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Sino Harbour Holdings Group Limited

漢港控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1663)

MAJOR TRANSACTION DEEMED DISPOSAL OF EQUITY INTEREST OF A SUBSIDIARY

THE CAPITAL INCREASE AGREEMENT

On 23 November 2022, Fenghuang Jincheng and Leping Runze, each an indirect non-wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with the Investor, pursuant to which, the Investor agreed to contribute additional capital to the registered capital of Leping Runze in an amount of RMB162 million. Upon completion of the Deemed Disposal, the equity interest in Leping Runze will be held by Fenghuang Jincheng and the Investor as to approximately 3.57% and 96.43%, respectively. Accordingly, Leping Runze will then cease to be a subsidiary of the Company and its financial results will not be consolidated into the consolidated financial statements of the Group. As such, the Capital Increase will constitute a deemed disposal of the Group's equity interest in Leping Runze under Chapter 14 of the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Deemed Disposal exceed 25%, but do not exceed 75%, the Deemed Disposal constitutes a major transaction for the Company and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the Deemed Disposal as contemplated under the Capital Increase Agreement and therefore none of the Shareholders and their associates is required to abstain from voting if a general meeting was to be convened by the Company for the approval of the Deemed Disposal. As such, the Deemed Disposal may be approved by written Shareholders' approval in accordance with Rule 14.44 of the Listing Rules. The Company has obtained the written approval from a closely allied group of Shareholders, comprising Extra Good Enterprises Limited, Mr. Wong and Ms. Chan, which are beneficially interested in an aggregate of 1,255,181,153 Shares, representing approximately 50.94% of the issued share capital of the Company as at the date of this announcement, to approve the Deemed Disposal. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Deemed Disposal.

GENERAL

A circular containing, among other things, further particulars of the Deemed Disposal is expected to be despatched to the Shareholders on or before 13 December 2022 in accordance with the Listing Rules.

THE CAPITAL INCREASE AGREEMENT

The Board announces that, on 23 November 2022, Fenghuang Jincheng and Leping Runze, each an indirect non-wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with the Investor, pursuant to which, the Investor agreed to contribute additional capital to the registered capital of Leping Runze in an amount of RMB162 million. Upon completion of the Deemed Disposal, the equity interest in Leping Runze will be held by Fenghuang Jincheng and the Investor as to approximately 3.57% and 96.43%, respectively. Accordingly, Leping Runze will then cease to be a subsidiary of the Company and its financial results will not be consolidated into the consolidated financial statements of the Group. As such, the Capital Increase will constitute a deemed disposal of the Group's equity interest in Leping Runze under Chapter 14 of the Listing Rules.

Principal terms of the Capital Increase Agreement

Date

23 November 2022 (after trading hours)

Parties

- (1) Fenghuang Jincheng;
- (2) Investor;
- (3) Leping Runze.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, each of the Investor and its ultimate beneficial owners as at the date of this announcement, is an Independent Third Party.

Capital Increase

Pursuant to the Capital Increase Agreement, the Investor shall make capital contribution in the amount of RMB162 million in Leping Runze, of which the entirety will be included in the registered capital of Leping Runze.

Upon completion of the Deemed Disposal in accordance with the Capital Increase Agreement, the registered capital of Leping Runze will be increased from RMB6 million to RMB168 million and Fenghuang Jincheng and the Investor will hold approximately 3.57% and 96.43% equity interest in Leping Runze, respectively. As a result of the Capital Increase, Leping Runze will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

Condition Precedent

The completion of the Deemed Disposal is conditional upon the fulfilment of the following condition precedent:

Fenghuang Jincheng and the Company having complied with all necessary internal procedures (including shareholders' and/or directors' approvals as required by laws, regulations and the Listing Rules), and obtained all necessary approvals and consents from the Stock Exchange and other third parties (including the relevant regulatory and governmental authorities (if applicable)).

