting, business management consulting, business information consulting; real estate intermediary services; urban renewal project planning; engineering consulting; real estate development and operation; real estate investment; industry investment; property investment; property management; leasing of own property; gardening and greening project design and construction.

The scope of business of the Project Company may not be changed unless the written consent of all shareholders is obtained.

Registered capital and capital contribution arrangements

The registered capital of the Project Company shall be RMB10,000,000, which shall be contributed by the shareholders in proportion to their respective shareholding.

Corporate governance

The Project Company shall have one director which will be nominated by Dongguan Holding Company (Huachuang) and elected at general meeting. The director appointed shall not be subject to retirement.

The Project Company shall have one supervisor which will be nominated by Dongguan Holding Company (Huachuang) and elected at general meeting.

The Project Company shall have one manager (chief executive officer) which will be nominated by Dongguan Holding Company (Huachuang) and appointed by the director of the Project Company.

Power of director and shareholders

Notwithstanding anything contrary in the articles of association of the Project Company, the director shall exercise the major decision-making power relating to the operation and management of the Project Company, which includes:

(a) to determine the company's annual business plan and investment plan;

- (b) to formulate the annual financial budget plan and accounting proposal of the company;
- (c) to formulate the profit distribution plans and loss compensation plan of the company;
- (d) to formulate the plans of increasing and reducing the registered share capital of the company and issuance of debt securities;
- (e) to formulate plans for merger, division, changing the incorporation form and dissolution of the company;
- (f) to decide on the setting up of internal management organization;
- (g) to decide on the appointment or dismissal of the manager of the company and its remuneration, and to decide on the appointment or dismissal of the company's deputy manager and chief financial officer according to the manager's nomination; and
- (h) to determine the basic management system of the company.

80% votes of shareholders attending the general meeting will be required for resolving the following matters:

- (a) changing the name of the Project Company;
- (b) amending the articles of association of the Project Company;
- (c) capitalisation, repayment or making other form of distribution of any amount standing to the credit of any reserve of the Project Company on the redemption or purchase of any shares or any other reorganisation of share capital;
- (d) altering the rights attached to the shares of the Project Company;
- (e) passing any resolution the result of which would be the winding-up, liquidation or receivership of the Project Company, or making any composition or arrangement with creditors.

Distribution of profit and dividend and issue of additional shares of the Project Company will be resolved by the director of the Project Company and will not be subject to approval of shareholders.

The appointment of the sole director and chief executive officer will be approved by ordinary resolution of the Project Company. However, as the shareholders of the Project Company have already agreed that such director and chief executive officer will be the persons nominated by Dongguan Holding Company (Huachuang) pursuant to the Shareholders' Agreement, it would be in breach of the Shareholders' Agreement if the shareholders of the Project Company do not pass the resolution for such appointment. Other shareholders of the Project Company do not have veto rights to the nomination of director and chief executive officer by Dongguan Holding Company (Huachuang).

Financing

In the event that the Project Company's financial resources are at any stage insufficient to satisfy its working capital requirements as determined by the director, the shareholders shall use all reasonable endeavours to arrange borrowings in the form of loans or overdraft facilities from banks or other financial institutions. If such borrowings could not be obtained, the director may request the shareholders to advance further interest bearing loans or subscribe for additional shares of the Project Company.

Pre-emptive right

Each shareholder of the Project Company shall not transfer or dispose of (or agrees to transfer or dispose of) the whole or any part of its shares in the Project Company or any interest thereon without first offering to sell such shares to the other shareholders or obtaining their written consent.

Amendments

The Shareholders Agreement can only be amended with the written consent of all shareholders of the Project Company.

INFORMARION OF THE DONGGUAN LAND

The Dongguan Land situates at Caole Village, Xiegang Town, Dongguan City, PRC with an area of 330,265.58 square meters designated for urban residential use and business service use (R2 Class II residential land). R2 Class II residential land (R2 二類居住用地) means the state-owned land used for constructing multi-storey buildings mainly for residential purpose with all-round supporting facilities, which accounts for the major part among the residential lands in the PRC. With the approval of the People's Government of Dongguan Municipality, Dongguan Municipal Bureau of Natural Resources* (東莞市自然資源局) and Dongguan City Public Resources Trading Center* (東莞市公共資源交易中心) determined to list the Dongguan Land for sale, and Shenzhen Yaoling successfully won the bid at the price of RMB511,840,000 jointly with Shenzhen Leju in December 2019.

