

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this joint announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this joint announcement.*



Chuang's Consortium International Limited  
(莊士機構國際有限公司)  
*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 367)



Chuang's China Investments Limited  
(莊士中國投資有限公司)  
*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 298)

## **DISCLOSEABLE TRANSACTION    DISCLOSEABLE TRANSACTION**

### **JOINT ANNOUNCEMENT IN RELATION TO THE DISPOSAL OF THE SALE SHARE AND THE SALE LOAN**

#### **SALE AND PURCHASE AGREEMENT**

The Chuang's Consortium Board and the Chuang's China Board announce that on 5 August 2022 (after trading hours), the Vendor, being a direct wholly-owned subsidiary of Chuang's China, entered into the Sale and Purchase Agreement with the Purchaser and the Purchaser's Guarantor, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Share and the Sale Loan.

The Consideration for the Sale Share and the Sale Loan is estimated to be not more than approximately RMB133,000,000 (equivalent to approximately HK\$154,280,000) (subject to adjustments). The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser after taking into account: (i) the Agreed Property Value of RMB133,000,000 (equivalent to approximately HK\$154,280,000) and the latest market condition in the PRC; and (ii) the Completion NAV of the Target Group.

#### **IMPLICATIONS UNDER THE LISTING RULES**

For Chuang's China, as the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 5% (but is less than 25%), the Disposal constitutes a discloseable transaction for Chuang's China under the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

For Chuang's Consortium, as the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 5% (but is less than 25%), the Disposal constitutes a discloseable transaction for Chuang's Consortium under the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

The Chuang's Consortium Board and the Chuang's China Board announce that on 5 August 2022 (after trading hours), the Vendor, being a direct wholly-owned subsidiary of Chuang's China, entered into the Sale and Purchase Agreement with the Purchaser and the Purchaser's Guarantor, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Share and the Sale Loan. The Purchaser's Guarantor was joined as a party to the Sale and Purchase Agreement to guarantee the performance of the Purchaser under the Sale and Purchase Agreement.

## **SALE AND PURCHASE AGREEMENT**

### **Date**

5 August 2022 (after trading hours)

### **Parties**

Vendor: Chuang's China Realty Limited

Purchaser: Amazing Time Global Limited

Purchaser's Guarantor: Mr. Huang Chih Shen

### **Assets to be disposed of**

Pursuant to the Sale and Purchase Agreement, the assets to be disposed of by the Vendor to the Purchaser comprise (i) the Sale Share; and (ii) the Sale Loan.

The Vendor has conditionally agreed to sell the Sale Share and the Sale Loan to the Purchaser free from encumbrances but together with all rights attached, accrued or accruing thereto as at the Completion Date and together with all dividends and distributions declared, made or paid or agreed to be made or paid thereon or in respect thereof on or after the Completion Date.

### **Consideration**

The Consideration for the Sale Share and the Sale Loan is estimated to be not more than approximately RMB133,000,000 (equivalent to approximately HK\$154,280,000) (subject to adjustments). The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser after taking into account: (i) the Agreed Property Value of RMB133,000,000 (equivalent to approximately HK\$154,280,000) and the latest market condition in the PRC; and (ii) the Completion NAV of the Target Group.

To the best of the Chuang's China Board's and the Chuang's Consortium Board's knowledge, information and belief, the estimated amount of the Completion NAV of the Target Group will be a negative figure with an absolute amount of not more than approximately RMB2.5 million (equivalent to approximately HK\$2.9 million) based on the financial information of the Target Group as at 31 March 2022. Therefore, the exact amount of the Consideration can only be determined at Completion.

The Agreed Property Value of the Property was RMB133,000,000 (equivalent to approximately HK\$154,280,000), which was determined after arm's length negotiations between the Vendor and the Purchaser by reference to, among others, market values of comparable properties in nearby areas. The Agreed Property Value of the Property represented a slight discount of about 2.8% to market valuation of the Property as at 15 July 2022 as appraised by an independent valuer appointed by Chuang's China based on market approach of RMB136,800,000 (equivalent to approximately HK\$158,688,000).