In the event that the aforementioned condition precedent has not been fulfilled prior to the Long Stop Date, the Capital Increase Agreement shall be terminated automatically and cease to have any effect. All rights, obligations and liabilities of Fenghuang Jincheng and the Investor under the Capital Increase Agreement shall be discharged and neither Fenghuang Jincheng and the Investor shall have any claim against each other, save for antecedent breaches and otherwise provided in Capital Increase Agreement.

Payment Terms

The Investor shall complete the Capital Increase by payment of capital contribution sum in the amount of RMB162 million by way of cash contribution and/or repayment of debts owed by Leping Runze before 31 December 2026.

Basis of the Capital Contribution Sum

The capital contribution sum was determined among the parties to the Capital Increase Agreement after arm's length negotiations with reference to the (i) the net liabilities position recorded in the unaudited financial statements of Leping Runze for the year ended 31 March 2022 of Leping Runze when the parties entered into the Capital Increase Agreement; (ii) the fair value of Leping Runze and the respective percentages of equity interest as held by Fenghuang Jincheng and the Investor on a fully paid-up and enlarged basis; and (iii) other factors as set out in the paragraph headed "Reasons for and Benefits of the Deemed Disposal" below.

REASONS AND BENEFITS FOR THE DEEMED DISPOSAL

The Group is principally engaged in the property development in the second and third tier cities in China. The property projects of the Group include residential properties, detached housing, apartments, retails as well as commercial properties.

The Capital Increase would allow Leping Runze to have sufficient working capital to fund the existing and future land development projects owned by it, thus improving the financial position and future prospects of Leping Runze. As at the date of this announcement, Leping Runze held a residential and commercial property project under construction in Leping City, Jiangxi Province, the PRC, which will be developed into residential and ancillary commercial properties of saleable GFA 157,505 sq.m. (the “**Project**”). As the result of the policy initiations regarding the property market in the PRC, such as “Three Red Lines” by banks, the overall financing environment in the property development market has gradually been tightened, the difficulty and cost of financing have substantially increased. In view of the challenging property market conditions in the PRC, the decline in sales prices of the property units in the second and third tier cities in China including where the Project is located and the expected difficulty in obtaining sufficient financing for development of the Project, it is estimated that the Group may incur losses if the Group continues to invest in Leping Runze. Therefore, the Board considers that the further capital injection by the Group in Leping Runze to develop the Project would not be in the Group’s best interests. Instead, the Deemed Disposal will allow the Group to better optimise the allocation of the Group’s resources by focusing its resources on other projects while also allowing to discharge current guarantee obligations owed to Leping Runze, release it from its obligations to make further capital injections to Leping Runze, reduce the financial risks to the Group and minimise losses.

The Directors (including the independent non-executive Directors) consider that the terms of the Capital Increase Agreement and the transactions contemplated thereunder, including the Deemed Disposal, are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Financial Effects of the Deemed Disposal

The Group’s effective percentage equity interest in Leping Runze will be reduced from approximately 51.00% to approximately 1.82%, which constitutes a deemed disposal of approximately 49.18% equity interest in Leping Runze by the Company. As Leping Runze will cease to be a subsidiary of the Company, its results, assets and liabilities will no longer be consolidated in the consolidated financial statements of the Group. Based on the existing information available to the Company and given that Leping Runze has net liabilities, the expected gain from the Deemed Disposal will be amounted to approximately RMB6 million, which is based on written-off of net liabilities and the fair value of the residual equity interest in Leping Runze.

USE OF AMOUNT RECEIVED FROM THE CAPITAL INCREASE

The amount of the Capital Increase provided by the Investor will be used by Leping Runze mainly for repayment of shareholders’ loan amounted to approximately RMB142 million for funding the existing and future land development projects owned by it.

INFORMATION OF THE PARTIES TO THE CAPITAL INCREASE AGREEMENT

Fenghuang Jincheng and Leping Runze are each an indirect non-wholly-owned subsidiary of the Company. Fenghuang Jincheng is a company established in the PRC with limited liability and owned indirectly as to 51% by the Company and owned directly as to 49% by Jiangxi Dongjing Real Estate Development Co., Ltd.* (江西東景房地產開發有限公司), which is in turn owned as to 65% and 35% by Independent Third Party, Mr. Chen Jun (陳軍) and Mr. Chen Liming (陳黎明), respectively. Fenghuang Jincheng is principally engaged in property development. Leping Runze is a company established in the PRC with limited liability and wholly owned by Fenghuang Jincheng. Leping Runze is principally engaged in property development.

