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NINE EXPRESS LIMITED

九號運通有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 0009)

MAJOR TRANSACTION

DEEMED DISPOSAL OF EQUITY INTEREST IN CHEUNG WO (HUNAN) PROPERTY LIMITED

THE SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 5 August 2016 (after trading hours), Cheung Wo (Hunan), a wholly owned subsidiary of the Company, and the Subscriber, entered into a Subscription Agreement, pursuant to which, the Subscriber agreed to subscribe and Cheung Wo (Hunan) agreed to allot and issue the Subscription Shares at the Subscription Price of HK\$200,000,000.

DEEMED DISPOSAL

As at the date of this announcement, the Company is directly interested in the entire issued share capital of Cheung Wo (Hunan). Upon Completion, the Subscriber will be interested in 63% of the issued share capital of Cheung Wo (Hunan) as enlarged by the issuance of the Additional Shares and Subscription Shares; and the Company's interest in Cheung Wo (Hunan) will be diluted to 37%, representing a decrease of 63%. Accordingly, the Transaction constitutes a deemed disposal of 63% direct interest in the issued share capital of Cheung Wo (Hunan) by the Company pursuant to Rule 14.29 of the Listing Rules.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are above 25% but less than 75%, the Transaction constitutes a major transaction of the Company. Accordingly, the Company is subject to the notification, announcement and Shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, none of the Shareholders is interested in the Transaction and, accordingly, no Shareholder is required to abstain from voting at the SGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (a) details of the Transaction, (b) a notice of the SGM and a form of proxy, and (c) other information required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 26 August 2016.

THE SUBSCRIPTION AGREEMENT

Date

5 August 2016 (after trading hours)

Parties

Cheung Wo (Hunan): Cheung Wo (Hunan) Property Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company

The Subscriber: Silver Ridge International Limited, a company incorporated in the British Virgin Islands

The Subscriber is a company incorporated in the British Virgin Islands on 8 February 2016. The principal business activity of the Subscriber is investment holding.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter of the Transaction

Subject to the fulfilment of the Conditions Precedent and on Completion, the Subscriber shall subscribe or procure its subsidiary or nominee to subscribe for the Subscription Shares in cash at the Subscription Price and Cheung Wo (Hunan) shall, upon receipt to the Subscription Price, allot and

issue the Subscription Shares, i.e. 63 shares of Cheung Wo (Hunan), at the Subscription Price, to the Subscriber or its subsidiary or nominee, which, upon the allotment and issuance of the same, will represent 63% of the Enlarged Issued Share Capital of Cheung Wo (Hunan).

The Subscription Shares are not subject to any restriction on subsequent sale upon issue.

Consideration

The subscription price for the Subscription Shares is HK\$200,000,000 (the “**Consideration**”), which shall be settled by the Subscriber in cash on Completion.

The Consideration was arrived at after arm’s length negotiations between the parties with reference to (a) the unaudited consolidated adjusted net asset value of Cheung Wo (Hunan) Group for the year ended 31 December 2015; (b) major assets of Cheung Wo (Hunan) Group comprising two properties held under development in Xiangtan, Hunan Province, the PRC; (c) the prevailing market prices with reference to the recent similar property market transactions within Xiangtan, Hunan Province, the PRC; (d) loss performance of Cheung Wo (Hunan) Group for the two years ended 31 December 2015; (e) tight liquidity position for the future development of Cheung Wo (Hunan) Group’s property and hotel development and property management businesses; (f) current gearing of the Group; and (g) slow market performance in the current property development industry in Xiangtan, Hunan Province, the PRC.

Based on the above, the Directors are of the view that the Consideration is fair and reasonable.

