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兆邦基地產
Zhaobangji Properties

Zhaobangji Properties Holdings Limited
兆邦基地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1660)

DISCLOSEABLE TRANSACTION

ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANY

The Board is pleased to announce that on 24 December 2018, after trading hours, the Purchaser as purchaser and the Vendor as vendor entered into the Agreement pursuant to which the Vendor has agreed to sell the Equity Interests and assign the Shareholder's Loan to the Purchaser, and the Purchaser has agreed to acquire the Equity Interests and accept the assignment of the Shareholder's Loan from the Vendor for a total consideration of RMB49.0 million which will be satisfied by the payment of cash after the Condition Subsequent has been fulfilled.

As the highest of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but falls below 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 24 December 2018, after trading hours, the Purchaser as purchaser and the Vendor as vendor entered into the Agreement pursuant to which the Vendor has agreed to sell the Equity Interests and assign the Shareholder's Loan to the Purchaser, and the Purchaser has agreed to acquire the Equity Interests and accept the assignment of the Shareholder's Loan from the Vendor for a total consideration of RMB49.0 million. Completion has taken place on the date of the Agreement and the Consideration will be satisfied by the payment of cash after the Condition Subsequent has been fulfilled.

SALE AND PURCHASE AGREEMENT

Date

24 December 2018 (after trading hours)

Parties

(1)	Purchaser:	Zhaobangji Investment Holdings (Hong Kong) Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company
(2)	Vendor:	Ms. Wang Xiujun

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

Subject of the Acquisition

The Vendor has agreed to sell the Equity Interests and assign the Shareholder's Loan to the Purchaser, and the Purchaser has agreed to acquire the Equity Interests and accept the assignment of the Shareholder's Loan.

The Target Company is an investment holding company wholly owned by the Vendor immediately prior to Completion. For further information on the Target Company, please refer to the section headed "Information on the Target Group" below.

Consideration

The Consideration payable by the Purchaser to the Vendor for the Acquisition is RMB49.0 million. The Consideration will be settled after the Condition Subsequent has been fulfilled.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor taking into consideration, among others: (i) the net assets of the Target Group excluding the Shareholder's Loan as stated in the consolidated management accounts of the Target Group; (ii) a marketability discount on the illiquid nature of the Target Group.

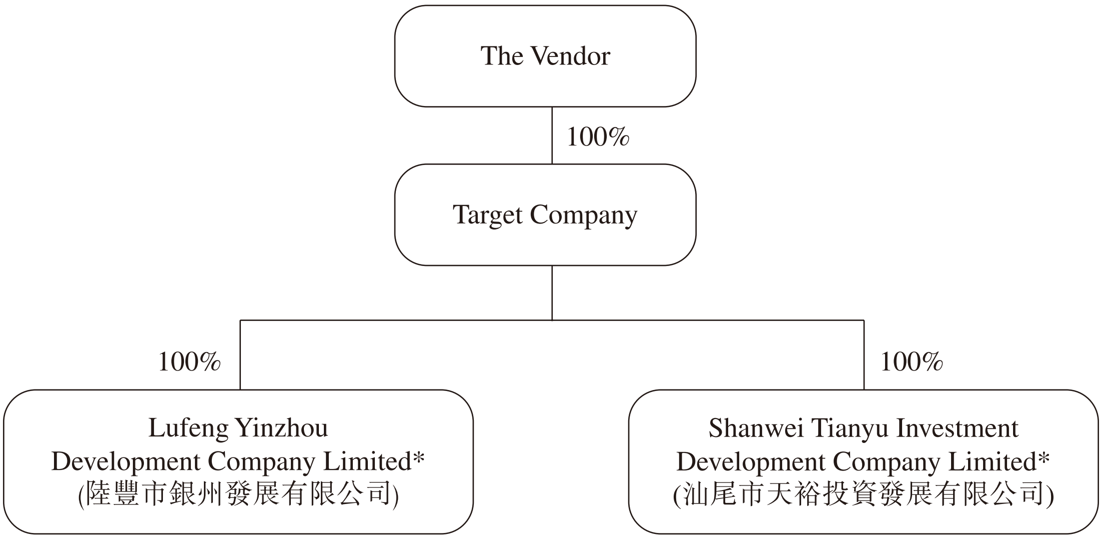
The Consideration will be funded by a loan from an associate of Mr. Xu Chujia, the chairman of the Board, an executive Director and the Company's controlling shareholder. The loan carries a term of five years, carries no interest and may be repaid by the Group any time prior to maturity. As a form of financial assistance (as defined in the Listing Rules) to be received by the Group from a connected person of the Company, the loan will be provided on normal commercial terms and will not be secured by the assets of the Group. As such, the acceptance of the loan is fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Completion

