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沪港联合

HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED

滬港聯合控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1001)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
CAPITAL INJECTION INTO SKYLINE HOLDINGS**

The Board hereby announces that the SPA for the acquisition of the Shanghai Project Company was signed on 16th December 2019 (after trading hours) and Top Bloom (an indirect wholly-owned subsidiary of the Company) shall become obliged to make further capital commitment to Skyline Holdings for such acquisition.

FORMATION OF THE JOINT VENTURE

On 27th November 2019, Top Bloom, the JV Partner and Skyline Holdings entered into the Framework Agreement for the formation of a joint venture in contemplation of the proposed acquisition of the Shanghai Property. Upon subscription of shares in Skyline Holdings by Top Bloom and the JV Partner, Skyline Holdings is owned as to 5% by Top Bloom and 95% by the JV Partner.

Top Bloom and the JV Partner agreed to make further capital commitment to Skyline Holdings, by way of interest-free shareholder loan, in proportion to their shareholding in Skyline Holdings if and when the SPA is entered into and in accordance with the payment schedule provided in the SPA. Therefore, the formation of the joint venture as contemplated under the Framework Agreement did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules by reference to the Initial Capital Commitment.

ACQUISITION OF THE SHANGHAI PROJECT COMPANY

On 16th December 2019 (after trading hours), the SPV (a wholly-owned subsidiary of Skyline Holdings) entered into the SPA with the Sellers for the acquisition of the Shanghai Project Company which owns the majority of the gross floor area in the Shanghai Property at a cash consideration of RMB1,364,615,708 (equivalent to HK\$1,514,723,436).

To fund the payment of the Further Consideration by the SPV, Top Bloom and the JV Partner agreed to make further capital commitment to Skyline Holdings in the aggregate amount of US\$167,000,000 (equivalent to HK\$1,304,270,000), by way of interest-free shareholder loan, in proportion to their shareholding in Skyline Holdings. Upon completion of the SPA, the Shanghai Project Company will be wholly-owned by Skyline Holdings.

IMPLICATIONS UNDER THE LISTING RULES

The Total Capital Commitment in Skyline Holdings, being the aggregate of the Initial Capital Commitment and the Capital Injection, is approximately US\$10,000,000 (equivalent to HK\$78,100,000), which is determined by reference to Top Bloom's share of the Acquisition Consideration in proportion to its shareholding in Skyline Holdings. Save from the Total Capital Commitment, the Group has not made any other capital commitment to Skyline Holdings (whether equity, loan or otherwise). Since one of the applicable percentage ratios (as defined in Rule 14.07 under the Listing Rules) in respect of the Initial Capital Commitment and the Capital Injection, on an aggregate basis, is more than 5% but is less than 25%, the Capital Injection as triggered by the signing of the SPA is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that the SPA for the acquisition of the Shanghai Project Company was signed on 16th December 2019 (after trading hours) and Top Bloom (an indirect wholly-owned subsidiary of the Company) shall become obliged to make further capital commitment to Skyline Holdings for such acquisition.

ESTABLISHMENT OF THE JOINT VENTURE

On 27th November 2019, Top Bloom, the JV Partner and Skyline Holdings entered into the Framework Agreement for the formation of a joint venture in contemplation of the proposed acquisition of the Shanghai Property. Upon subscription of shares in Skyline Holdings by Top Bloom and the JV Partner, Skyline Holdings is owned as to 5% by Top Bloom and 95% by the JV Partner. The principal terms of the Framework Agreement are as follows:

Date : 27th November 2019

Parties : (i) Top Bloom;
(ii) the JV Partner; and
(iii) Skyline Holdings

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, the JV Partner and its ultimate beneficial owner(s) are Independent Third Parties

Purpose : For the acquisition of the Shanghai Project Company and development and operation of the Shanghai Property through the SPV, a wholly-owned subsidiary of Skyline Holdings

Shareholding structure : As at the date of this announcement, the issued share capital of Skyline Holdings is US\$100 which is owned as to 5% by Top Bloom and 95% by the JV Partner