The Consideration of approximately RMB133,000,000 (equivalent to approximately HK\$154,280,000), subject to adjustments, will be settled in the following manner:

- (a) an earnest money of HK\$5.0 million has already been paid in cash by the Purchaser to the Vendor in Hong Kong prior to the signing of the Sale and Purchase Agreement and it has been converted into about RMB4.3 million and treated as part of the deposit upon signing of the Sale and Purchase Agreement;
- (b) a further deposit of RMB8.7 million (equivalent to approximately HK\$10.1 million) has been paid in cash by the Purchaser to the Vendor in Hong Kong upon signing of the Sale and Purchase Agreement;
- (c) an amount of approximately RMB117.0 million (equivalent to approximately HK\$135.7 million), subject to adjustments, shall be paid in cash by the Purchaser to the Vendor in Hong Kong on the Completion Date; and
- (d) the balance of RMB3.0 million (equivalent to approximately HK\$3.5 million) shall be paid in cash by the Purchaser at the instruction of the Vendor to the relevant tax authority in the PRC for the payment of the Announcement No. 7 Tax when it is due. Based on the Consideration of approximately RMB133,000,000 and to the best of the Chuang's China Board's and the Chuang's Consortium Board's knowledge, information and belief, the estimated amount of the Announcement No. 7 Tax payable will be about RMB3.2 million and the shortfall shall be paid out of the internal resources of the Chuang's China Group. The exact amount of such tax payable can only be determined at Completion and after the tax clearance from the relevant tax authority.

### **Condition precedent**

Completion is conditional on the warranties given by the Vendor under the Sale and Purchase Agreement remaining true, accurate and not misleading in all material respects on or before the Completion Date.

The Purchaser may at any time before the Completion Date waive in writing the condition set out above.

### **Completion**

Completion shall take place on 5 September 2022, or such other day as may be agreed in writing between the Vendor and the Purchaser.

## INFORMATION ON THE TARGET GROUP AND THE PROPERTY

The Target Company is incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Vendor. The Target Company is principally engaged in investment holding and owns the Property through its wholly-owned subsidiaries.

The Chuang's China Group acquired the Property in August 2015 at RMB101,600,000. The Property occupies a site area of about 20,000 sq. m. in the city centre of Changan (長安), Dongguan, on which an industrial building with GFA of about 39,081 sq. m. was erected. The Property is held by the Chuang's China Group for rental purpose and is leased to an independent third party until August 2023 at gross rental income of about RMB7.2 million (equivalent to approximately HK\$8.4 million) per annum. The aggregate gross rental income received by the Chuang's China Group from the Property from the date of acquisition up to the end of July 2022 is approximately RMB43.3 million (equivalent to approximately HK\$50.2 million). The area where the Property is located had been rezoned to "residential usage". However, under current requirements of the region, the existing site of 20,000 sq. m. is not considered as sizable and has not reached the requisite minimum size of over 100,000 sq. m. for applying for land usage conversion on its own. It will therefore be required to combine with adjacent sites for application for redevelopment into residential usage which requires additional capital commitment and creates uncertainty and lengthy time for land usage conversion.

Set out below is the consolidated financial summary of the Target Group for the two financial years ended 31 March 2022:

	<b>For the financial year end</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2022</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(note)</i>	
<b>(Loss)/profit before taxation</b>	(38,908)	4,454
<b>(Loss)/profit after taxation</b>	(28,922)	4,287

*Note: The figures included the fair value loss of approximately HK\$40.8 million on the revaluation of the Property and the reversal of the related deferred taxation liabilities of approximately HK\$10.2 million respectively.*

The total assets and net assets of the Target Group (not taking into account the amount due to the Vendor of approximately HK\$89.0 million) as at 31 March 2022 are approximately HK\$235.8 million and HK\$205.8 million respectively.

The Property was recorded at valuation of RMB189,800,000 (equivalent to approximately HK\$233,606,000 at book cost) as at 31 March 2022 in the consolidated financial statements of the Target Group. Subsequent to 31 March 2022, the PRC property market has been adversely affected by liquidity crisis of property developers as well as economic downturn as affected by the Covid-19 pandemic. As a result, market values of properties in the PRC have generally shown a downward adjustment. The market valuation of the Property as at 15 July 2022 was RMB136,800,000 (equivalent to approximately HK\$158,688,000) as

appraised based on market approach by an independent valuer (the same valuer that performed the valuation as at 31 March 2022 as mentioned above) appointed by Chuang's China, representing a decrease of about 28% when compared with that as at 31 March 2022.

