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**CENTRAL DEVELOPMENT HOLDINGS LIMITED**

**中發展控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 475)**

**DISCLOSEABLE TRANSACTION INVOLVING  
THE ACQUISITION OF 51% OF EQUITY INTERESTS  
IN THE TARGET COMPANY**

**ACQUISITION OF 51% INTEREST IN A TARGET COMPANY**

The Board is pleased to announce that on 10 October 2020 (after trading hours of the Stock Exchange), the Company, the Vendor and the Target Company (which is wholly-owned by the Vendor) entered into the Equity Transfer Agreement, pursuant to which the Company (or its wholly-owned nominee subsidiary) shall acquire 51% equity interest in the Target Company from the Vendor at the consideration of RMB30,600,000 (equivalent to approximately HK\$34,823,000). Upon Completion of the Acquisition, the Group will be interested in 51% equity interest in the Target Company.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) as calculated under Rule 14.06 of the Listing Rules in respect of the Acquisition is more than 5% but all of the percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

**INTRODUCTION**

The Board is pleased to announce that on 10 October 2020 (after trading hours of the Stock Exchange), the Company, the Vendor and the Target Company (which is wholly-owned by the Vendor) entered into the Equity Transfer Agreement in relation to the Acquisition, pursuant to which the Company (or its wholly-owned nominee subsidiary) shall acquire 51% equity interest in the Target Company from the Vendor for an aggregate consideration of RMB30,600,000 (equivalent to approximately HK\$34,823,000). Upon Completion of the Acquisition, the Group will be interested in 51% equity interest in the Target Company.

## **THE EQUITY TRANSFER AGREEMENT**

The major terms of the Equity Transfer Agreement are as follows:

Date: 10 October 2020 (after trading hours)

Parties: (1) The Company;  
(2) The Vendor; and  
(3) The Target Company.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Vendor, the Target Company and their respective ultimate beneficial owner(s) is an Independent Third Party as at the date of this announcement.

### **Subject of the Acquisition**

Pursuant to the Equity Transfer Agreement, the Vendor has agreed to sell, and the Company has agreed that the Company (or its wholly-owned nominee subsidiary) will acquire 51% of the equity interests in the Target Company from the Vendor at the consideration of RMB30,600,000 (equivalent to approximately HK\$34,823,000).

### **Consideration and Payment Terms**

The consideration of the Acquisition to be made by the Company to the Vendor will be RMB30,600,000 (equivalent to approximately HK\$34,823,000), which is determined after arm's length negotiation with reference to net assets and fair value of significant assets of the Target Company as at 31 July 2020, being approximately RMB60,000,000 (equivalent to approximately HK\$68,281,000), as determined by an independent valuer, the business prospect of the Target Company and the recent market conditions. The consideration of the Acquisition is considered by the Board as fair and reasonable and in the interests of the Group and of the Shareholders as a whole. It is expected that the Group will finance the Acquisition by its internal resources.

The consideration shall be paid and satisfied by the Company in the following manner:

- i. Within 10 days after the signing of the Equity Transfer Agreement, the Company shall pay to the Vendor RMB5,000,000 (equivalent to approximately HK\$5,690,000);
- ii. Upon Completion, the Company shall pay to the Vendor RMB20,000,000 (equivalent to approximately HK\$22,760,000); and
- iii. The balance of the consideration being RMB5,600,000 (equivalent to approximately HK\$6,373,000) shall be paid on or before 30 September 2021 or on or before the completion of paragraph (8) of the Post-Completion Obligations below (whichever is earlier), or other date agreed by the parties.

