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CHANHIGH HOLDINGS LIMITED
滄海控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2017)

DISCLOSEABLE TRANSACTION
EQUITY TRANSFER AGREEMENT

THE EQUITY TRANSFER AGREEMENT

On 14 March 2022, the Transferor (an indirect wholly-owned Subsidiary) entered into the Equity Transfer Agreement with the Transferee pursuant to which the Transferor agreed to transfer the Target Equity Interest to the Transferee.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 14 March 2022, the Transferor (an indirect wholly-owned Subsidiary) entered into the Equity Transfer Agreement with the Transferee pursuant to which the Transferor agreed to transfer the Target Equity Interest to the Transferee.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows:

- | | |
|----------------|--|
| Date | 14 March 2022 |
| Parties | (a) The Transferor, an indirect wholly-owned Subsidiary, as the transferor; and
(b) The Transferee, as the transferee |

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Transferee is ultimately wholly owned by Mr. Chen Conglu as at the date of this announcement. Mr. Chen Conglu is a merchant. Please refer to section headed “Reasons for and benefits of the Transaction” in this announcement for further details of his background. The Transferee and its ultimate beneficial owner are third parties independent of the Company and not a connected person of the Company as at the date of this announcement.

Assets to be disposed of

The Target Equity Interest, representing 55% of the equity interest of the Target Company held by the Transferor.

The cost was RMB34,900,000, approximately representing the proportional contribution of net asset value of the Target Company as at 31 January 2022.

Consideration (including tax)

RMB35,000,000, which will be satisfied by the Transferee to the Transferor in cash.

The consideration was determined upon arm’s length negotiations between the Transferor and the Transferee with reference to, among other things, (i) the net asset value of the Target Company as at 31 January 2022 and (ii) the prevailing market conditions.

Payment of consideration and change of equity interest

Within two working days after signing the Equity Transfer Agreement, the Transferee shall pay a deposit of 10% of the consideration to the bank account designated by the Transferor.

Within two days after the Transferee pays the deposit, both parties shall sign the relevant documents for the transfer of the Target Equity Interest (the “**Transfer Documents**”).

Within two days after signing the Transfer Documents, the Transferee shall pay 90% of the consideration to the bank account designated by the Transferor.

Liability for breach of contract

If any party to the Equity Transfer Agreement fails to perform its obligations in accordance with the provisions of the Equity Transfer Agreement, it shall be liable for breach of contract as follows:

- (a) 10% of the consideration paid by the Transferee to the Transferor is of the nature of a deposit. If the Transferee breaches the contract and fails to pay the consideration as stipulated in the Equity Transfer Agreement, the Transferee shall have no right to request the return of the deposit. If the Transferor breaches the contract, the Transferor shall return it to the Transferee in double;
- (b) the Transferee shall pay the consideration in accordance with the Equity Transfer Agreement. If the payment is not made in time, the unpaid part shall bear an interest at 0.1% of the day for each overdue day as the liability for breach of contract.

INFORMATION ON THE PARTIES

The Transferor

The Transferor is a company established under the laws of the PRC with limited liability and an indirect wholly-owned Subsidiary. It is principally engaged in investment holding.

The Transferee

The Transferee is a company established under the laws of the PRC which is principally engaged in construction material trading and investment holding.

The Target Company

The Target Company is a limited liability company established under the laws of the PRC which is principally engaged in water works and hydropower projects construction. It currently holds the Qualification.

Immediately before completion of the Transaction, the Target Company was wholly-owned by the Transferor. The Target Company was therefore an indirect wholly-owned Subsidiary.

Upon completion of the Transaction, the Target Company will be owned by the Transferor and the Transferee as to 45% and 55%, respectively. The Target Company will cease to be a Subsidiary and will become an associated company of the Company. As a result, the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

The financial information of the Target Company as extracted from its unaudited management accounts compiled in accordance with all applicable International Financial Reporting Standards, is as follows:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB' 000</i>	<i>RMB' 000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	28,147	49,316
Net loss before taxation and extraordinary items	(6,270)	(3,234)
Net loss after taxation and extraordinary items	(6,270)	(3,234)

The unaudited total asset value and the unaudited net asset value of the Target Company as at 31 December 2021 amounted to approximately RMB110,395,000 and RMB62,758,000, respectively. The unaudited total asset value and the unaudited net asset value of the Target Company as at 31 January 2022 amounted to approximately RMB112,527,000 and RMB63,454,000, respectively.

USE OF PROCEEDS AND FINANCIAL EFFECT OF THE TRANSACTION

It is the current intention of the Company that the proceeds arising from the Transaction shall be used by the Company as general working capital. It is expected that the Company will record an unaudited gain of approximately RMB100,000 from the Transaction, being the difference between (i) the consideration for the Transaction and (ii) the unaudited net asset value of the Target Company as at 31 January 2022 as extracted from its management accounts. The actual gain as a result of the Transaction to be recorded by the Group is subject to final audit to be performed by the Company's auditors.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of the Company is investment holding. The Group is primarily engaged in landscape construction, municipal and water works construction and building works in the PRC.

Mr. Chen Conglu, the ultimate beneficial owner of the Transferee, has over 15 years of experience in infrastructure construction business, especially water works. Mr. Chen has a strong business network in the infrastructure construction industry, and good relationships with certain significant state-owned construction enterprises. The Board considers that Mr. Chen will lead the Target Company to expand its business in large-scale water works and to obtain more cooperation opportunities with significant state-owned construction enterprises, and eventually maximise the commercial value of the Qualification. On this basis, the Directors consider that the entering into of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

The terms of the Equity Transfer Agreement have been arrived at after arm's length negotiations between the parties. The Directors have confirmed that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole. As at the date of this announcement, none of the Directors has any material interest in the Equity Transfer Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below, and words in plural shall include the singular and vice versa, as applicable:

“Board”	the board of Directors
“Company”	Chanhigh Holdings Limited (滄海控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2017)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 14 March 2022 entered into between the Transferor and the Transferee in relation to the transfer of the Target Equity Interest from the Transferor to the Transferee
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Qualification”	First-Grade General Contractor for Water Works and Hydropower Projects Qualification (水利水電工程施工總承包壹級資質) in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	the subsidiary of the Company
“Target Company”	Ningbo Hongyuan Construction Co., Ltd.* (寧波弘源建設有限公司), a limited liability company established in the PRC
“Target Equity Interest”	55% of the equity interest of the Target Company held by the Transferor
“Transaction”	the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder
“Transferee”	Ningbo Luzhong New Materials Trading Co., Ltd.* (寧波魯眾新材料貿易有限公司), a limited liability company established in the PRC

“Transferor” Ningbo Canghai Town Investment Management Co., Ltd.* (寧波滄海小鎮投資管理有限責任公司), a limited liability company established in the PRC, and a Subsidiary

“%” per cent.

By order of the Board
Chanhigh Holdings Limited
Peng Tianbin
Chairman

Hong Kong, 14 March 2022

As at the date of this announcement, the Board consists of Mr. Peng Tianbin, Mr. Peng Yonghui and Mr. Peng Daosheng as executive directors; Ms. Wang Sufen as non-executive director; and Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai as independent non-executive directors.

* *For identification purpose only*