The Completion shall take place forthwith upon the execution of the Agreement, subject to the Condition Subsequent that filing and registration procedures in respect of the Acquisition shall be completed within 90 days from the date of the Agreement.

INFORMATION ON THE TARGET GROUP

The Target Company is a limited liability company established under the laws of the PRC on 2 November 2017 with registered capital of RMB1,000,000 and its principal business activity is investment holding. The corporate structure of the Target Group immediately prior to Completion is as follows:



Lufeng Yinzhou Development Company Limited* (陸豐市銀州發展有限公司) is a company established under the laws of the PRC on 28 December 2004 and is principally engaged in the business of leasing of DDM Mall located in Shenzhen. It obtained the building ownership rights in respect of approximately 13,000 square meters of the DDM Mall (the "**Property Rights**") from a PRC state-owned enterprise through winning a bid in a non-performing asset auction in 2011. Shanwei Tianyu Investment Development Company Limited* (汕尾市天裕投資發展有限公司) is a limited liability company established under the laws of the PRC on 31 October 2011 and does not have any operating business.

According to the consolidated management accounts of the Target Group, the total assets as at 30 September 2018 was approximately RMB60.4 million and the net liabilities as at 30 September 2018 was approximately RMB0.6 million (including the Shareholder's Loan with principal value of RMB60.0 million). Its assets mainly consisted of the Property Rights. As part of the due diligence process, an Independent Third Party was engaged to check the estimated market value of the Property Rights as stated in the consolidated management accounts of the Target Group, which was considered to be fair and reasonable. Excluding the Shareholder's Loan, the net assets of the Target Group as at 30 September 2018 as stated in the consolidated management accounts of the Target Group was RMB59.4 million.

The total revenue and net loss after tax of the Target Group for the nine months ended 30 September 2018 was RMB nil and approximately RMB2.8 million, respectively. The net losses (both before and after taxation) of the Target Group for the two financial years immediately preceding the transaction are as follows:

	Years ended	
	31 December 2016	**31 December 2017**
	RMB'000	*RMB'000*
Loss before taxation	(13)	(319)
Taxation	–	–
Loss after taxation	**(13)**	**(319)**

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in leasing of machinery, trading of machinery and spare parts, and the provision of related services, and the provision of transportation services in Hong Kong, and the provision of property management services in the PRC.

As disclosed in the Company's announcement dated 4 June 2018, the Board plans to diversify the Group's business scope into leasing management in the Greater Bay Area. Demonstrated by the trend of growing revenue and profit, the Board considers that the Group has historically performed relatively well in the leasing of machinery. However, as disclosed in the announcement of interim results for the six months ended 30 September 2018 dated 30 November 2018, the economic condition of China and Hong Kong as a whole has deteriorated in the third quarter of this year following intensifying disputes from the trade war between United States and China. The economy is entering a down-cycle which could last for several years in the worst scenario. This will pose challenges for traditional industries such as the construction market and the Company is cautious about the outlook. Nonetheless, the Group has no intention to, downsize, terminate or dispose of any of its existing businesses and/or major operating assets and has not entered into, and does not propose to enter into, any agreement, arrangement, understanding or undertaking (whether formal or informal, verbal or written, express or implied) in relation thereof.