## **INFORMATION ON THE VENDOR, THE CHUANG'S CHINA GROUP AND THE CHUANG'S CONSORTIUM GROUP**

The Vendor is a company incorporated in Bermuda with limited liability and is a direct wholly-owned subsidiary of Chuang's China. The Vendor is principally engaged in investment holding.

The Chuang's China Group is principally engaged in property development, investment and trading, hotel operation and management, development and operation of cemetery, sales of goods and merchandises (including art pieces), and securities investment and trading. As at the date of this joint announcement, Chuang's China is a non-wholly-owned subsidiary of, and owned as to approximately 61.15% by, the Chuang's Consortium Group.

The Chuang's Consortium Group is principally engaged in property development, investment and trading, hotel operation and management, development and operation of cemetery, manufacturing, sales and trading of goods and merchandises, securities investment and trading and money lending business.

## **INFORMATION ON THE PURCHASER AND THE PURCHASER'S GUARANTOR**

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. The Purchaser's Guarantor is Mr. Huang Chih Shen.

To the best of each of the Chuang's China Board's and the Chuang's Consortium Board's knowledge, information and belief having made all reasonable enquiries, as at the date of this joint announcement, (i) the Purchaser is principally engaged in investment holding; (ii) the ultimate beneficial owner of the Purchaser is the Purchaser's Guarantor who is principally engaged in garment and property investment businesses; and (iii) the Purchaser and the Purchaser's Guarantor are third parties independent of Chuang's China and Chuang's Consortium and their respective connected persons (as defined in the Listing Rules).

## **FINANCIAL EFFECTS OF THE DISPOSAL**

### **Earnings**

#### *Chuang's China*

The Agreed Property Value of RMB133,000,000 represented a surplus of RMB31.4 million when compared with the original acquisition cost of the Property by the Chuang's China Group of RMB101,600,000. However, on the basis of the Consideration of approximately RMB133,000,000 and taking into account (a) the drop in fair value of the Property from 31 March 2022 to 15 July 2022; (b) the estimated expenses and taxation of the Disposal; (c) the reversal of deferred taxation liabilities; and (d) the realization of exchange reserve, it is expected that the Chuang's China Group will record an estimated net loss from the Disposal of approximately HK\$41.9 million for the six months ending 30 September 2022. The actual amount of the net loss can only be determined at Completion. In view of the downward

adjustment of the PRC property market, the latest appraised value of the Property as at 15 July 2022 has fallen to RMB136,800,000. As a comparison, should Chuang's China retain the Property and this market value remain at the same level as at the forthcoming 30 September 2022, the Chuang's China Group would still record a net fair value accounting loss of approximately RMB40 million (equivalent to approximately HK\$46.4 million) for the six months ending 30 September 2022 in respect of the Property, after taking into account the deferred taxation credit.

### *Chuang's Consortium*

As for Chuang's Consortium, since Chuang's China is a 61.15% subsidiary of the Chuang's Consortium Group, any profit/loss of the Chuang's China Group as mentioned above will be taken up as to 61.15% by the Chuang's Consortium Group. On the basis that the Chuang's China Group is expected to record an estimated net loss from the Disposal of approximately HK\$41.9 million, the Chuang's Consortium Group is expected to share an estimated net loss from the Disposal of approximately HK\$25.6 million after deducting non-controlling interests of approximately 38.85%. However, with the reversal of an additional deferred taxation liabilities of about HK\$28.3 million as income as a result of the lower historical book cost of the Property recorded at the Chuang's Consortium Group, it is expected that the Chuang's Consortium Group would record an estimated net gain from the Disposal of approximately HK\$2.7 million.

### **Assets and liabilities**

Upon Completion, the Target Group will cease to be subsidiaries of Chuang's China and Chuang's Consortium and the financial results, assets and liabilities of the Target Group will no longer be included in the consolidated financial statements of the Chuang's China Group and the Chuang's Consortium Group.

