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TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED

至卓國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

DISCLOSEABLE TRANSACTION: PARTICIPATION IN ACQUISITION OF THE SALE SHARES AND SHAREHOLDER'S LOAN OF THE TARGET COMPANY

THE SP AGREEMENT

The Board is pleased to announce that on 18 October 2016, the Purchaser (which is a joint venture in which the Company (through its wholly-owned subsidiaries) has 25% equity interest and the JV Partner has 75% equity interest), the Purchaser's Guarantors and the Vendor entered into the SP Agreement.

Pursuant to the SP Agreement, it has been agreed by the parties to the SP Agreement that the entire equity interest in (and the shareholder's loans to) the Target Company will be sold by the Vendor to the Purchaser, at the Purchase Price in the sum of RMB590 million (equivalent to HK\$678.5 million).

The Target Company is indirectly interested in the entire paid-up capital in the Project Company which in turn is the holder of the land use rights in respect of the Wuxi Site. The Wuxi Site has a site area of about 25,970.6 square metres where the Development Project (i.e. development for commercial (including hotel), office and hotel-style service apartment purpose) is planned to be carried out. Certain demolition and removal steps are still being conducted at the Wuxi Site and its neighbourhood. Construction works in connection with the Development Project have not yet commenced. It is possible that the Joint Venture will (after completion of the Acquisition) procure the Project Company to modify the development plan of the Wuxi Site in order to increase further the economic benefits for the Development Project.

Under the SP Agreement, the Purchaser has also agreed to assume (in addition to the Purchase Price) the obligations in respect of the Agreed Liabilities in the sum of RMB30 million (equivalent to HK\$34.5 million). The Agreed Liabilities comprise mainly liabilities of the Project Company incurred for the Development Project.

**for identification purpose only*

THE JV FRAMEWORK AGREEMENT

Under the JV Framework Agreement, the Group is the holder of 25% equity interest in the Joint Venture, and its maximum initial capital contribution shall be limited to RMB160 million (equivalent to HK\$184 million), representing 25% of the Total Acquisition Consideration plus certain consultancy fees in relation to the Acquisition. If any further sum is required by the Joint Venture for or in connection with the Acquisition or the Development Project, it has been agreed that the JV Partner will make contribution for the additional investment in the form of shareholder's loan to the Joint Venture (unless otherwise agreed by the Company in writing). Where the Joint Venture has any income in the future, (a) such income will first be applied to the repayment of such shareholder's loan owing to the JV Partner, and (b) following the repayment of the entirety of such shareholder's loan, the income will be shared by the Group and the JV Partner in proportion to their shareholdings in the Joint Venture.

In addition, under the JV Framework Agreement, the Group is entitled (but not obliged) to acquire additional equity interests of 12.5% in the Joint Venture before 30 April 2017, such that the Group will become interested in not more than 37.5% of the equity interests in the Joint Venture. If the Group decides to proceed with such purchase, the additional purchase price for any such additional equity interests in the Joint Venture will be equivalent to the investment cost of the JV Partner in such equity interests plus interest. The Group shall also compensate the JV Partner according to the new shareholding proportion on fees incurred for due diligence purposes and transaction costs in relation to the Acquisition already incurred by the JV Partner prior to the purchase of such additional equity interests by the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as calculated under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements set out in Chapter 14 of the Listing Rules.

Shareholder and potential investors should note that Completion may or may not take place. Shareholders and potential investors are advised to exercise caution when dealing in the shares.

INTRODUCTION

The Board is pleased to announce that on 18 October 2016, the Purchaser, the Purchaser's Guarantors and the Vendor entered into the SP Agreement.

The principal terms of the SP Agreement are set out below.

PRINCIPAL TERMS OF THE SP AGREEMENT

Date: 18 October 2016

Parties:

- (a) The Vendor;
- (b) the Purchaser (a joint venture which is owned as to 25% by the Group and 75% by the JV Partner – see the section headed “Principal terms of the JV Framework Agreement” below for further details);
- (c) the Company (as one of the Purchaser’s Guarantors); and
- (d) Mr. Chen (as one of the Purchaser’s Guarantors).

As at the date of this announcement, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of Mr. Chen, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

Assets to be acquired

Pursuant to the SP Agreement, it has been agreed that the Purchaser will acquire from the Vendor:

- (a) the Sale Shares, representing the entire issued share capital in the Target Company; and
- (b) the Shareholder’s Loan.

Total Acquisition Consideration

The Total Acquisition Consideration is equivalent to the aggregate of (i) the Purchase Price which is payable to the Vendor, and (ii) the Agreed Liabilities which shall be paid by the Purchaser to the Project Company for onward payment to the relevant creditors for the discharge of such liabilities.