In light of the above, the Board has been seeking other assets in the leasing market to which the Group could extend its leasing operations. Among others, the Board has taken into consideration the following: (i) the transactions should not involve any fundamental change in the Group principal business; (ii) the transactions should not involve significant upfront investment relative to the Group's current scale; and (iii) the Board members should possess the relevant experience in the leasing operations in respect of the assets. The Company has identified the acquisition of the Property Rights through the acquisition of the Target Group for the purpose of leasing operations in respect of DDM Mall to be a good diversification strategy given the relatively low barrier to entry and further reasons explained below.

The Target Group historically did not generate revenue and incurred loss of approximately RMB2.8 million for the nine months ended 30 September 2018. This was due to an arrangement made by the prior directors of the Target Group to assign the right to collect lease income to its related party company, which is not within the scope of the Acquisition. According to the Board's assessment, based on the lease contracts provided by the Vendor, the total revenue of the Target Group for the nine months ended 30 September 2018 would have been approximately RMB10.6 million had the assignment arrangement not been in place. Based on the Consideration, the estimated gross lease yield generated from the acquisition of the Property Rights would be approximately 29%. This is comparable to the gross yield from the leasing of machinery in our Group for the financial year ended 31 March 2018 of approximately 29%.

Unlike other property investments which have a higher capital appreciation value, the investment in the Target Group is relatively illiquid and therefore a liquidity discount has been factored in when determining the Consideration. With the expectation that the economy is slowing down in the PRC and Hong Kong, the Board considers that it is in the interest of the Group to focus on leasable assets that generate higher yield than outright liquid property investments which carries significant price fluctuation risks. The Property Rights shall expire in June 2046. The net present value of return on asset is therefore expected to be higher than our machinery leasing business, but the overall cash flow and balance sheet nature is in-line with the nature of our existing business in the leasing of machineries.

On the basis of the above, the Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but falls below 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

"Acquisition"	the acquisition of the Equity Interests and the assignment of the Shareholder's Loan pursuant to the Agreement
"Agreement"	the agreement dated 24 December 2018 entered into between the Company as purchaser and the Vendor as vendor in relation to the sale and purchase of the Equity Interests and the assignment of the Shareholder's Loan
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors

"Company"	Zhaobangji Properties Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the sale and purchase of the Equity Interests and the assignment of the Shareholder's Loan pursuant to the Agreement
"Condition Subsequent"	the completion of the filing and registration procedures in respect of the Acquisition within 90 days from the date of the Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Equity Interests"	the entire equity interests in the Target Company
"financial year(s)"	shall mean financial year(s) ended/ending the 31st day of March of the relevant calendar year(s), unless otherwise specified
"Group"	collectively, the Company and its subsidiaries for the time being
"Independent Third Party(ies)"	any person(s) or company(ies) which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are independent of the Company and the connected persons of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Purchaser"	Zhaobangji Investment Holdings (Hong Kong) Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC

"Share(s)"	the ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder's Loan"	the shareholder's loan owned by the Target Company to the Vendor that remains outstanding as at the Completion Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	深圳市吉茂順貿易有限公司 (Shenzhen Jimaoshun Trading Company Limited*), a limited liability company established under the laws of the PRC on 2 November 2017 and the entire registered capital of which is held by the Vendor as the registered shareholder prior to Completion
"Target Group"	the Target Company and its subsidiaries for the time being and from time to time
"Vendor"	Ms. Wang Xiujun
"%"	per cent.

By order of the Board
Zhaobangji Properties Holdings Limited
Xu Chujia
Chairman and executive Director

Hong Kong, 24 December 2018

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Xu Chujia, Mr. Wu Hanyu, Mr. Kwan Kin Man Keith, Mr. Li Yan Sang, and Mr. Zhao Yiyong; two non-executive Directors, namely, Ms. Zhan Meiqing and Professor Lee Chack Fan, G.B.S., S.B.S., J.P.; and five independent non-executive Directors, namely, Mr. Cheng Yiu Tong G.B.M., G.B.S., J.P., Mr. Hui Chin Tong Godfrey, Mr. Sze-to Kin Keung, Mr. Wong Chun Man and Mr. Ye Longfei.

* *For identification purpose only.*