As at the date of this submission, the Dongguan Land was vacant pending development, of which the development plan is yet to be fixed and approved by the relevant governmental authority. As advised by the Company, the Group plans to develop the Dongguan Land into a mix of residential and commercial properties, part of which is for leasing purpose. It is currently intended that approximately 50% of the planned gross floor area ("GFA") of the Dongguan Land will be used to construct residential properties for sales, and approximately 50% of the planned GFA of the Dongguan Land will be used for leasing purpose such as to construct commercial properties (for example, shopping malls, retail shops, car parking space, offices, etc.).

The construction of the Dongguan Land is planned to be completed by phases between 2020 and 2022. Depending on the actual supply and demand conditions, it is intended that the pre-sale or sale will be conducted between 2020 and 2023.

The development of the Dongguan Land would be in line with the Company's existing business. As stated above, the Group plans to develop the Dongguan Land into a mix of residential and commercial properties, part of which is for leasing purpose. Commercial properties, including shopping malls, entertainment facilities and carparks, are typically integrated with residential properties in the vicinity, which the Company believes will not only diversify its source of income, but most importantly, generate more traffic in the locality and therefore enhance the value of, and drive the demand for, both its commercial and residential properties. As such, the Company considers that the engagement in property development is closely related to its existing property leasing business.

The Company has no intention to downsize or terminate its existing businesses. The existing property leasing business will be expanded by developing commercial properties on the Dongguan Land for leasing purpose, and the Company intends to expand its property sub-leasing business in other first tier cities in Mainland China. As the Group develops both residential and commercial properties over time should appropriate opportunities arise, the revenue generated from both the existing property leasing and the new property development businesses will enlarge simultaneously.

It is expected that the capital commitment of the Project Company for the development of the Dongguan Land will be RMB300,000,000, which will be financed by borrowings obtained by the Project Company. The Project Company is currently applying for a commercial loan from the Bank of Dongguan, which is expected to be in the sum of approximately 60% of the value of the Dongguan Land. Since the Dongguan Land is not subject to any encumbrances, the Directors believe that the Project Company would be able to obtain such commercial loan. In view of the bidding price of the Dongguan Land which amounts to RMB511,840,000, the commercial loan which could be obtained would likely exceed RMB300,000,000, covering the entire development costs for phase 1 of the development. Hence, there is currently no need for the shareholders of the Project Company to make further capital contribution. In the unlikely event that the Project Company could not obtain sufficient borrowings, the development costs of RMB300,000,000 may be contributed by the shareholders of the Project Company in proportionate to their shareholding, and the Company would, through its subsidiaries, contribute RMB105,000,000 for the development of the Dongguan Land in such event.

The capital commitment of the Project Company is determined based on the following:

- (a) Upfront engineering costs of approximately RMB24-29 million will be incurred, which include the costs for surveying and planning, ensuring the utilities supply for the commencement of construction, and for settling the charges of the government;

- (b) Construction and engineering costs of approximately RMB254-261 million will be incurred, which include the costs for various civil engineering, decoration of residential properties and installation of facilities; and
- (c) Infrastructure and ancillary facilities of approximately RMB23-28 million will be incurred, which include the costs for landscaping, telecommunication facilities, fire fighting facilities, intelligence system and utilities;

Hence, it is estimated that the first phase development costs of the Dongguan Land will be approximately RMB300 million.

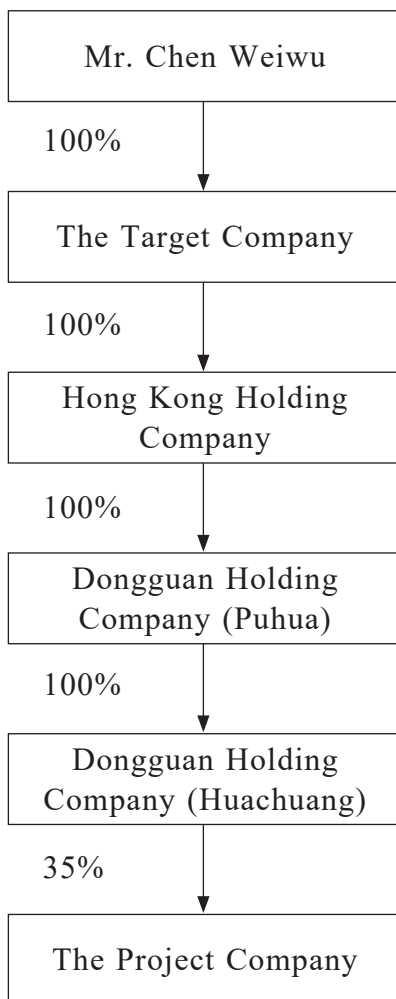
It is expected that the first phase of the development of the Dongguan Land would develop two-third of the Dongguan Land. Further development would be subject to various factors such as the then market condition and the market response to the development, and the shareholders of the Project Company do not have any plan for the second phase of the development yet. In any event, it is expected the sale proceeds from the sale of residential properties in the first phase of the development as well as rental income would be able to finance further development of the Dongguan Land.

