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Ching Lee Holdings Limited

正利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3728)

DISCLOSEABLE TRANSACTION IN RELATION TO THE FORMATION OF PROJECT COMPANY UNDER THE COOPERATION FRAMEWORK AGREEMENT

COOPERATION FRAMEWORK AGREEMENT

On 9 December 2021 (after trading hours), the Company and the Partners entered into the Cooperation Framework Agreement in relation to the formation of a Project Company, pursuant to which:

The Company and the Partners will form the Project Company, for the purpose of the acquisition of the entire interest of the Target Company from the Vendor, pursuant to which the Project Company shall be owned by the Company, Primo Holdings, Zun Wang, RJHK and Gainful Asset Management as to 20%, 30%, 25%, 20% and 5%, respectively.

LISTING RULES IMPLICATIONS

As the highest applicable Percentage Ratios in respect of the transaction under the Cooperation Framework Agreement calculated exceeds 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements.

The Board wishes to emphasize that the Cooperation Framework Agreement merely provides a framework of cooperation between the Company and the Partners. Shareholders and potential investors are reminded that the proposed formation of the Project Company is subject to the due diligence review on the Target Company having been completed and the results of such due diligence review being satisfactory to the Parties. In the event that the Parties decide to terminate the Cooperation Framework Agreement based on unsatisfactory due diligence result, the Cooperation Framework Agreement shall be terminated and cease to have any force or effect and the proposed formation of the Project Company shall not proceed. Further announcement(s) in relation to the Cooperation Framework Agreement and the formation of the Project Company will be made as and when required by the Hong Kong Listing Rules.

Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that the Company and the Partners entered into the Cooperation Framework Agreement on 9 December 2021 in respect of the formation of the Project Company, for the purpose of the acquisition of the entire interest of the Target Company from the Vendor, which is engaged in property redevelopment project in Hong Kong.

THE COOPERATION FRAMEWORK AGREEMENT

A summary of the major terms of the Cooperation Framework Agreement is set out below:

Date: 9 December 2021

Parties:

- (a) The Company
- (b) Primo Holdings
- (c) Zun Wang
- (d) RJHK
- (e) Gainful Asset Management

Scope of the business of the Project Company

Pursuant to the Cooperation Framework Agreement, the Company and the Partners will form a Project Company in the British Virgin Islands. The Project Company will be principally engaged in the investment holding in the Target Company, which legally and beneficially owns the properties in Hong Kong.

Shareholding structure and capital requirement of the Project Company

The registered capital of the Project Company at the date of incorporation will be USD50,000 and pursuant to the Cooperation Framework Agreement, the total maximum capital commitment to the Project Company will be HK\$150 million and the maximum capital commitment of the Company on the formation of the Project Company will be HK\$30 million. The total amount of the initial capital to be injected into the Project Company for the acquisition of the entire interest of the Target Company (including the contribution of the registered capital of the Project Company) shall be HK\$120 million and to be contributed based on the shareholding of the Parties in the Project Company as below:

Name of party	Initial capital to be contributed by each Party <i>HK\$</i>	Shareholding in the Project Company
The Company	24,000,000	20%
Primo Holdings	36,000,000	30%
Zun Wang	30,000,000	25%
RJHK	24,000,000	20%
Gainful Asset Management	6,000,000	5%

The amount of the capital contribution to be injected by the Parties into the Project Company for the acquisition of the entire interest of the Target Company was determined after arm's length negotiations among the Parties with reference to the Project Company's funding needs for the acquisition of the entire interest of the Target Company and the initial capital contribution by each Party shall be paid in cash. The Company's portion of the initial capital contribution is expected to be funded by the Group's internal funds and available banking facilities.

Corporate Governance

Upon the incorporation of the Project Company, it will be held as to 20% by the Company. The board of directors of the Project Company shall consist of two directors, Primo Holdings and Zun Wang shall have the right to appoint one director each, the director appointed by Zun Wang will be the chairman of the board. Pursuant to the Cooperation Framework Agreement, each Director shall have one vote and all matters considered at the board meeting of the Project Company shall require the approval with a majority of the votes cast. The chairman of the board of directors shall be entitled to a second or casting vote.

Other Terms

Subject to the satisfactory due diligence review of the Target Company, the Corporate Framework Agreement contains a legally binding obligation on the Company and the Partners to negotiate the detailed terms of the definitive documentation in respect of the proposed formation of the Project Company. The detailed terms and conditions of the Project Company will be set out in the definitive agreements, the terms of which are still subject to finalization as at the date of this announcement.