### **General**

Shareholders should note that the financial impact set out above is for illustrative purpose only, which will have to be ascertained at the time of preparation of Chuang's China's and Chuang's Consortium's consolidated financial statements with reference to, among other things, the actual costs and expenses associated with the Disposal, and is subject to audit.

### **USE OF PROCEEDS**

Based on the Consideration of approximately RMB133,000,000 (equivalent to approximately HK\$154,280,000), the net cash proceeds (after deducting the expenses and taxation associated with the Disposal) from the Disposal are estimated to be approximately HK\$150.2 million. The net proceeds from the Disposal will replenish the working capital of the Chuang's China Group and will enable the Chuang's China Group to make new investments as and when opportunities arise.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

### **Chuang's China**

The Chuang's China Board has considered the following factors regarding the Disposal:

- (a) as disclosed in the annual report of Chuang's China for the year ended 31 March 2022, the Chuang's China Group will adopt appropriate strategy to consider disposal of this Property in view of the redevelopment uncertainty of the Property site as mentioned in the "Information on the Target Group and the Property" section above;
- (b) the Agreed Property Value at RMB133,000,000 pursuant to the Sale and Purchase Agreement represents a slight discount of approximately 2.8% to the appraised value of the Property based on market approach as provided by an independent valuer of RMB136,800,000 as at 15 July 2022;
- (c) the Disposal will unlock a premium of approximately 30.9% over the original acquisition cost of the Property of RMB101.6 million based on the Agreed Property Value and over the years the Chuang's China Group received aggregate gross rental income of approximately RMB43.3 million from the Property from the date of acquisition up to the end of July 2022; and
- (d) the Disposal contemplated under the Sale and Purchase Agreement comprises the sale of the Sale Share and the Sale Loan, instead of the direct sale of the Property, which is beneficial to the Chuang's China Group for the purpose of minimizing the seller's tax under the PRC tax rules.

Having considered the above factors and amid the current uncertain global macro-economic environment, the Chuang's China Board considers that the Disposal represents a good opportunity for the Chuang's China Group to lock in its return on the Property and can further enhance its cash position under the current situation. The Chuang's China Board is of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of Chuang's China and the Chuang's China Shareholders as a whole.

### **Chuang's Consortium**

Chuang's China is a 61.15% subsidiary of the Chuang's Consortium Group. Having considered the factors mentioned above, in particular, (i) the redevelopment uncertainty of the Property site; (ii) the Disposal will unlock a premium of approximately 30.9% over the original acquisition cost of RMB101.6 million to the Chuang's China Group based on the Agreed Property Value under the Sale and Purchase Agreement; (iii) it is beneficial with the Disposal conducting by way of sale of the Sale Share and the Sale Loan rather than direct sale of the Property; and (iv) the Disposal will further enhance the cash position of the Chuang's China Group amid the current uncertain global macro-economic environment, the Chuang's Consortium Board concurs with the view of the Chuang's China Board that the Disposal is in the interests of Chuang's China and the Chuang's China Shareholders as a whole.

On the basis of the above, the Chuang's Consortium Board is of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of Chuang's Consortium and the Chuang's Consortium Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

For Chuang's China, as the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 5% (but is less than 25%), the Disposal constitutes a discloseable transaction for Chuang's China under the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

For Chuang's Consortium, as the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 5% (but is less than 25%), the Disposal constitutes a discloseable transaction for Chuang's Consortium under the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

“Agreed Property Value”	the agreed property value of the Property of RMB133,000,000 (equivalent to approximately HK\$154,280,000) under the Sale and Purchase Agreement
“Announcement No. 7 Tax”	tax payable in connection with the Sale and Purchase Agreement with respect to the PRC Income Tax Treatment of an Indirect Transfer of Assets by a Non-resident Enterprise issued by the State Administration of Taxation (Announcement [2015] No. 7) (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) on 3 February 2015, as amended from time to time, including amendments made by the Announcement with respect to Certain Matters in relation to the Withholding Income Tax of a Non-resident Enterprise issued by the State Administration of Taxation (Announcement [2017] No. 37) (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告) on 17 October 2017
“Chuang's China”	Chuang's China Investments Limited, a company incorporated in Bermuda and its shares are listed on the Main Board of the Stock Exchange (stock code: 298). As at the date of this joint announcement, Chuang's China is owned as to 61.15% by the Chuang's Consortium Group
“Chuang's China Board”	the board of directors of Chuang's China
“Chuang's China Group”	Chuang's China and its subsidiaries
“Chuang's China Shareholder(s)”	shareholder(s) of Chuang's China