The Project Company has commenced the negotiation with the Bank of Dongguan already and it is expected that commercial loan could be obtained in the coming two months. Hence, there is not a required timeframe for the shareholders of the Project Company to contribute further capital, and the Company itself does not have plan for further fund-raising activities for the development of the Dongguan Land currently.

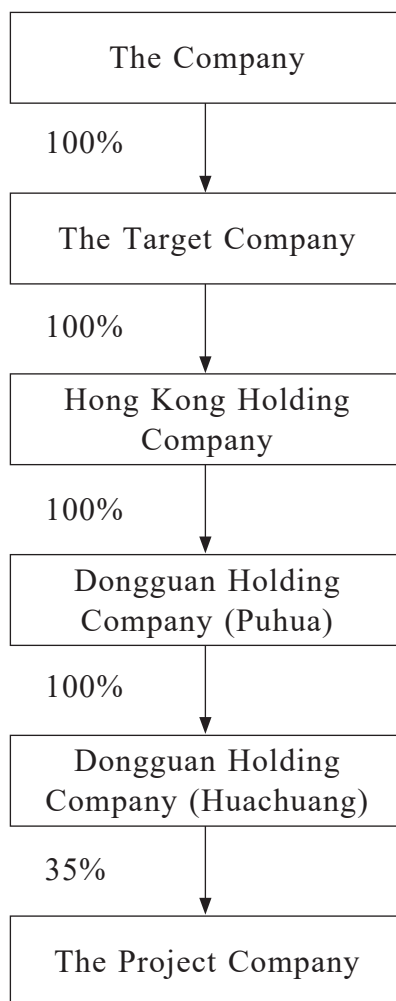
In the unlikely event that the Company is required to make capital contribution to satisfy the first phase development costs of the Dongguan Land, the Company intends to fund the development of the Dongguan Land through external equity and/or debt financings including but not limited to issuance of note or bond, open offer and/or rights issue, depending on the then prevailing circumstances. This is because after the payment of the cash consideration of HK\$36,861,538, the Company would need to retain the remaining cash as working capital for its operation.

INFORMATION OF THE TARGET GROUP

The shareholding structure of the Target Group before the Completion is as follows:



The structure of shareholding of the Target Group held by the Company immediately after the Completion is as follows:



The Company understands that the major asset of the Target Group as of the Completion of the Acquisition will be the Dongguan Land. The Target Group did not have any identifiable income for the past two financial years.

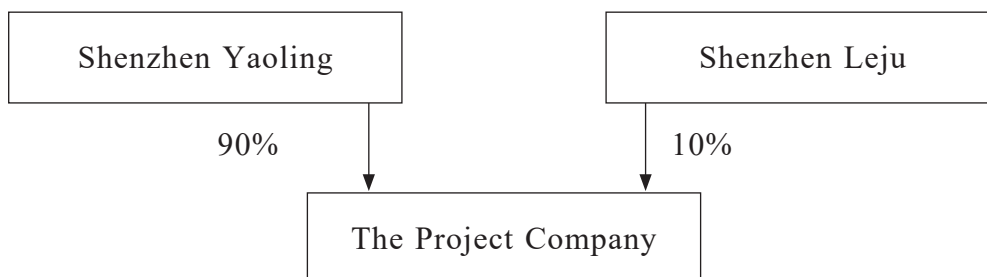
Before the date of the Equity Sale and Purchase Agreement, Shenzhen Yaoling and Shenzhen Leju each holds 90% and 10% of the shares of the Project Company, respectively. As a condition precedent to the Completion of the Acquisition, Dongguan Holding Company (Huachuang) will hold 35% of the shares of the Project Company. Upon the completion of the Acquisition, Dongguan Holding Company (Huachuang) will be an indirect wholly-owned subsidiary of the Company and hold 35% of the shares of the Project Company, and Shenzhen Yaoling and Shenzhen Leju will hold 55% and 10% of the shares of the Project Company, respectively.

