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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

FORMATION OF JOINT VENTURE

Reference is made to the announcements of Ching Lee Holdings Limited (the “**Company**”) dated 9 December 2021 and 14 December 2021 respectively (the “**Announcements**”) regarding the entering into of the Cooperation Framework Agreement on 9 December 2021 by the Company with the Partners in respect of the proposed formation of a joint venture company, the Project Company, and the acquisition by the Project Company of a Hong Kong incorporated property holding company, the Target Company. Under the Cooperation Framework Agreement, the Company and the Partners agreed among other things to negotiate and enter into definitive agreements in respect of the formation of the Project Company.

On 7 April 2022 (after trading hour) the Company, the Partners and an additional investor, Berrystead Investment, entered into the definitive JV Agreements in respect of the Project Company.

On the same day, the Project Company entered into a sale and purchase agreement with an Independent Third Party for the purchase of the entire issued share capital of the Target Company for a total consideration of HK\$111.5 million, as was contemplated in the Cooperation Framework Agreement and disclosed in the Announcements.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under the Listing Rules in respect of the maximum capital commitment of the Company under the JV Agreements exceeds 5% but is less than 25%, the entering into of the JV Agreements constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

Reference is made to the Announcements regarding the entering into of the Cooperation Framework Agreement on 9 September 2021 by the Company and the Partners in respect of the proposed formation of the Project Company and the acquisition by the Project Company of the property-holding Target Company. Under the Cooperation Framework Agreement, the Company and the Partners agreed among other things to negotiate and enter into definitive agreements in respect of the formation of the Project Company.

The Project Company was incorporated in the BVI on 12 November 2021. On the same day, the Company and the Partners respectively subscribed for, and were allotted and issued by the Project Company, on a nil-paid basis, the following ordinary shares of US\$1.00 each in the capital of the Project Company (the “**Project Company Shares**”):

Party name	No. of Project Company Shares	% of shareholding in the Project Company
The Company	10,000	20%
Primo Holdings	15,000	30%
Zun Wang Holdings	12,500	25%
RJHK	10,000	20%
Gainful Asset Management	2,500	5%

Primo Holdings subsequently transferred 5,000 of the nil-paid Project Company Shares, representing 10% of the issued share capital of the Project Company, to Berrystead Investment on 9 March 2022.

On 7 April 2022 (after trading hour) the Company, the Partners and Berrystead Investment entered into the Subscription Agreement and the Shareholders’ Agreement (collectively the “**JV Agreements**”) in respect of the Project Company, the main terms of which are summarised below.

THE SUBSCRIPTION AGREEMENT

Date: 7 April 2022

Parties: The Company
Zun Wang Holdings
Primo Holdings
RJHK
Gainful Asset Management
Berrystead Investment

Payment of subscription price

Pursuant to the Subscription Agreement, each of the parties agreed to pay the subscription price for its Project Company Shares in cash as and when and in the manner set out in the written call notices from time to time issued to it by the Project Company, up to the following total subscription price:

Name of Party	No. of Project Company Shares	Total subscription price payable (HK\$)
The Company	10,000	24,000,000
Zun Wang Holdings	12,500	30,000,000
Primo Holdings	10,000	24,000,000
RJHK	10,000	24,000,000
Gainful Asset Management	2,500	6,000,000
Berrystead Investment	<u>5,000</u>	<u>12,000,000</u>
Total	<u>50,000</u>	<u>120,000,000</u>

As was disclosed in the Announcements, the total subscription price of HK\$120 million was determined after arm's length negotiations among the parties taking into account various factors such as the funding needs of the Project Company for the acquisition of the entire interest of the Target Company and the operation of the Project Company. The subscription price per Project Share payable by all of the parties was the same, being HK\$2,400 per Project Company Share.

It is expected that the HK\$24 million total subscription price payable by the Company will be funded by the internal funds and the available banking facilities of the Group.

THE SHAREHOLDERS' AGREEMENT

Date: 7 April 2022

Parties: The Company
Zun Wang Holdings
Primo Holdings
RJHK
Gainful Asset Management
Berrystead Investment

Purpose of Project Company To acquire the entire issued share capital of the Target Company and thereby indirectly invest the Properties.

Respective shareholding of the shareholders	Name of shareholder	No. of Project Company Shares
	The Company	10,000
	Zun Wang Holdings	12,500
	Primo Holdings	10,000
	RJHK	10,000
	Gainful Asset Management	2,500
	Berrystead Investment	5,000

Funding needs of Project Company The shareholders shall contribute, on a pro-rata basis, a total of HK\$120 million of share capital to the Project Company in cash as and when and in the manner set out in the written call notices from time to time issued to them by the Project Company.

In addition to the above shareholder capital contributions to the Project Company, the funding needs of the Project Company may also be satisfied by: (i) borrowings from banks or financial institutions if so resolved by the board of directors of the Project Company and/or (ii) further capital contributions by the shareholders, if so resolved by way of a poll at a shareholders' meeting.

Management of Project Company The board of directors of the Project Company shall consist of two directors, one of whom shall be nominated by Primo Holdings, and the other, who shall also be the chairman of the board of directors of the Project Company, shall be nominated by Zun Wang Holdings.

An accountant shall be appointed by the board of directors of the Project Company to handle the books and records of the Project Company and Target Company. The financial controller of Primo Holdings will assist in reviewing the reports of the Project Company and Target Company produced by the accountant.

Restrictions on transfer Save for a transfer to its wholly-owned subsidiary, a shareholder's transfer of any Project Company Shares shall be subject to the right of first refusal in favour of the other shareholders.

No shareholder may create any encumbrance or third party rights over any of its Project Company Shares.