Initial capital commitment : (i) Issued share capital: US\$5 by Top Bloom and US\$95 by the JV Partner; and
(ii) Interest-free shareholder loan: RMB11,500,000 (equivalent to HK\$12,765,000) by Top Bloom and RMB218,500,000 (equivalent to HK\$242,535,000) by the JV Partner, for the payment of the Bidding Deposits

Board composition : Four directors, three of whom shall be nominated by the JV Partner, and one of whom shall be nominated by Top Bloom

- Matters requiring unanimous approval of the board of directors of Skyline Holdings** : The decision regarding reserved matters such as (i) change to the composition of the board; (ii) issuance of capital calls to the shareholders; (iii) increase, reduction, repurchase, recapitalization or reclassification of share capital or registered capital; (iv) financing or incurrence of debt or other liabilities or guarantee of any third party liability, involving amount more than US\$1 million; (v) creation of any lien, pledge, mortgage or other security interest in or on all or any of the material assets; (vi) entry into any transaction with a value in excess of US\$1 million between Skyline Holdings and the shareholder or its affiliate(s); (vii) amendment to the memorandum and articles of association and other organizational documents; (viii) merger, separation, dissolution, winding up, liquidation, bankruptcy, insolvency, restructuring or similar transaction or action with respect to Skyline Holdings and/or the SPV; (ix) fundamental change to the scope or nature of business; (x) repayment of shareholder loans, or declaration or payment of any distributions other than in accordance with the Framework Agreement; (xi) initial public offering of Skyline Holdings and/or the SPV; and (xii) action that will result in the cancellation, or material adverse effect to the rights or benefits of any of Skyline Holdings and its shareholders
- Distribution** : On a pro rata basis based on the shareholding unless otherwise agreed by the shareholders of Skyline Holdings

The investment in Skyline Holdings will be accounted for in the consolidated accounts of the Company as an investment accounted for using the equity method.

Top Bloom and the JV Partner agreed to make further capital commitment to Skyline Holdings, by way of interest-free shareholder loan, in proportion to their shareholding in Skyline Holdings if and when the SPA is entered into and in accordance with the payment schedule provided in the SPA. Therefore, the formation of the joint venture as contemplated under the Framework Agreement did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules by reference to the Initial Capital Commitment.

ACQUISITION OF THE SHANGHAI PROJECT COMPANY

On 16th December 2019 (after trading hours), the SPV (a wholly-owned subsidiary of Skyline Holdings) entered into the SPA with the Sellers for the acquisition of the Shanghai Project Company which owns the majority of the gross floor area in the Shanghai Property at a cash consideration of RMB1,364,615,708 (equivalent to HK\$1,514,723,436). The principal terms of the SPA are as follows:

- Date** : 16th December 2019
- Parties** : (i) the SPV as the purchaser; and
(ii) the Sellers
- To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, each of the Sellers and its ultimate beneficial owner(s) are Independent Third Parties
- Location of the Shanghai Property** : No.15, Da Pu Road, Huangpu District, Shanghai, the PRC
- Gross floor area owned by the Shanghai Project Company** : 91,733.35 square meters
- Term of the land use rights** : Serviced Office: 22nd July 2002 to 21st July 2052
Hotel: 22nd July 2002 to 21st July 2042
- Acquisition Consideration** : (i) Bidding Deposits of RMB230,000,000 (equivalent to HK\$255,300,000); and
(ii) Further Consideration of RMB1,134,615,708 (equivalent to HK\$1,259,423,436)
- Payment schedule** : The Bidding Deposits paid by the SPV were treated as part of the Acquisition Consideration. The SPV shall pay to the Sellers the Further Consideration by two installments. The down payment of RMB695,954,011 (equivalent to HK\$772,508,952) (Bidding Deposits inclusive) shall be made within five business days after the SPA takes effect and the balance payment of RMB668,661,697 (equivalent to HK\$742,214,484) shall be made within 180 days after the SPA takes effect. The SPA shall take effect on 16th December 2019.