## **Compensation**

Pursuant to the terms of Equity Transfer Agreement, any outstanding or late payment of the consideration shall bear interest calculated based on 4 times the prevailing loan prime rate (“LPR”) for 1-year RMB loans (the prevailing LPR for 1-year RMB loans is 3.85% and therefore the interest rate is approximately 15.4% p.a. as at the date of this announcement). In addition, after 30 September 2021, if the Company fails to pay the balance of consideration pursuant to the terms of Equity Transfer Agreement, the Vendor shall have the right to terminate the Equity Transfer Agreement and require the Company to return all 51% of the equity interests in the Target Company to the Vendor (or its nominee) and to pay the Vendor a sum representing 30% of the consideration amount as liquidated damages.

## **Conditions Precedent**

Completion of the Equity Transfer Agreement is conditional upon the fulfilment (or waiver by the Company pursuant to the terms of the Equity Transfer Agreement) of conditions precedent including but not limited to the following:

- (a) All necessary consents (including internal consent(s)), registrations, filings and approvals required by the Vendor (and/or the Target Company) in relation to the Acquisition having been obtained by the Vendor (and/or the Target Company);
- (b) All representations and warranties given by the Vendor shall remain true, accurate and not misleading from the date of the Equity Transfer Agreement to the Completion Date;
- (c) No requests concerning the Vendor or the Target Company have been received from any government departments nor have any requests in relation to the Vendor or the Target Company been made to any government departments that could restrict the Acquisition or result in any material and adverse effects on the Acquisition;
- (d) The Target Company has not been faced with any arbitration, administrative proceeding or dispute mediation, the judgement of which might have any material adverse effect on the Vendor, the Target Company or the Acquisition;
- (e) No laws, administrative orders or rulings that may restrict the Acquisition or make it illegal have been implemented or issued;
- (f) The audited net asset value of the Target Company is not less than RMB16,500,000 (equivalent to approximately HK\$18,777,000);
- (g) The Target Company holds the land use right of the Filling Station (as defined below) in Qingbaijiang District (4,931.32 square meters (approximately 7.4 mu)) and two property ownership certificates of the Office Premises in Wuhou District (143.01 square meters (approximately 0.215 mu) in aggregate);

- (h) A qualified valuer approved by the Company has issued a valuation report on the significant assets of the Target Company, the value of which shall not be less than RMB60,000,000 (equivalent to approximately HK\$68,281,000), and the Company is satisfied with the content of the valuation report;
- (i) The Target Company has obtained the necessary certificates, licenses and approvals for the lawful operations of Filling Station (as defined below) before the Completion Date, including but not limited to the Refined Oil Retail Business Approval Certificate\* (成品油零售經營批准證書) and the Hazardous Chemical Business Licence\* (危險化學品經營許可證);
- (j) The Company having received and satisfied in its absolute discretion (in substance and form) a legal opinion issued by a firm of lawyers qualified to practise in the PRC;
- (k) The Company, having completed legal, financial, operational and tax-related due diligence review on the Target Company and are satisfied with the results of such reviews in all respects;
- (l) The Target Company's business, operations, assets, (financial, trading or other) conditions, profits or prospects have not undergone any material adverse changes or any events or circumstances that may cause such material adverse changes;
- (m) The Company receives a confirmation letter satisfying the terms and conditions, confirming the approval of the Board without any objections;
- (n) The Lease Agreement between the Target Company and Sichuan COS has been completely terminated, including but not limited to the return or cancellation of prepayments made by Sichuan COS for the remainder of the Lease Agreement, and return the land and equipment of the Filling Station (as defined below) to the Target Company and transfer back the licenses for business operation including the permits applicable to the Filling Station (as defined below) to the Target Company. The Vendor shall be responsible for the termination of the Lease Agreement;
- (o) The Target Company's non-business accounts receivable and payable have been completely discharged; and
- (p) The Target Company has confirmed with its supplier(s) that there will be sufficient and stable supply within 5 years after the Completion Date to support the Target Company to continue to operate its main operations.

If any of the conditions precedent is not satisfied or waived in accordance with terms of the Equity Transfer Agreement by 31 December 2020, the Equity Transfer Agreement may be terminated by written notice by one party to the other party to the Equity Transfer Agreement and the Vendor shall return all the payments made by the Company to the Vendor previously and no claim shall be brought by the Company against the Vendor thereafter.