On 7 April 2022, Primo Holdings nominated Mr. Chan Kwok Keung, and Zun Wang Holdings nominated Mr. Chen Jiahui, as the first directors of the Project Company, and they both took office as from that day.

Under the JV agreements, the maximum capital to be contributed by all shareholders of the Project Company is HK\$150,000,000 and the maximum capital commitment of each shareholder of the Project Company is as follows:

Name of shareholder	Maximum capital commitment (HK\$)
The Company	30,000,000
Zun Wang Holdings	37,500,000
Primo Holdings	30,000,000
RJHK	30,000,000
Gainful Asset Management	7,500,000
Berrystead Investment	<u>15,000,000</u>
Total	<u><u>150,000,000</u></u>

INFORMATION ON THE PARTNERS AND BERRYSTEAD INVESTMENT

Zun Wang Holdings is a limited liability company incorporated under the laws of the BVI. It is principally engaged in investment holding. Zun Wang Holdings is ultimately wholly owned by Mr. Chen JiaHui.

Primo Holdings is a limited liability company incorporated under the laws of Hong Kong 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). It is principally engaged in investment holding.

RJHK is a limited liability company incorporated under the laws of the BVI. It is principally engaged in investment holding. RJHK is ultimately wholly owned by Mr. Jian Weiwen.

Gainful Asset Management is a limited liability company incorporated under the laws of the BVI. It is principally engaged in investment holding. Gainful Asset Management is ultimately wholly owned by Mr. Chen Weisong.

Berrystead Investment is a limited liability company incorporated under the laws of Hong Kong. It is principally engaged in investment holding. Berrystead Investment is ultimately wholly owned by Mr. Lee Wai Sang and Ms. Leung Mo Shan Jackie.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Partners, Berrystead Investment and their respective ultimate beneficial owners are Independent Third Parties.

INFORMATION ON THE PROJECT COMPANY AND THE TARGET COMPANY

The Project Company, Empire Elite Group Limited, is a limited liability company incorporated under the laws of the BVI. It is principally engaged in investment holding.

On 7 April 2022, the Project Company (as purchaser) entered into a sale and purchase agreement with China Expert Development Limited (as vendor) for the purchase of the entire issued share capital of the Target Company, together with the shareholders' loan advanced by China Expert Development Limited to the Target Company, for a total consideration of HK\$111.5 million. Completion of this sale and purchase agreement is expected to take place on or before a date which is 30 days from the date of the sale and purchase agreement.

The Target Company is a limited liability company incorporated in Hong Kong. The principal activity of the Target Company is the letting of properties for rental income in Hong Kong. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as of the date of the sale and purchase agreement, (i) the Target Company is the sole legal and beneficial owner of the Properties; (ii) the Properties are the only assets of the Target Company; and (iii) China Expert Development Limited and its ultimate beneficial owners are Independent Third Parties.

INFORMATION ON 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.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE PROJECT COMPANY

In the view of our comprehensive skills and experience in the construction industry, the Company 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 terms of the JV Agreements were determined after arm's length negotiations among the parties thereto taking into account various factors such as the funding needs of the Project Company for the acquisition of the entire interest of the Target Company and the operation of the Project Company and the proposed development plan of the Target Company's Properties.

Accordingly, the Board believe that the terms of the JV Agreements are fair and reasonable and that the entering into of the JV Agreements is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under the Listing Rules in respect of the maximum capital commitment of the Company under the JV Agreements exceeds 5% but is less than 25%, the entering into of the JV Agreements constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings when used herein.

“Berrystead Investment”	Berrystead Investment Holdings Limited, a company incorporated under the laws of Hong Kong, and one of the shareholders of the Project Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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 (Stock Code: 03728)
“Cooperation Framework Agreement”	the cooperative framework agreement dated 9 December 2021 entered into amongst the Company and the Partners in respect of the proposed formation of the Project Company
“Director(s)”	Directors of the Company
“Gainful Asset Management”	Gainful Asset Management, a limited liability company incorporated under the laws of the BVI and one of the Partners
“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
“JV Agreements”	the Subscription Agreement and the Shareholders’ Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Partners”	Zun Wang Holdings, Primo Holdings, RJHK and Gainful Asset Management
“Primo Holdings”	Primo Holdings Limited, a limited liability company incorporated under the laws of Hong Kong 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)
“Project Company”	Empire Elite Group Limited, a limited liability company incorporated under the laws of the BVI of which the Company, Primo Holdings, Zun Wang Holdings, RJHK, Gainful Asset Management and Berrystead Investment are shareholders
“Project Company Shares”	ordinary shares of US\$1.00 each in the capital of the Project Company and each a “Project Company Share”
“Properties”	the vacant lands situated at Nos. 105 and 105A of Pak Tai Street, To Kwa Wan, Kowloon, Hong Kong
“RJHK”	RJHK Company Limited, a limited liability company incorporated under the laws of the BVI and one of the Partners
“Shareholder(s)”	holder(s) of share(s) of the Company
“Shareholders’ Agreement”	the shareholders agreement dated 7 April 2022 entered into amongst the six shareholders of the Project Company, namely the Company, Primo Holdings, Zun Wang Holdings, RJHK, Gainful Asset Management and Berrystead Investment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription Agreement”	the subscription agreement dated 7 April 2022 entered into amongst the six shareholders of the Project Company, namely the Company, Primo Holdings, Zun Wang Holdings, RJHK, Gainful Asset Management and Berrystead Investment
“Target Company”	Front Builder Investment Limited, a limited liability company incorporated under the laws of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“Zun Wang Holdings”	Zun Wang Holdings Limited, a limited liability company incorporated under the laws of the BVI and one of the Partners
“%”	per cent

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

Hong Kong, 7 April 2022

As at the date of this announcement, the executive Directors of the Company 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.