Conditions precedent

The obligations of the parties thereto to effect Completion shall be conditional upon:

- (i) all necessary consents and approvals required to be obtained on the part of Cheung Wo (Hunan) and the Subscriber in respect of the Subscription Agreement and the transactions contemplated hereunder having been obtained;
- (ii) the Subscriber being satisfied with the results of the business, legal and financial due diligence on Cheung Wo (Hunan) Group;
- (iii) the Subscriber having received a legal opinion in respect of the members of the Cheung Wo (Hunan) Group which are incorporated in the PRC issued by a law firm qualified to practice PRC laws;
- (iv) written evidence issued by Krystal Light Investment Limited in respect of its consent to the entering into of the Subscription Agreement and the transactions contemplated thereunder (subject to such conditions that may be imposed by Krystal Light Investment Limited and are acceptable to the Subscriber and Cheung Wo (Hunan));

- (v) the Company having obtained (where applicable) the approval of its shareholders of the Subscription Agreement and the transactions contemplated hereunder at a special general meeting as required by the Listing Rules;
- (vi) the Company having complied with and to the satisfaction of the Stock Exchange all requirements under the Listing Rules in relation to the issue of the Subscription Shares;
- (vii) the Increase in Issued Capital and the relevant filings with the Registrar of Corporate Affairs in the British Virgin Islands having been completed;
- (viii) there shall not have occurred any change (nor any development or event involving a prospective change), which is may have a material adverse effect on the condition (financial or otherwise), results of operations, assets, regulatory status, business, general affairs or prospects of the Cheung Wo (Hunan) Group;
- (ix) the completion of the assignment of all inter-company loans due by any members of the Cheung Wo (Hunan) Group to any members of the Group (excluding the Cheung Wo (Hunan) Group), including, without limitation, the inter-company loans (i) in the amount of HK\$1,294,287,456.20 due by Cheung Wo (Hunan) to the Company; and (ii) in the amount of RMB30,000,000 due by Hunan Jiu Hua International City Development Construction Company Limited* (湖南九華國際新城開發建設有限公司), a subsidiary of Cheung Wo (Hunan), to Chengdu Zhongfa Huanghe Industrial Company Limited* (成都中發黃河實業有限公司), a subsidiary of the Company; and
- (x) the warranties under the Subscription Agreement being true, accurate and correct in all material respects and not misleading in any material respect.

Cheung Wo (Hunan) shall use its best endeavours to procure the fulfilment of all the Conditions Precedent as soon as practicable and in any event on or before the Long Stop Date.

The Subscriber may at any time by notice in writing to Cheung Wo (Hunan) waive the condition set out above (other than (i), (iv), (v), (vi) and (vii)) and such waiver may be made subject to such terms and conditions as are determined by the Subscriber in its discretion. If the Conditions Precedent are not fulfilled or waived (other than (i), (iv), (v), (vi) and (vii) above which cannot be waived) on or before the Long Stop Date, the Subscription Agreement (save and except for clauses relating to notices, costs and expenses, restrictions on announcements and governing law and jurisdiction) shall cease and terminate and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Subscription Agreement save in respect of any antecedent breach of any obligation thereof.