To fund the payment of the Further Consideration by the SPV, Top Bloom and the JV Partner agreed to make further capital commitment to Skyline Holdings in the aggregate amount of US\$167,000,000 (equivalent to HK\$1,304,270,000), by way of interest-free shareholder loan, in proportion to their shareholding in Skyline Holdings. Upon completion of the SPA, the Shanghai Project Company will be wholly-owned by Skyline Holdings.

INITIAL CAPITAL COMMITMENT, CAPITAL INJECTION AND ACQUISITION CONSIDERATION

The Initial Capital Commitment and the Capital Injection in Skyline Holdings are determined by reference to Top Bloom's share of the Acquisition Consideration, in proportion to its shareholding in Skyline Holdings. The Initial Capital Commitment was funded by internal resources of the Group. The Group intends to fund the Capital Injection by both internal resources and bank borrowing.

The Acquisition Consideration was arrived at as a result of the Bidding. The Board considers that the Acquisition Consideration is fair and reasonable having taken into account, among other things, the minimum bid price, current market conditions, location of the Shanghai Property and land price in the surrounding area.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Company has been looking for suitable investments or business opportunities to diversify the business of the Group with an objective to broaden the Group's income sources. As disclosed in the interim report of the Company for the six months ended 30th September 2019, the Group expects the demand for commercial properties in Shanghai will remain strong in the long run as Shanghai continues its transformation of becoming a global hub. The Group aims to maintain its focus on the Shanghai market, revitalizing under-performing commercial buildings and cultivating relationship with local and international partners to fully realize asset values. Through the investment in Skyline Holdings, the Company may enhance its investment properties portfolio. In addition, it is intended that the Group will provide asset management services to Skyline Holdings, so as to generate more benefits and income from the current transaction. Accordingly, the Board is of the view that the investment in Skyline Holdings, the acquisition of the Shanghai Project Company by Skyline Holdings as well as the development and operation of the Shanghai Property is in line with the strategy of the Company.

The Board (including the independent non-executive Directors) considers that the terms of each of the Framework Agreement and the SPA and the transactions contemplated thereunder are fair and reasonable, on arm's length basis and normal commercial terms and in the ordinary and usual course of business of the Group and are in the interest of the Company and the shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Total Capital Commitment in Skyline Holdings, being the aggregate of the Initial Capital Commitment and the Capital Injection, is approximately US\$10,000,000 (equivalent to HK\$78,100,000), which is determined by reference to Top Bloom's share of the Acquisition Consideration in proportion to its shareholding in Skyline Holdings. Save from the Total Capital Commitment, the Group has not made any other capital commitment to Skyline Holdings (whether equity, loan or otherwise). Since one of the applicable percentage ratios (as defined in Rule 14.07 under the Listing Rules) in respect of the Initial Capital Commitment and the Capital Injection, on an aggregate basis, is more than 5% but is less than 25%, the Capital Injection as triggered by the signing of the SPA is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

INFORMATION ON THE GROUP AND THE JV PARTNER

The Group is principally engaged in distribution and processing of construction materials such as steel products; trading of sanitary wares, kitchen cabinets and engineering plastics; and property investment and project management businesses.

The JV Partner, a company incorporated under the laws of the British Virgin Islands, is primarily engaged in investment holding. The JV Partner is an indirectly wholly-owned subsidiary of one or more private equity funds managed and/or advised by affiliates of Apollo Global Management, Inc. (NYSE: APO) ("**Apollo**"). Apollo is a leading global alternative investment manager with offices in New York, Los Angeles, San Diego, Houston, Bethesda, London, Frankfurt, Madrid, Luxembourg, Mumbai, Delhi, Singapore, Hong Kong, Shanghai and Tokyo. Apollo had assets under management of approximately US\$323 billion as of 30th September 2019 in private equity, credit and real assets funds invested across a core group of nine industries where Apollo has considerable knowledge and resources.