The Investor is a company established in the PRC with limited liability, and is principally engaged in property development. The Investor is wholly owned by Nanchang Jingjiu Real Estate Co., Ltd.* (南昌市鯨九置業有限責任公司), which is in turn owned as to 60% and 40% by Mr. Chen Xu (陳旭) and Mr. Tang Yongzhong (唐永忠), respectively. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, both Mr. Chen Xu and Mr. Tang Yongzhong are Independent Third Party.

Set out below is the consolidated financial information of Leping Runze for the periods indicated prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, which reflects the financial impact of Leping Runze on the Group:

	As at 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Total assets	324,868	209,851
Net (liabilities)/assets	(8,153)	–

	For the years ended	
	31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net loss before taxation	(8,153)	–
Net loss after taxation	(8,153)	–

IMPLICATIONS UNDER THE LISTING RULES

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To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the Deemed Disposal as contemplated under the Capital Increase Agreement and therefore none of the Shareholders and their associates is required to abstain from voting if a general meeting was to be convened by the Company for the approval of the Deemed Disposal. As such, the Deemed Disposal may be approved by written Shareholders' approval in accordance with Rule 14.44 of the Listing Rules. The Company has obtained the written approval from a closely allied group of Shareholders, comprising Extra Good Enterprises Limited, Mr. Wong and Ms. Chan, which are beneficially interested in an aggregate of 1,255,181,153 Shares, representing approximately 50.94% of the issued share capital of the Company as at the date of this announcement, to approve the Deemed Disposal. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Deemed Disposal.

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DEFINITIONS

“Board”	the board of Directors
“Business Day”	a day on which banks of Hong Kong are generally open for ordinary banking business (excluding Saturdays, Sundays and Hong Kong public holidays)
“Capital Increase”	the proposed capital contribution in Leping Runze by the Investor, subject to and in accordance with the terms and conditions of the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 23 November 2022 entered into among Fenghuang Jincheng, the Investor and Leping Runze

“Company”	Sino Harbour Holdings Group Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of Stock Exchange
“connected person(s)”	has the same meaning ascribe under the Listing Rules
“Deemed Disposal”	the reduction of the Group’s effective percentage equity interest in Leping Runze from 51.00% to 1.82%
“Directors(s)”	the directors of the Company
“Fenghuang Jincheng”	Leping City Fenghuang Jincheng Industry Co., Ltd.* (樂平市鳳凰金誠實業有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	a person or company who or which is, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, independent of and not connected with the Company and its connected persons
“Investor”	Fuzhou Jinpeng Real Estate Co., Ltd. (撫州鯨鵬置業有限公司), a limited liability company established in the PRC
“Leping Runze”	Leping Runze Real Estate Development Co., Ltd. (樂平市潤澤房地產開發有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2023
“Mr. Wong”	Mr. Wong Lam Ping, the chairman, chief executive officer, executive Director and general manager of the Company

“Ms. Chan”	Ms. Chan Heung Ling, the wife of Mr. Wong
“PRC” or “China”	the People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holders of the shares of the Company
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

By Order of the Board
Sino Harbour Holdings Group Limited
Wong Lam Ping
*Chairman, Chief Executive Officer,
Executive Director and General Manager*

Hong Kong, 23 November 2022

As at the date of this announcement, the Board comprises eight Directors, including four executive Directors, namely Mr. WONG Lam Ping (Chairman, Chief Executive Officer and General Manager), Mr. SHI Feng (Deputy Chairman), Mr. WONG Lui and Ms. GAO Lan; one non-executive Director, namely Mr. CHAN Kin Sang; and three independent non-executive Directors, namely Mr. XIE Gang, Mr. HE Dingding and Mr. WONG Ping Kuen.

* *For identification purpose only*