“Chuang’s Consortium”	Chuang’s Consortium International Limited, a company incorporated in Bermuda and its shares are listed on the Main Board of the Stock Exchange (stock code: 367)
“Chuang’s Consortium Board”	the board of directors of Chuang’s Consortium
“Chuang’s Consortium Group”	Chuang’s Consortium and its subsidiaries, including the Chuang’s China Group
“Chuang’s Consortium Shareholder(s)”	shareholder(s) of Chuang’s Consortium
“Completion”	completion of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Completion Date”	5 September 2022, or such other day as may be agreed in writing between the Vendor and the Purchaser
“Completion NAV”	the aggregate of all assets (excluding the Property) less the aggregate of all liabilities and provisions (excluding the deferred taxation liabilities and the Sale Loan) of the Target Group on the Completion Date
“Consideration”	the total consideration for the disposal of the Sale Share and the Sale Loan payable by the Purchaser to the Vendor in relation to the Disposal
“Disposal”	the disposal of the Sale Share and the Sale Loan pursuant to the Sale and Purchase Agreement
“GFA”	gross floor area
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	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
“Property”	the land and building located at Xiaobian Village, Changan, Dongguan, Guangdong Province, the PRC
“Purchaser”	Amazing Time Global Limited, a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by the Purchaser’s Guarantor
“Purchaser’s Guarantor”	Mr. Huang Chih Shen

“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 5 August 2022 entered into between the Vendor, the Purchaser and the Purchaser’s Guarantor in relation to the Disposal
“Sale Loan”	the entire amount of the unsecured interest-free loan owing by the Target Group to the Vendor immediately prior to the Completion of the Sale and Purchase Agreement
“Sale Share”	entire issued share capital of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Well Land Development Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Vendor
“Target Group”	the Target Company and its wholly-owned subsidiaries
“Vendor”	Chuang’s China Realty Limited, a company incorporated in Bermuda with limited liability and is a direct wholly-owned subsidiary of Chuang’s China
“sq. m.”	square meters
“%”	per cent

By order of the board of  
**Chuang’s Consortium International Limited**  
**Albert Chuang Ka Pun**  
*Chairman and Managing Director*

By order of the board of  
**Chuang’s China Investments Limited**  
**Albert Chuang Ka Pun**  
*Chairman*

Hong Kong, 5 August 2022

*As at the date of this joint announcement, Mr. Albert Chuang Ka Pun, Mr. Richard Hung Ting Ho, Mr. Edwin Chuang Ka Fung, Miss Ann Li Mee Sum, Mrs. Candy Kotewall Chuang Ka Wai, Mr. Geoffrey Chuang Ka Kam and Mr. Chan Chun Man are the executive directors of Chuang’s Consortium, and Mr. Abraham Shek Lai Him, Mr. Fong Shing Kwong, Mr. Yau Chi Ming, Mr. David Chu Yu Lin and Mr. Tony Tse Wai Chuen are the independent non-executive directors of Chuang’s Consortium.*

*As at the date of this joint announcement, Mr. Albert Chuang Ka Pun, Miss Ann Li Mee Sum, Mr. Edwin Chuang Ka Fung, Mr. Geoffrey Chuang Ka Kam and Mr. Neville Charles Kotewall are the executive directors of Chuang’s China, Mr. Dominic Lai is the non-executive director of Chuang’s China, and Mr. Abraham Shek Lai Him, Mr. Andrew Fan Chun Wah, Dr. Eddy Li Sau Hung and Dr. Ng Kit Chong are the independent non-executive directors of Chuang’s China.*

*For the purpose of illustration only and unless otherwise stated, amounts denominated in RMB in this joint announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.16. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.*