(a) *Purchase Price*

The Purchase Price shall be an aggregate sum of RMB590 million (equivalent to HK\$678.5 million) (subject to adjustment as stated below), comprising consideration for the acquisition of the Sale Shares in the sum of HK\$7,800, and consideration for the assignment of Shareholder’s Loan in the sum of HK\$678,492,200.

Within 20 days after the date of Completion, the Vendor shall pass to the Purchaser the consolidated financial statements of the Target Group as at the date of Completion (“**Completion Accounts**”). The Purchaser is entitled to raise any disagreement regarding the Completion Accounts within the first 10 days (“**Review Period**”) after receiving the Completion Account, and:

- (I) if both the Purchaser and the Vendor can reach an agreement on those disagreed items in the Completion Accounts within 10 days after the end of the Review Period, the Purchase Price will be adjusted accordingly;
- (II) otherwise, an independent certified public accountant (as designated by the Purchaser) will be appointed to conduct independent audit on the Completion Accounts. The Purchase Price will, if necessary, be adjusted accordingly.

The Purchase Price or adjusted Purchase Price shall be paid and satisfied by the Purchaser by the following manner:

- (I) a deposit (“**Deposit**”) of a sum of RMB20 million (equivalent to HK\$23.2 million) has been paid before the date of this announcement to the Vendor as part payment of the Purchase Price;
- (II) at Completion, the Purchaser shall transfer to the lawyers of the Vendor (“**Escrow Agent**”) a sum equals to the Purchase Price after deducting the Deposit (“**First Retention Portion**”) to be held on escrow for the Vendor. Upon receipt of the First Retention Portion by the Escrow Agent, the Vendor shall discharge in writing the guarantee provided by the Purchaser’s Guarantors under the SP Agreement. Thereafter a sum equals to the First Retention Portion after deducting RMB8 million (“**Second Retention Portion**”) shall be released to the Vendor from the Escrow Agent. Further details in relation to the guarantee arrangement are set out in the paragraph headed “Guarantees” below;
- (III) on the day falling the six months after the date of Completion, the Purchaser shall pay to the Vendor (by releasing the amount held on escrow) a sum (“**Final Payment**”) equals to the adjusted Purchase Price after deducting (i) the Deposit and (ii) the sum released to the Vendor under (II) above. If the Final Payment is greater than the Second Retention Portion, the Purchaser shall, at the same time, pay the deficiency to the Vendor; otherwise, the remaining balance shall be refunded to the Purchaser by the Escrow Agent.

The relevant portion of Purchase Price payable by the Group will be funded by internal resources of the Group.

(b) *Agreed Liabilities*

Under the SP Agreement, the Purchaser has also agreed to assume (in addition to the Purchase Price) the obligations in respect of the Agreed Liabilities in the sum of RMB30 million (equivalent to approximately HK\$34.5 million). The Agreed Liabilities comprise mainly liabilities of the Project Company incurred for the Development Project.

The relevant portion of the Agreed Liabilities payable by the Group will be funded by internal resources of the Group.

Completion

Completion shall take place at 4:00 p.m. on 28 October 2016 (or such other date as agreed by the parties in writing).

Guarantees

The Purchaser's Guarantors have agreed to unconditionally and irrevocably guarantee, among others, the performance of the obligations and duties of the Purchaser under the SP Agreement in accordance with their respective shareholdings in the Joint Venture. Such guarantees shall be discharged after the First Retention Portion has been received by the Escrow Agent from the Purchaser. In any event, the maximum amount to be borne by the Company and Mr. Chen under such guarantees will be RMB27.5 million (equivalent to approximately HK\$31.6 million) and RMB82.5 million (equivalent to approximately HK\$94.9 million), respectively.

BASIS FOR DETERMINATION OF THE TOTAL ACQUISITION CONSIDERATION

The Purchase Price was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms with reference to (i) an independent valuation report dated 1 July 2016 on the Wuxi Site, which was valued at RMB730 million (equivalent to approximately HK\$839.5 million), (ii) the consolidated net liabilities of Target Group as at 31 August 2016, which amounted to approximately HK\$539.4 million (equivalent to approximately RMB469.0 million), and (iii) the development prospects of the Wuxi Site.

The Agreed Liabilities was determined based on the working capital requirements of the Project Company to meet its obligations and liabilities.

INFORMATION ON THE VENDOR AND THE TARGET GROUP

As at the date of this announcement, the Vendor was the sole shareholder of Target Company, which solely owned HK Subsidiary and which in turn solely owned the Project Company. The Vendor, Target Company and HK Subsidiary are all investment holding companies, which are engaged in property development in the PRC.

The Project Company is solely engaged in property development of the Wuxi Site in the PRC. As at the date of this announcement, the Project Company is the holder of the land use rights in respect of the Wuxi Site.