* *For identification purpose only*

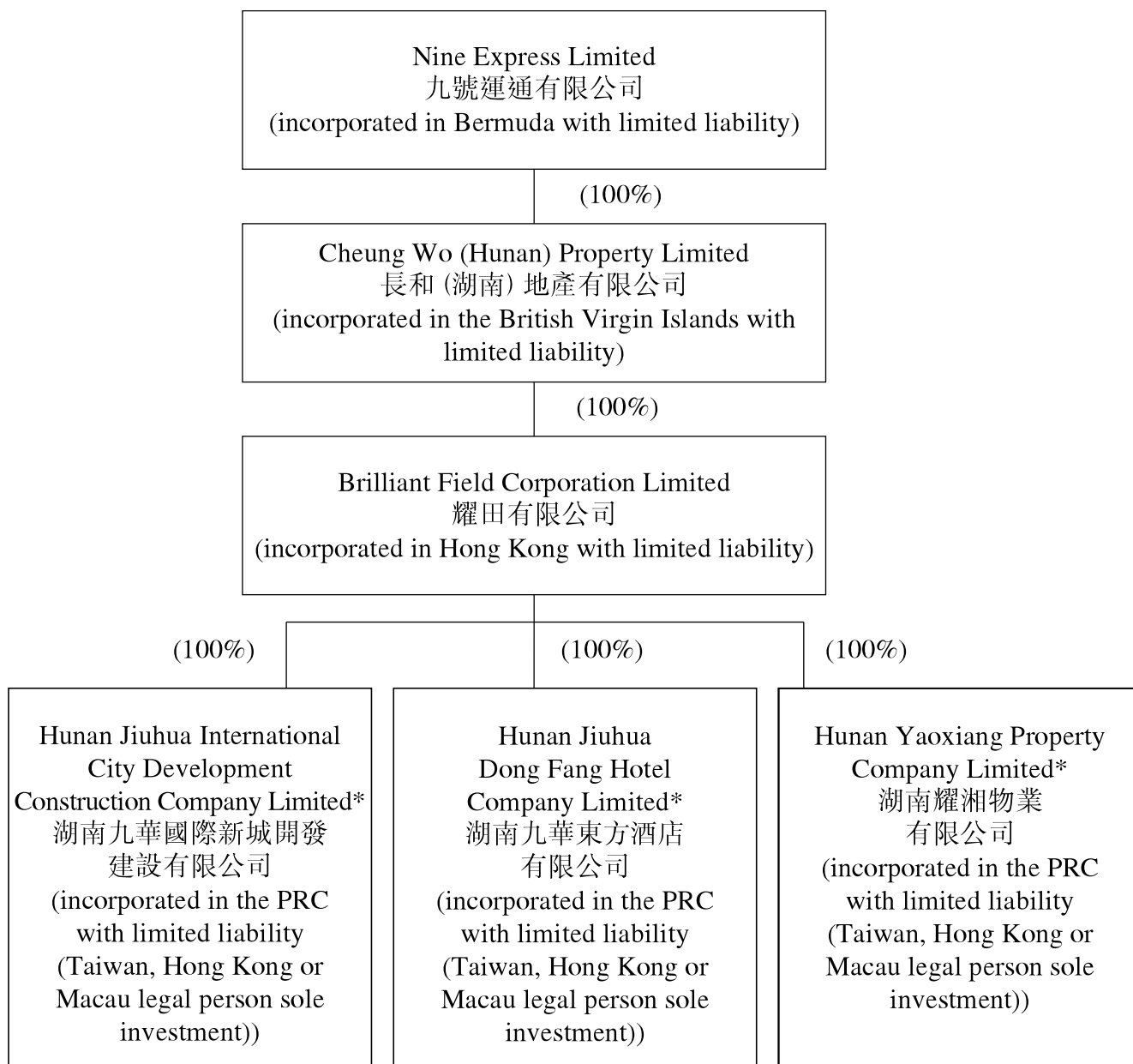
Completion

Subject to the fulfillment of the Conditions Precedent, Completion shall take place on the Completion Date or at such other place and/or such other time and/or other date as Cheung Wo (Hunan) and the Subscriber may agree in writing.

Upon Completion, the Subscriber will become the legal and beneficial owner of the Subscription Shares and immediately after the Completion, Cheung Wo (Hunan) will cease to be a subsidiary of the Company. The financial results of Cheung Wo (Hunan) Group will be accounted for using equity method in the Group's financial statements.