In the event of any ambiguity or conflict between the Cooperation Framework Agreement and the definitive agreements, the terms and the conditions of the definitive agreements shall prevail.

The Cooperation Framework Agreement is governed by the law of Hong Kong.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE TARGET COMPANY

In the view of our comprehensive skills and experience in the construction industry, the Group feels excited to explore new opportunities in property development projects. On 20 March 2018, the Group completed an acquisition of 3.5% of a company which is a registered and beneficial owner of a landed property located in Sham Shui Po, Kowloon, Hong Kong, which was redeveloped into a multistorey residential and commercial building. The Group remains positive with the property market outlook in Hong Kong and will proactively looking for feasible property development opportunities.

The Company understands that the Partners have relevant experience and resources to facilities the project related to the properties held by the Target Company. Hence, the Board considers that it would be beneficial to the Group to incorporate the Project Company with the Partners so as to achieve synergistic benefit. The Board considers that the terms of the Cooperation Framework Agreement are in normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES, THE VENDOR AND THE TARGET COMPANY

The Company

The Company is an investment holding company. The principal activities of the Company and its subsidiaries are provision of construction and consultancy works and project management services in Hong Kong.

The Partners

Primo Holdings is a limited liability company incorporated in Hong Kong, which is principally engaged in investment holding and directly wholly-owned by Sunwah Kingsway Capital Holdings Limited, a limited liability company incorporated in Bermuda and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 00188).

Zun Wang is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding.

RJHK is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding.

Gainful Asset Management is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding.

The Vendor

China Expert Development Limited is a company incorporated in Hong Kong with limited liability. It is principally engaged in the property redevelopment in Hong Kong.

The Target Company

The Target Company is a limited company incorporated in Hong Kong. The principal activities of the Target Company are letting of properties for rental income in Hong Kong. To the best of the Directors' knowledge, the properties that are legally and beneficially owned by the Target Company.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, each of the Partners, the Vendor and the Target Company and their respective ultimate beneficial owners are Independent Third Parties to the Company and its connected persons.

LISTING RULES IMPLICATIONS

As the highest applicable Percentage Ratios in respect of the transaction under the Cooperation Framework Agreement calculated exceeds 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements.

GENERAL

The Board wishes to emphasize that the Cooperation Framework Agreement merely provides a framework of cooperation between the Company and the Partners. Shareholders and potential investors are reminded that the proposed formation of the Project Company is subject to the due diligence review on the Target Company having been completed and the results of such due diligence review being satisfactory to the Parties. In the event that the Parties decide to terminate the Cooperation Framework Agreement based on unsatisfactory due diligence result, the Cooperation Framework Agreement shall be terminated and cease to have any force or effect and the proposed formation of the Project Company shall not proceed. Further announcement(s) in relation to the Cooperation Framework Agreement and the formation of the Project Company will be made as and when required by the Hong Kong Listing Rules.

Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Ching Lee Holdings Limited, a company incorporated in Cayman Islands with limited liability whose issued shares are listed on the main board of the Stock Exchange

“Cooperation Framework Agreement”	the agreement dated 9 December 2021 entered into between the Company and the Partners in respect of the formation of the Project Company
“Directors”	the directors of the Company
“Gainful Asset Management”	Gainful Asset Management Limited, company incorporated in the British Virgin Islands with limited liability
“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 People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Project Company”	a company proposed to be incorporated in the British Virgin Islands with limited liability by the Company and the Partners pursuant to the terms of the Cooperation Framework Agreement
“Parties”	the Company and the Partners and “Party” means any one of them
“Partners”	Primo Holdings, Zun Wang, RJHK and Gainful Asset Management
“Primo Holdings”	Primo Holdings Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Sunwah Kingsway Capital Holdings Limited, a limited liability company incorporated in Bermuda and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 00188)
“Target Company”	Front Builder Investment Limited, a company incorporated in Hong Kong with limited liability
“RJHK”	RJHK Company Limited, a company incorporated in the British Virgin Islands with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	the lawful currency of the US

“Vendor”	China Expert Development Limited, a company incorporated in Hong Kong with limited liability
“Zun Wang”	Zun Wang Holdings Limited, company incorporated in the British Virgin Islands with limited liability
“%”	per cent.

By order of the Board
Ching Lee Holdings Limited
Mr. NG Choi Wah
Chairman

Hong Kong, 9 December 2021

As at the date of this announcement, the executive Directors are Mr. Ng Choi Wah, Mr. Lui Yiu Wing and Mr. Lam Ka Fai; and the independent non-executive Directors are Dr. Wai Wing Hong Onyx, Mr. Tong Hin Sum Paul and Mr. Chau Kam Wing Donald.