Based on the unaudited consolidated management accounts of Target Group (which were prepared in accordance with International Financial Reporting Standards), the net loss for both before and after taxation of Target Group for the years ended 31 March 2015 and 31 March 2016 are as follows:

	For the year ended 31 March 2015 HK\$'000	For the year ended 31 March 2016 HK\$'000
Net loss (both before and after taxation)	<u>19,529</u>	<u>354,806</u>

THE WUXI SITE AND THE DEVELOPMENT PROJECT

The Wuxi Site has a site area of about 25,970.6 square metres where the Development Project (i.e. development for commercial (including hotel), office and hotel-style service apartment purpose) is planned to be carried out. Certain demolition and removal steps are still being conducted at the Wuxi Site and its neighbourhood. Construction works (“**Construction Works**”) in connection with the Development Project have not yet commenced. It is possible that the Joint Venture will (after completion of the Acquisition) procure the Project Company to modify and adjust the development plan of the Wuxi Site (including but not limited to the current usage and the total gross floor area of the Wuxi Site) in order to further enhance the economic benefits for the Development Project.

There are, however, some risks associated with the Development Project. As at the date of this announcement, the necessary approvals, permits and/or consents from the relevant PRC authorities in relation to the Construction Works had not been obtained. Therefore, the commencement of the Construction Works may not take place in accordance with the timetable as expected by the Group and the JV Partner, and the expected completion date of the Construction Works cannot be estimated.

In addition, modification of the development plan of the Wuxi Site requires further evaluations and discussions to be conducted and applications to the relevant PRC authorities to be made, and all these steps will take time. Further, the necessary approvals and/or consents from the relevant PRC authorities in relation to the modification of usage of the Wuxi Site may or may not be obtained.

PRINCIPAL TERMS OF THE JV FRAMEWORK AGREEMENT

Date: 26 September 2016

Parties:

- (a) The Company; and
- (b) the JV Partner.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the JV Partner and its beneficial owners are Independent Third Parties.

Contribution by the parties

Under the JV Framework Agreement, the Group is the holder of 25% equity interest in the Joint Venture, and its maximum initial capital contribution shall be limited to RMB160 million (equivalent to approximately HK\$184.0 million), representing 25% of the Total Acquisition Consideration plus certain consultancy fees in relation to the Acquisition. If any further sum is required by the Joint Venture for or in connection with the Acquisition or the Development Project, it has been agreed that the JV Partner will make contribution for the additional investment in the form of shareholder's loan to the Joint Venture (unless otherwise agreed by the Company in writing). Where the Joint Venture has any income in the future, (a) such income will first be applied to the repayment of such shareholder's loan owing to the JV Partner, and (b) following the repayment of the entirety of such shareholder's loan, the income will be shared by the Group and the JV Partner in proportion to their shareholdings in the Joint Venture.

In addition, under the JV Framework Agreement, the Group is entitled (but not obliged) to acquire additional equity interests of 12.5% in the Joint Venture before 30 April 2017, such that the Group will become interested in not more than 37.5% of the equity interests in the Joint Venture. If the Group decides to proceed with such purchase, the additional purchase price for any such additional equity interests in the Joint Venture will be equivalent to the investment cost of the JV Partner in such equity interests plus interest. The Group shall also compensate the JV Partner, according to the new shareholding proportion, on fees incurred for due diligence purposes and transaction costs in relation to the Acquisition already incurred by the JV Partner prior to the purchase of such additional equity interests by the Group.

All payments (including the Deposit) and expenses and/or disbursements incurred or expected to be incurred in connection with the Acquisition and the Development Project are to be shared between the Group and the JV Partner in the proportion of 25:75.

Taking into account the above arrangements, the Joint Venture and the members of the Target Group will not be treated as subsidiaries of the Group, but only as associated companies of the Group.

INFORMATION ON THE GROUP

The principal business of the Group is manufacturing and sale of a broad range of printed circuited boards.

As disclosed in the Company's voluntary announcement dated 23 March 2016, the Company plans to expand its business to the carrying out of managing assets and funds for clients as well as financial investments from available investment monies of the Company including but not limited to securities, bonds and debentures of companies on discretionary basis. As further disclosed in the Company's interim report for the six months ended 30 June 2016, Hong Kong Bridge Investments Limited, an indirect wholly-owned subsidiary of the Company, was in the process of conducting internal preparatory work to conduct asset management business, pending the grant of licences by the Securities and Futures Commission to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities. The Group would also consider acquiring assets and/or businesses from independent third parties as and when appropriate. It is expected that asset management and/or financial investment will be a separate business segment of the Group by the end of 2016.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As mentioned above, the nature of the Wuxi Site is for commercial purposes including hotels, offices and service apartments. The Company and the JV Partner planned to develop the Wuxi Site into hotels, offices and/or service apartments for sale and/or investment purposes. Therefore, the Company considers that the development potential of the Wuxi Site is high. It has been the business strategy of the Group to proactively seek potential investment opportunities in order to enhance value of the Shareholders. The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to broaden the source of income of the Group. The Directors expected that the Acquisition would constitute part of strategic investments of the Group to increase its investment income. Further, through the establishment of a joint venture with the JV Partner for the Acquisition, the financial risks of investment to the Group can be minimised and shared in accordance to the investment proportion between the Company and the JV Partner.