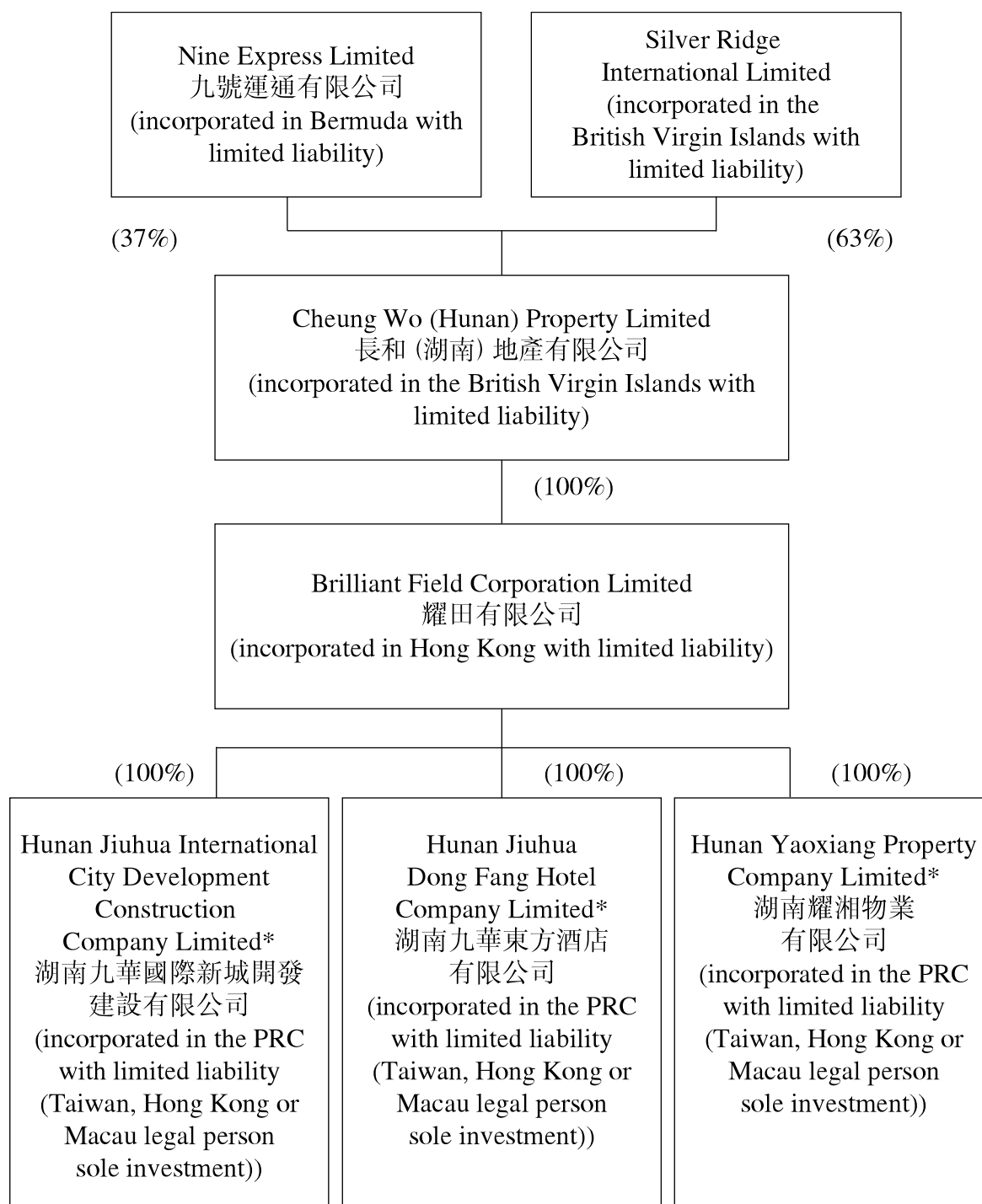
The following charts demonstrate the shareholding structure of Cheung Wo (Hunan) Group (a) as at the date of this announcement; and (b) immediately after Completion:

(a) *As at the date of this announcement*



* *For identification purpose only*

(b) Immediately after Completion



* For identification purpose only

INFORMATION OF THE GROUP

The Group is principally engaged in the film production and related business, film processing, rental of property and property development.

INFORMATION OF CHEUNG WO (HUNAN) GROUP

Cheung Wo (Hunan) is a company incorporated in the British Virgin Islands with limited liability and a direct wholly owned subsidiary of the Company. It is an investment holding company.

Brilliant Field Corporation Limited is a company incorporated in Hong Kong with limited liability and is an indirect wholly owned subsidiary of the Company. It is an investment holding company.

湖南九華國際新城開發建設有限公司 (Hunan Jiuhua International City Development Construction Company Limited*) is a company incorporated in the PRC with limited liability (Taiwan, Hong Kong or Macau legal person sole investment) and is an indirect wholly owned subsidiary of the Company. Its principal activity is property development.

湖南九華東方酒店有限公司 (Hunan Jiuhua Dong Fang Hotel Company Limited*) is a company incorporated in the PRC with limited liability (Taiwan, Hong Kong or Macau legal person sole investment) and is an indirect wholly-owned subsidiary of the Company. Its principal activity is hotel development.

湖南耀湘物業有限公司 (Hunan Yaoxiang Property Company Limited*) is a company incorporated in the PRC with limited liability (Taiwan, Hong Kong or Macau legal person sole investment) and is an indirect wholly-owned subsidiary of the Company. Its principal activity is provision of property management services.