The Company is given to understand that the consideration for 35% of the equity interest in the Project Company is RMB179,144,000, being 35% of the bidding price of the Dongguan Land. Mr. Chen Weiwu will provide funds to Dongguan Holding Company (Huachuang) for settling the consideration. Such acquisition will be completed before the Completion and the successful acquisition of 35% of the equity interest by the Target Group indirectly is a condition precedent to the Completion of the Acquisition.

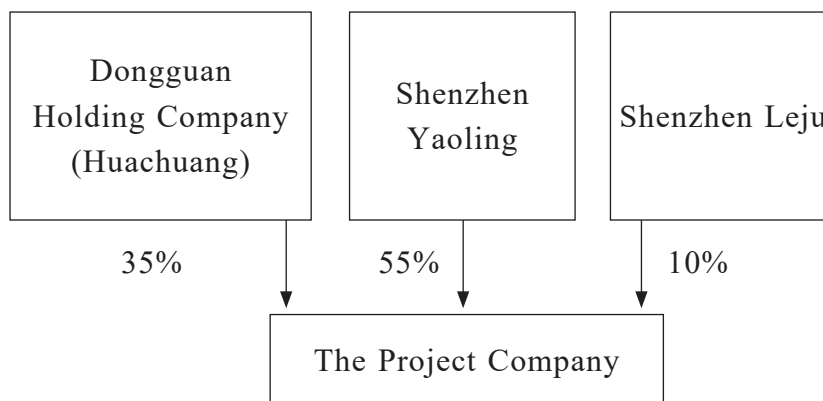
Immediately after the Completion, the Project Company will be indirectly owned as to 35% by the Company, as to 55% by Shenzhen Yaoling and as to 10% by Shenzhen Leju, respectively.

The shareholding structure of the Project Company before the date of the Equity Sale and Purchase Agreement and immediately before and after the Completion is as follows:

Before the date of the Equity Sale and Purchase Agreement:



Immediately before and after Completion:



CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 1,077,778,570 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the Completion and the allotment and issue of Consideration Shares:

	As at the date of this announcement		Immediately after the Completion and the allotment and issue of Consideration Shares	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Mr. Chen Weiwu	579,806,977	53.80	<u>1,379,806,977</u>	<u>73.48</u>
Public Shareholders	497,971,593	46.20	<u>497,971,593</u>	<u>26.52</u>
Total	1,077,778,570	100.00	<u>1,877,778,570</u>	100.00

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE TRANSACTIONS

The business objectives of the Group are to develop its business and achieve sustainable growth of its business. The Group aims to achieve such objectives by pursuing the growth-oriented strategies, including investment in more property sub-leasing, development and investments projects in the PRC.

As disclosed in the annual report of the Company, the management team and the Board of the Company are highly experienced in the real estate development industry in the PRC and possess significant resources and networks in the PRC which the Company expects to be able to leverage for its future development in the property sub-leasing, development and investment business sector.

Mr. Chen Weiwu, being the controlling shareholder of the Company and the chairman of the Board, enables the Group to engage in the development of the Dongguan Land and assists the Group to commence its property development business in the PRC through the transfer of the equity interests in the Project Company indirectly held by him to the Company.

It is expected that approximately RMB300 million will be required by the Project Company for the development project of the Dongguan land. The Dongguan Land is intended to be used for constructing residential and commercial properties.

Having considered the above factors, the Board (excluding members of the Independent Board Committee whose views can only be formed after having been advised by the Independent Financial Adviser) considers that the terms of the Equity Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

INFORMATION OF THE COMPANY

The Company is a Hong Kong-based investment holding company principally engaged in exhibition and property businesses. The Company has four segments. Exhibition-related business organizes exhibition events and meeting events. Food and beverages business represents the sales of food and beverages and restaurant operations. Money lending business represents the business of loan to customers, including individuals and corporation, pursuant to the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). Property sub-leasing, property development and investment business represents the sub-leasing and development of real estates and the leasing of investment properties.

APPROVAL OF THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Equity Sale and Purchase Agreement except Mr. Chen Weiwu, the connected Director. Other Directors have unanimously approved the Equity Sale and Purchase Agreement (Mr. Chen Weiwu, the connected Director, has abstained from voting).

IMPLICATIONS UNDER THE LISTING RULES

As certain percentage ratios as defined under Chapter 14 of the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements. Besides, as of the date of this announcement, Mr. Chen Weiwu, being the executive Director of the Company, is interested in approximately 53.80% of the shares of the Company, Mr. Chen Weiwu is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Consideration Shares will be issued under the specific mandate of the Company in accordance with the Listing Rules.