## **Completion**

Completion shall take place after the satisfaction of all conditions precedent in the Equity Transfer Agreement (or waiver by the Company pursuant to the terms of the Equity Transfer Agreement) and the Company has issued a completion notice to the Vendor, at the place agreed between the Company and the Vendor, but in any event no later than 31 December 2020. Upon the Completion of the relevant registration procedures in relation to the Acquisition, the Group will be interested in 51% equity interest in the Target Company and the Target Company shall become a non wholly-owned subsidiary of the Company.

## **POST-COMPLETION OBLIGATIONS**

The Vendor and the Target Company undertake to the Company (and its wholly-owned nominee subsidiary) various Post-Completion Obligations after the Completion, which include the following:

1. The board of directors of the Target Company shall be composed of 3 persons: 1 person appointed by the Vendor and 2 persons appointed by the Company (or its wholly-owned nominee subsidiary);
2. The chairman of the Target Company shall be appointed by the Company (or its wholly-owned nominee subsidiary);
3. The general manager of the Target Company shall be appointed by the Vendor;
4. The authorised representative of the Target Company shall be appointed by the Company (or its wholly-owned nominee subsidiary);
5. The supervisor of the Target Company shall be appointed by the Company (or its wholly-owned nominee subsidiary);
6. The financial and accounting personnel (including supervisors) of the Target Company shall be jointly appointed by the Vendor and the Company (or its wholly-owned nominee subsidiary);
7. All authorised person of the bank account(s) of the Target Company shall be designated by the Company (or its wholly-owned nominee subsidiary);
8. The Vendor and the Target Company undertake to use its commercially reasonable best efforts to make the Target Company obtain the necessary certificates, licenses and approvals for the lawful operations of natural gas stations before the Completion Date, including but not limited to the Gas Business Licence\* (燃氣經營許可證) and the Gas Cylinder Filling Licence\* (氣瓶充裝許可證);
9. The shareholders of the Target Company may transfer all or part of their equity interest to one another;

10. The shareholders of the Target Company have pre-emptive rights;
11. The shareholders of the Target Company shall notify other shareholders in writing to solicit opinions on their equity transfer; and
12. Without the unanimous written consent of all the shareholders of the Target Company, neither party has the right to transfer or pledge its share of the capital under the Equity Transfer Agreement.

## **INFORMATION OF THE GROUP AND THE COMPANY**

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in solar energy business in the PRC, Hong Kong and other countries and jewelry business in the PRC and Hong Kong.

## **INFORMATION OF THE VENDOR**

The Vendor is a company established in the PRC and is principally engaged in asset management and investment holding. The ultimate beneficial owner of the Vendor is Mr. Zhang Bing (張兵) who beneficially owns 100% interest of the Vendor. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are Independent Third Parties as at the date of this announcement.

## **INFORMATION OF THE TARGET COMPANY**

The Target Company is a company established in the PRC with limited liability. As at the date of this announcement, the Target Company is wholly-owned by the Vendor. The Target Company is permitted to engage in, but not limited to, sale of chemical products, instrumentation, equipment, research and skills transfer of petroleum mining technologies, architectural engineering and construction, installation and lease of plant and machinery, property leasing, retail sales of oil. The Target Company has obtained the Hazardous Chemical Business Licence (危險化學品經營許可證) and is expected to obtain the Oil Retail Business Approval Certificate (成品油零售經營批准證書) before the Completion.