SUMMARY OF FINANCIAL RESULTS OF CHEUNG WO (HUNAN) GROUP

A summary of the audited financial information of Cheung Wo (Hunan) Group for the years ended 31 December 2014 and 31 December 2015 is as follows:–

	For the year ended	
	31 December 2015	31 December 2014
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss before taxation	639,806	205,489
Loss after taxation	582,919	207,323

* For identification purpose only

	For the year ended	
	31 December 2015	31 December 2014
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	1,275,704	2,092,752
Total liabilities	2,060,047	2,258,939
Net liabilities	784,343	166,187
Adjusted net asset value	576,865	956,865

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTION

The Company is an investment holding company incorporated in Bermuda and Cheung Wo (Hunan) Group is principally engaged in property and hotel development and property management. For the two years ended 31 December, Cheung Wo (Hunan) Group recorded loss after taxation of approximately HK\$582.92 million and HK\$207.32 million respectively. Cheung Wo (Hunan) Group's assets mainly comprised of two properties held under development in Xiangtan, Hunan Province, the PRC (the "**Property Project**").

Xiangtan is located in the middle of Hunan Province, the PRC. As compared with its neighbor city, Changsha, being the capital city and highest economic growth city in Hunan Province, Xiangtan is less competitive. For the property market in Xiangtan, land selling rate remained low and properties were over supplied which result in decline land cost and low property prices.

The Directors have been exploring ways to improve the financial performance of Cheung Wo (Hunan) Group, including (a) diversifying Cheung Wo (Hunan) Group's business with an objective to broaden its income source, and (b) exploring financial resources to reinforce its capital base.

In view of the property market in Xiangtan and the stringent PRC banking policies in releasing loans to property companies, Cheung Wo (Hunan) Group is facing a slow return from its selling of properties and it is difficult to obtain financing with favourable terms from independent financial institutions to fund the current development of the Property Project. Further, debt financing would increase the gearing level of the Group and the interest expense incurred which would impose additional financial burden to the Group's future cash flows, hence the Directors consider that such fund raising method is currently not the most appropriate method to the Group. As regards the viability of a rights issue or an open offer, given the loss position of the Group and low trading volume of the Shares, the Directors consider that it is difficult to engage an underwriter with a reasonable underwriting fee and to price the Shares at a reasonable discount. Furthermore, even if such underwriter is identified, the rights issue or open offer would be relatively time consuming as compared to placing.

On 13 July 2016, the Company has entered into a placing agreement with a placing agent which the Company had agreed to place through the placing agent, on a best effort basis, to not less than six placees who and whose beneficial owners shall be Independent Third Parties. On 3 August 2016, being the latest permission date to deal in the placing of new shares pursuant to the placing agreement, the placing agent and the Company entered into a deed of termination to terminate the said placing agreement with immediate effect. For further details of the placing, please refer to the announcement of the Company dated 13 July 2016 and 3 August 2016.

In light of this, the Directors seized the opportunity to introduce the Subscriber to raise capital for Cheung Wo (Hunan) Group. The capital raised will be used by Cheung Wo (Hunan) Group as its general working capital.

The Directors considered that the Transaction represents a good opportunity to raise capital for the future development of Cheung Wo (Hunan) Group. Based on the above, the Directors considered that the Transaction is in the interest of the Company and the Shareholders taken as a whole. The terms of the Transaction are fair and reasonable and the Subscription Agreement was entered into on normal commercial terms.

DEEMED DISPOSAL

As at the date of this announcement, the Company is directly interested in the entire issued share capital of Cheung Wo (Hunan). Upon Completion, the Subscriber will be interested in 63% of the issued share capital of Cheung Wo (Hunan) as enlarged by the Additional Shares and the Subscription Shares; and the Company's interest Cheung Wo (Hunan) will be diluted to 37%, representing a decrease of 63%. Accordingly, the Transaction constitutes a deemed disposal of 63% direct interest in the issued share capital of Cheung Wo (Hunan) by the Company pursuant to Rule 14.29 of the Listing Rules.