A special general meeting will be convened and held by the Company for the purpose of considering, and if thought fit, approving the resolution(s) in relation to the Equity Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares. Mr. Chen Weiwu, being the chairman of the Board and an executive Director, has a material interest in the Equity Sale and Purchase Agreement and the transactions contemplated thereunder and has abstained from voting on the Board resolution(s) approving the Equity Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee will advise the Independent Shareholders in respect of the relevant terms of the Equity Sale and Purchase Agreement. Rainbow Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition.

A circular containing, among other things, (i) further information of the terms of the Equity Sale and Purchase Agreement; (ii) a letter from the Independent Board Committee; (iii) an opinion from the Independent Financial Adviser; (iv) the financial information of the Group; (v) the unaudited pro forma financial information of the Group; (vi) a valuation report; (vii) the accountant's report on the Target Group; (viii) a notice convening the special general meeting; and (ix) other information as required under the Listing Rules is expected to be despatched to the Shareholders on 15 May 2020 after taking into account the estimated time required for the Company to prepare relevant information for inclusion in the circular.

As Completion is conditional upon fulfilment or waiver (as the case may be) of the conditions precedent to the Equity Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company from Mr. Chen Weiwu in accordance with the terms and conditions of the Agreement
“Agreement” or “Equity Sale and Purchase Agreement”	the conditional Equity Sale and Purchase Agreement dated <u>9 April 2020</u> entered into by the Company and Mr. Chen Weiwu in respect of the Acquisition
“Board”	the board of Directors
“Company”	China Tangshang Holdings Limited, a company incorporated in Bermuda with limited liability, and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 674)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of <u>HK\$196,861,538 (equivalent to approximately RMB179,144,000)</u> for the acquisition of the Sale Shares
“Consideration Share(s)”	800,000,000 new Shares to be allotted and issued by the Company to the Vendor <u>to satisfy part of the Consideration</u>
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dongguan Holding Company(Puhua)”	Dongguan Puhua Land Ltd. * (東莞普華置地有限公司), a company incorporated on <u>28 February 2020</u> under the laws of the PRC with limited liability

“Dongguan Holding Company (Huachuang)”	Dongguan Huachuang Industry Development Ltd.* (東莞華創文實業開發有限公司), a company incorporated on <u>12 March 2020</u> under the laws of the PRC with limited liability
“Dongguan Land”	the land situated at Caole Village, Xiegang Town, Dongguan City, PRC, with a land parcel number of 2019WG052 and an area of 330,265.58 square meters designated for urban residential use and business service use
“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 People’s Republic of China
“Hong Kong Holding Company”	Happy Star Investments Limited, a company incorporated under the Laws of Hong Kong which is directly wholly-owned by the Target Company
“Independent Board Committee”	the independent board committee, comprising all of the independent non-executive Directors, namely Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin, established for the purpose of advising the Independent Shareholders in respect of the signing of Equity Sale and Purchase Agreement
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
“Independent Shareholders”	shareholders other than the connected person(s) who is/are interested in the relevant transactions
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“ <u>Project Company</u> ”	<u>Dongguan Huachuangwen Land Ltd.* (東莞市華創文置地有限公司), a company incorporated on 6 January 2020 under the laws of the PRC with limited liability</u>

“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share(s)”	10,000 shares of the Target Company of US\$1 each, representing 100% of the issued share capital of the Target Company
“Share(s)”	ordinary share of HK\$0.10 each in the share capital of the Company
“Shenzhen Yaoling”	Shenzhen Yaoling Investment Ltd.* (深圳市耀領投資有限公司), a company incorporated under the Laws of the PRC
“Shenzhen Leju”	Shenzhen Leju Real Estate Information and Advisory Partnership (limited partnership)* (深圳市樂居房地產信息諮詢合夥企業(有限合夥))
“Shareholders”	the holder(s) of the Share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Topper Genius Investments Limited (峰智投資有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability on 11 July 2019
“Target Group”	the Target Company and its subsidiaries
“%”	per cent.

For ease of reference, sums in RMB in this announcement are translated at the exchange rate of RMB0.91 = HK\$1. This does not serve as a representation that RMB could be converted into HK\$ or vice versa at that rate.

By Order of the Board
China Tangshang Holdings Limited
Chen Weiwu
Chairman

Hong Kong, 9 April 2020

As at the date of this announcement, the executive Directors are Mr. Chen Weiwu (Chairman) and Mr. Zhou Houjie; and the independent non-executive Directors are Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin.

* *For identification purpose only*