As at the date of this announcement, the Target Company holds the following assets:

- (i) a filling station with a total area of 4,931.32 square meters located in Group 16–17, Guoguang Community, Mimu Street Sub-district Office, Qingbaijiang District, Chengdu City, Sichuan Province, the PRC (the “**Filling Station**”). The land use rights of the Filling Station have been granted for a term expiring on 10 January 2052 for municipal utilities use. The Filling Station, comprising four 30m<sup>3</sup> oil fuel tanks, two 30m<sup>3</sup> oil storage tanks and six fuel dispensers, can satisfy the needs of filling up to 250 tonnes oil per day and cover several large scales distribution centers and warehouses for building materials in the district.



- (ii) two office premises with a total area of 143.01 square meters located No. 1425 and No. 1427, Floor 14, Unit 1, Block 1, No. 2, Section 1, Second Ring Road West, Wuhou District, Chengdu City, Sichuan Province, the PRC (the “**Office Premises**”). Both of the property ownership certificates of the Office Premises have been granted for a term expiring on 15 September 2044 for office and other business use. The Office Premises is currently used as the administrative and management head office of the Target Company.

The Target Company possesses the government granted land use rights of the Filling Station and the integrated structure and equipment of the Filling Station. Located in Qingbaijiang District of Chengdu City and adjacent to the Chengdu railway container terminal of China Railway Express, Chengdu Pilot Free Trade Zone and Chengdu International Railway Port with a dense traffic volume, the Filling Station of the Target Company has sufficient customer flow. In terms of the supply chain, the Target Company has entered into a long-term fuel supply agreement with a large state-owned gas supplier for a stable future supply chain of the Target Company’s operation. The Target Company has reserved spaces for a liquefied natural gas (“**LNG**”) filling station when the Filing Station was built, and is actively preparing for the expansion of the Filling Station into LNG filling service with a view to develop the Filing Station into a comprehensive filling station. The proposed LNG filling station of the Target Company will be one of the few LNG filling stations in Qingbaijiang District, hence, more traffic flow is expected to be drawn to the Filling Station and the overall operating efficiency will be expected to enhance as well.

## **FINANCIAL INFORMATION OF THE TARGET COMPANY**

A summary of the financial information of the Target Company, prepared in accordance with the generally accepted accounting principles in the PRC, for the years ended 31 March 2019 and 2020 and unaudited financial information for the four months ended 31 July 2020 are set out below:

	<b>For the year ended</b>		<b>For the</b>
	<b>31 March</b>		<b>four months</b>
	<b>2019</b>	<b>2020</b>	<b>ended</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<b>31 July</b>
	(audited)	(audited)	<b>2020</b>
			<i>RMB’000</i>
			(unaudited)
Revenue	1,322	4,114	1,075
Profit (Loss) before taxation	202	(621)	380
Profit (Loss) after taxation	202	(621)	380

Base on the unaudited financial information of the Target Company as at 31 July 2020, the total asset and net assets of the Target Company amounted to approximately RMB21,583,000 and RMB8,367,000 respectively (equivalent to approximately HK\$24,562,000 and HK\$9,522,000 respectively). It is expected that the equity of the Target Company will be enlarged before the Completion Date to fulfil paragraph (f) of the Conditions Precedent above and the Vendor shall be responsible for such enlargement.

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

The Group has been actively seeking to develop and expand its solar energy business. In recent years, the applications of distributed solar photovoltaic construction have continued to expand, other than constructing on the roofs of commercial and civil buildings, the idle roofs of more than a hundred thousand filling station at present in the PRC also fulfil the requirements of decentralized solar photovoltaic construction. The photovoltaic power stations on the roofs of filling stations has been developed for several years, and its economic benefits, safety and significant effects on energy saving and emission reduction has been fully verified. The Group is planning to use the Filling Station's assets of the Target Company for the pilot construction and promotion of the decentralized solar photovoltaic power station, in a view to enlarge the market share of the Group's solar energy products.