FINANCIAL EFFECTS ON THE TRANSACTION OF THE COMPANY AND USE OF PROCEEDS BY CHEUNG WO (HUNAN) GROUP

Immediately after the Completion, Cheung Wo (Hunan) will cease to be a subsidiary of the Company. The financial results of Cheung Wo (Hunan) Group will be accounted for using equity method in the Group's financial statements.

Based on the unaudited financial statements on 31 December 2015, the unaudited adjusted net asset value of Cheung Wo (Hunan) Group is approximately HK\$576,865,000 and the Company is expected to record a loss of HK\$314 million in its income statement arising from the Transaction. The expected deemed loss of disposal is calculated from the difference between the adjusted net asset value of the Cheung Wo (Hunan) Group at 31 December 2015 and the expected fair value of 37% interest held by the Company in the Cheung Wo (Hunan) Group upon Completion. The expected proceeds from the subscription of the Subscription Shares by the Subscriber are HK\$200,000,000 and will be applied as general working capital for the Cheung Wo (Hunan) Group.

The exact financial effects of the Transaction as a result of the Share Subscription are subject to the review of the Company's auditors.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are above 25% but less than 75%, the Transaction constitutes a major transaction of the Company. Accordingly, the Company is subject to the notification, announcement and Shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, none of the Shareholders is interested in the Transaction and, accordingly, no Shareholder is required to abstain from voting at the SGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (a) details of the Transaction, (b) a notice of the SGM and a form of proxy, and (c) other information required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 26 August 2016.

Shareholders and potential investors should note that Completion is subject to, among other things, the satisfaction (or where appropriate, waiver) of the Conditions Precedent under the Subscription Agreement, and therefore, the Subscription Agreement and the transactions contemplated thereunder may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Additional Shares”	36 shares of Cheung Wo (Hunan) to be issued by Cheung Wo (Hunan) to the Company before Completion;
“Board”	the board of Directors of the Company;
“Cheung Wo (Hunan) Group”	Brilliant Field Corporation Limited, 湖南九華國際新城開發建設有限公司(Hunan Jiuhua International City Development Construction Company Limited*); 湖南九華東方酒店有限公司 (Hunan Jiuhua Dong Fang Hotel Company Limited*) and 湖南耀湘物業有限公司 (Hunan Yaoxiang Property Company Limited*);

* For identification purpose only

“Cheung Wo (Hunan)”	Cheung Wo (Hunan) Property Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company;
“Company”	Nine Express Limited (九號運通有限公司), 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 “0009”);
“Completion”	the completion of the Transaction;
“Conditions Precedent”	the conditions precedent for Completion;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	the director(s) of the Company;
“Enlarged Issued Share Capital”	the issued share capital of Cheung Wo (Hunan) as enlarged by the issuance of the Additional Shares and the Subscription Shares;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Increased in Issued Capital”	the proposed issuance of the Additional Shares by Cheung Wo (Hunan) to the Company before Completion;
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 October 2016 or such other date as may be agreed by Cheung Wo (Hunan) and the Subscriber;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“SGM”	the special general meeting of the Company to be convened and held to approve, among others, the Subscription Agreement and the respective transactions contemplated thereunder;
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Silver Ridge International Limited, a company incorporated in the British Virgin Islands;
“Subscription Agreement”	the subscription agreement dated 5 August 2016 and entered into between Cheung Wo (Hunan) and the Subscriber in relation to, among other things, the subscription of the Subscription Shares by the Subscriber;
“Subscription Price”	an aggregate of HK\$200,000,000;
“Subscription Shares”	63 Shares to be subscribed for by the Subscriber representing 63% of the Enlarged Issued Share Capital of Cheung Wo (Hunan);
“Transaction”	the transaction contemplated under the Subscription Agreement;
“%”	per cent.

By order of the Board
Nine Express Limited
HUI WAI LEE, WILLY
Chairman

Hong Kong, 5 August 2016

As at the date of this announcement, the Board comprises twelve Directors. The executive Directors are Mr. Hui Wai Lee, Willy (Chairman), Mr. Xiang Junjie (Chief Executive Officer), Mr. Tai Yat Chung, Mr. Li Wenjun, Mr. Zhong Yingchang, Mr. Ji Jianguo, Mr. Deng Guohong and Mr. Wang Li; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum, Mr. Chiu Sin Nang, Kenny and Mr. Gao Hong.