In view of the above, the Directors consider that the terms of the SP Agreement (including the Total Acquisition Consideration) are on normal commercial terms and are fair and reasonable and they are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As some of the relevant percentage ratios (as calculated under Rule 14.07 of the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements set out in Chapter 14 of the Listing Rules.

Shareholder and potential investors should note that Completion may or may not take place. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Shareholder’s Loan by the Purchaser from the Vendor pursuant to the SP Agreement
“Agreed Liabilities”	certain liabilities/disbursements incurred and payable by the Project Company in the sum of RMB30 million, which has been agreed to be assumed by the Purchaser under the SP Agreement
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Topsearch International (Holdings) Limited (sock code: 2323), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	the completion of the SP Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Development Project”	the project of developing the Wuxi Site into a complex which includes the usage for commercial (including hotel), office and hotel-style service apartment
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK Subsidiary”	Asia Cosmos Limited (豪僑有限公司), a company incorporated under the laws of the Hong Kong with limited liability and is a wholly-owned subsidiary of the Target Company
“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

“Independent Third Party(ies)”	a third party independent of and not connected with the Company and its subsidiaries and its connected persons
“JV Framework Agreement”	the cooperation and investment framework agreement dated 26 September 2016 and entered into between the Company and the JV Partner in relation to, among others, the establishment of the Joint Venture (i.e. the Purchaser) for the purpose of the Acquisition and the Development Project
“JV Partner”	JIANGSU Provincial Construction Group Co., Ltd.* (江蘇省建築工程集團有限公司), a company incorporated under the laws of PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chen”	Mr. Chen Zhenghua, an Independent Third Party
“PRC”	People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project Company”	Wuxi Yansha Real Estate Development Co., Ltd* (無錫燕莎房地產開發有限公司), a company incorporated under the laws of the PRC with limited liability and is a wholly-owned subsidiary of the HK Subsidiary
“Purchaser” or “Joint Venture”	Jade Summit Holdings Limited (綠領控股有限公司), a company incorporated under the laws of the BVI with limited liability and is owned as to 75% by the JV Partner and 25% by the Group
“Purchase Price”	the total consideration in the sum of RMB590 million (equivalent to approximately HK\$678.5 million) (subject to adjustment), payable by the Purchaser to Vendor for the Acquisition under the SP Agreement
“Purchaser’s Guarantors”	collectively, the Company and Mr. Chen
“RMB”	Reminbi, the lawful currency of the PRC
“Sale Shares”	1,000 ordinary shares of the Target Company, representing the entire issued share capital of the Target Company as at the date of the SP Agreement
“Shareholder(s)”	shareholder(s) of the Company

“Shareholder’s Loan”	the outstanding shareholder’s loan in the amount of approximately HK\$1,348.5 million payable to the Vendor by the Target Company as at 30 September 2016
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SP Agreement”	the sale and purchase agreement dated 18 October 2016 entered into among the Vendor and, the Purchaser, in relation to the Acquisition
“Target Company”	Vastline Limited (麗廣有限公司), a company incorporated under the laws of the BVI with limited liability and is a wholly-owned subsidiary of the Vendor
“Target Group”	the Target Company, HK Subsidiary and Project Company
“Total Acquisition Consideration”	the Purchase Price and the Agreed Liabilities in an aggregate sum of RMB620 million (equivalent to HK\$713 million)
“Vendor”	Nan Fung Investment China Holdings Limited, a company incorporated under the laws of the BVI with limited liability
“Wuxi Site”	the site located at Nanlin Yonghe Road, east to the foundation of Kempinski, Taihu Square, Wuxi City, Jiangsu Province, PRC
“%”	per cent

Unless otherwise specified in this announcement, amounts denominated in Renminbi have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of RMB1:HK\$1.15. No representation is made that any amounts in Hong Kong dollars and Renminbi were or could have been or could be converted into each other at such rates or any other exchange rates on the date of this announcement or any other date.

By order of the Board of
Topsearch International (Holdings) Limited
Liu Tingan
Chairman and Chief Executive Officer

Hong Kong, 18 October 2016

As at the date of this announcement, the board of directors of the Company comprises Mr. Liu Tingan, Mr. Cheok Ho Fung and Mr. Zhou Huorong being executive Directors; and Mr. Ng Man Kung, Dr. Ngai Wai Fung and Mr. Lau Fai Lawrence being independent non-executive Directors.

* *for identification purpose only*