Besides, the Group is also planning to gradually expand the construction, renovation and operation of "solar photovoltaic, storage and charging" integrated electric charging station for the Filling Station in order to meet the development of "new energy" and "new infrastructure" policies and market demand of the PRC. The government policy "the Development Plan for the New Energy Vehicle Industry (2021–2035) (Draft for Comment)" issued at the end of last year by the Ministry of Industry and Information Technology of the PRC has stated that the construction of infrastructure for electric vehicle charging and replacing will be vigorously promoted, and the step by step completion of the construction, renovation and operation of charging piles in the filling stations will be supported as well. With the current guiding target of 1 to 1 ratio of vehicles to charging piles, and the ownership volume of 64.8 million blade electric vehicles will be reached in year 2030 projected by the China Electric Vehicles Association of 100 early this year, there will be a shortage of over 60 million charging piles to be built in the PRC in the coming ten years.

The Group will make full use of its experience in the fields of solar photovoltaic and energy storage, and will actively explore and promote the integrating development model of filling stations with solar photovoltaic, energy storage and electric charging, thereby enlarging the Group's market share in the solar energy business. Therefore, the Acquisition will be a key step in the strategic development of the Group. Given the uncertainty brought by the COVID-19 epidemic and the complex and changeable international situation, the Acquisition will provide positive business prospects to the PRC's market and even the overall solar energy business of the Group. At the same time, the current operation of the Filling Station may also potentially diversify the revenue sources of the Group, and provide a steady source of cash flow for the Group. Taking into consideration of the reasons aforementioned, the Directors consider that the terms and conditions of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.



## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) as calculated under Rule 14.06 of the Listing Rules in respect of the Acquisition is more than 5% but all of such percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Acquisition”	the acquisition of 51% equity interest in the Target Company by the Company (or its wholly-owned nominee subsidiary) pursuant to the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	Central Development Holdings Limited 中發展控股有限公司 (stock code: 475), a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
“Completion Date”	means the date on which Completion takes place, which is a date upon all conditions precedent under the Equity Transfer Agreement have been fulfilled or otherwise waived, but in any event no later than 31 December 2020
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 10 October 2020 entered into between the Company, the Vendor and the Target Company in relation to the Acquisition
“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 PRC

“Independent Third Party(ies)”	third parties who are independent of, and not connected with, the Company and its connected persons
“Lease Agreement”	the Lease Agreement dated 22 February 2018 entered between the Target Company and Sichuan COS, regarding the lease of Filling Station (including oil tanks and filling equipment) and its land at Qingbaijiang District, Chengdu, for a period of 10 years commencing from 60 days after the date of transfer of equipment of the Filling Station for the rent in aggregate of RMB45,176,200 (equivalent to approximately HK\$51,411,000). It is intended that the Lease Agreement shall be terminated before the Completion Date to fulfill paragraph (n) of the Conditions Precedent above
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Post-Completion Obligations”	post-completion obligations in the Equity Transfer Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company from time to time
“Sichuan COS”	China Oilfield Sales Sichuan Company Limited* (中海油銷售四川有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Chengdu Kaibangyuan Trading Co., Ltd* (成都凱邦源商貿有限公司), a company incorporated in the PRC with limited liability
“Vendor”	Sichuan Huahan Energy Development Co., Ltd.* (四川華漢能源開發有限公司), a company incorporated in the PRC with limited liability
“%”	per cent

For the purpose of this announcement, the conversion rate of HK\$ to RMB is set at the rate of HK\$1.00 for RMB0.87872.

By order of the Board  
**Central Development Holdings Limited**  
**Chan Wing Yuen, Hubert**  
*Chief Executive and Executive Director*

Hong Kong, 11 October 2020

*As at the date of this announcement, the Board consists of three executive Directors, namely Mr. Wu Hao, Mr. Hu Yangjun and Mr. Chan Wing Yuen, Hubert; a non-executive Director, namely Mr. Li Wei Qi, Jacky; and three independent non-executive Directors, namely Mr. Wu Chi Keung, Mr. Jin Qingjun and Ms. Sun, Ivy Connie.*

\* *For identification purpose only*