DEFINITIONS

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

"Acquisition Consideration"	an amount of RMB1,364,615,708, being the aggregate of the Bidding Deposits and the Further Consideration
"Bidding"	public biddings taken place at the SUAEE for the acquisition of the entire equity interest in the Shanghai Project Company

“Bidding Deposits”	deposits in an amount of RMB230,000,000, paid by the SPV to the SUAEE to be recognized as a qualified intended transferee for the Bidding (refundable at the time of the bid submission and counted towards the down payment as and when the SPA was signed)
“Board”	the Board of Directors of the Company
“Capital Injection”	US\$8,350,000 to be paid by Top Bloom to Skyline Holdings by way of interest-free shareholder loan
“Company”	Hong Kong Shanghai Alliance Holdings 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: 1001)
“Director(s)”	the directors of the Company
“Framework Agreement”	the framework agreement dated 27th November 2019 entered into between Top Bloom, the JV Partner and Skyline Holdings in relation to the formation of a joint venture in contemplation of the proposed acquisition of the Shanghai Property
“Further Consideration”	the consideration in the amount of RMB1,134,615,708 to be paid by the SPV for the acquisition of the entire equity interest in the Shanghai Project Company within the stipulated timeframe as set out in the SPA
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	independent third party not connected with the Company and its connected persons, having the meaning ascribed to such term under the Listing Rules
“Initial Capital Commitment”	capital contribution of US\$5 and interest-free shareholder loan of RMB11,500,000 made by Top Bloom to Skyline Holdings

“JV Partner”	Apollo Skyline Holding Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Seller I”	Great Wall Guofu Property Co., Ltd.* (長城國富置業有限公司), a company incorporated in the PRC with limited liability and owns 91% of the equity interest in the Shanghai Project Company
“Seller II”	Shanghai Housing Industry New Technology Development Co., Ltd.* (上海住宅產業新技術發展股份有限公司), a company incorporated in the PRC with limited liability and owns 9% of the equity interest in the Shanghai Project Company
“Sellers”	Seller I and Seller II, collectively
“Shanghai Project Company”	Shanghai Skyway Hotel Co., Ltd.* (上海斯格威大酒店有限公司), a company incorporated in the PRC with limited liability, the equity interest of which is owned as to 91% by Seller I and 9% by Seller II, respectively
“Shanghai Property”	commercial real estate property commonly known as Great Wall Financial Building* (長城金融大廈) located in Shanghai, the PRC
“Skyline Holdings”	Skyline Holdings (BVI) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and owned as to 95% and 5% by the JV Partner and Top Bloom, respectively

“SPA”	the asset and equity transaction contracts dated 16th December 2019 entered into between the SPV and the Sellers for the sale and purchase of the entire equity interest in the Shanghai Project Company
“SPV”	Skyline Dynamic Holdings Limited 天際動力控股有限公司, a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Skyline Holdings
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUAEE”	Shanghai United Asset and Equity Exchange
“Top Bloom”	Top Bloom Group Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Total Capital Commitment”	an approximate amount of US\$10,000,000, being the aggregate of the Initial Capital Commitment and the Capital Injection
“US\$”	United States Dollars, the lawful currency of the United States of America
“%”	per cent

* *For identification purpose only*

In this announcement, amounts quoted in RMB and US\$ have been converted into HK\$ at the rates of RMB1.00 to HK\$1.11 and US\$1.00 to HK\$7.81, respectively. Such exchange rates have been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

On behalf of the Board
Hong Kong Shanghai Alliance Holdings Limited
Yao Cho Fai Andrew
Chairman

Hong Kong, 16th December 2019

As at the date of this announcement, the Board comprises Mr. Yao Cho Fai Andrew and Mr. Lau Chi Chiu (being the executive directors); Mr. Tam King Ching Kenny, Mr. Xu Lin Bao, Mr. Yeung Wing Sun Mike and Mr. Li Yinquan (being the independent non-executive directors).