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兆邦基地產

Zhaobangji Properties

Zhaobangji Properties Holdings Limited

兆邦基地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1660)

CONNECTED TRANSACTIONS IN RELATION TO RENEWED TENANCY AGREEMENTS

References are made to the announcement of the Company dated 24 December 2021 in relation to, amongst other things, the Tenancy Agreements executed between the Tenant, an indirect wholly owned subsidiary of the Company, and the Landlords for the leasing of certain premises to carry on the Tenant's businesses. As the Tenancy Agreements will expire on 31 December 2022, and the Tenant is expected to continue its business in the premises, on 30 December 2022, the Tenant, (i) entered into the Renewed Tenancy Agreements-1 with the Landlord-1 for the leasing of the Premises-1 for a period of one year commencing from 1 January 2023 to 31 December 2023 at an aggregated monthly rent of RMB161,210 (equivalent to approximately HK\$179,878); and (ii) entered into the Renewed Tenancy Agreements-2 with the Landlord-2 for the leasing of the Premises-2 for a period of one year commencing from 1 January 2023 to 31 December 2023 at an aggregated monthly rent of RMB360,559 (equivalent to approximately HK\$402,311).

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Group is required to recognise the tenancy of the Premises as right-of-use assets of a total amount of approximately HK\$6.7 million. Hence the entering into of the Renewed Tenancy Agreements and the transaction contemplated thereunder will be regarded as acquisition of assets by the Group.

As each of the Landlords is owned as to more than 50% by Shenzhen Zhaobangji, which is owned as to more than 50% by Mr. Xu, each of the Landlords is a connected person of the Company under Chapter 14A of the Listing Rules and the entering into each of the Renewed Tenancy Agreements therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the percentage ratios (other than the profits ratio) in respect of the right-of-use assets to be recognized by the Group under the Renewed Tenancy Agreements are more than 0.1% and less than 5%, the Renewed Tenancy Agreements are subject to the reporting and announcement requirements but exempted from circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

On 30 December 2022, the Tenant, an indirect wholly-owned subsidiary of the Company, (i) entered into the Renewed Tenancy Agreements-1 with the Landlord-1 for the leasing of the Premises-1 for a period of one year commencing from 1 January 2023 to 31 December 2023 at an aggregated monthly rent of RMB161,210 (equivalent to approximately HK\$179,878); and (ii) entered into the Renewed Tenancy Agreements-2 with the Landlord-2 for the leasing of the Premises-2 for a period of one year commencing from 1 January 2023 to 31 December 2023 at an aggregated monthly rent of RMB360,559 (equivalent to approximately HK\$402,311). The principal terms of each of the Renewed Tenancy Agreements are as follows:

(a) Renewed Tenancy Agreements-1

Date	30 December 2022
Parties	(1) the Tenant, as tenant; and (2) the Landlord-1, as landlord
Effective Date	1 January 2023 to 31 December 2023
Premises (collectively, the “Premises-1”)	(1) Unit B1-3-8 of Department Stores Plaza; (2) Unit B1-3-3 of Department Stores Plaza; (3) Unit B1-1-1 of Department Stores Plaza; and (4) Warehouses in Unit B2-23, B2-27 and B2-33 of Department Stores Plaza
Rent per month	(1) RMB10,000 (equivalent to approximately HK\$11,158) for unit B1-3-8 of Department Stores Plaza; (2) RMB57,817 (equivalent to approximately HK\$64,471) for unit B1-3-3 of Department Stores Plaza; and (3) RMB88,400 (equivalent to approximately HK\$98,637) for unit B1-1-1 of Department Stores Plaza (4) RMB5,030 (equivalent to approximately HK\$5,612) for the warehouses in B2-23, B2-27 and B2-33 of Department Stores Plaza

Area of premises	<ul style="list-style-type: none"> (1) 100 square meters for unit B1-3-8 of Department Stores Plaza; (2) 642 square meters for unit B1-3-3 of Department Stores Plaza; (3) 1,040 square meters for unit B1-1-1 of Department Stores Plaza; and (4) certain warehouse areas in B2-33, B2-27 and B2-23 with no specified area measurement
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Usage Commercial Use

Payment terms Monthly payment to be paid in advance before the 5th day of each month.

Management fee and utility expenses To be paid by the Tenant

(b) Renewed Tenancy Agreements 2

Date 30 December 2022

Parties

- (1) the Tenant, as tenant; and
- (2) the Landlord-2, as landlord

Effective Date 1 January 2023 to 31 December 2023

Premises (collectively, the “Premise-2”)

- (1) Unit L3-03 of Well Link City;
- (2) Unit L3-13 of Well Link City;
- (3) Unit L2-13/15/16-1 of Well Link City;
- (4) Unit B2-01, B2-19-28 of Well Link City;
- (5) Unit L3-02 of Well Link City; and
- (6) Unit L4-02 of Well Link City
- (7) Unit L2-05/06/07 of Well Link City

Rent per month	<ul style="list-style-type: none"> (1) RMB44,330 (equivalent to approximately HK\$49,463) for unit L3-03 of Well Link City; (2) RMB44,819 (equivalent to approximately HK\$50,009) for unit L3-13 of Well Link City; (3) RMB66,617 (equivalent to approximately HK\$74,331) for unit L2-13/15/16-1 of Well Link City; (4) RMB52,856 (equivalent to approximately HK\$58,977) for unit B2-01, B2-19-28 of Well Link City; (5) RMB7,631 (equivalent to approximately HK\$8,515) for unit L3-02 of Well Link City; (6) RMB57,580 (equivalent to approximately HK\$64,247) for unit L4-02 of Well Link City; and (7) RMB86,726 (equivalent to approximately HK\$96,769) for Unit L2-05/06/07 of Well Link City
Area of premises	<ul style="list-style-type: none"> (1) 1,430 square meters for unit L3-03 of Well Link City; (2) 896 square meters for unit L3-13 of Well Link City; (3) 2,149 square meters for unit L2-13/15/16-1 of Well Link City; (4) 1,321 square meters for unit L3-13-3 of Well Link City; (5) 263 square meters for unit L3-02 of Well Link City; (6) 1,309 square meters for unit L4-02 of Well Link City; and (7) 1,971 square meters for unit L2-05/06/07 of Well Link City
Usage	Commercial Use
Payment terms	Monthly payment to be paid in advance before the 10th day of each month.
Management fee and utility expenses	To be paid by the Tenant

REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED TENANCY AGREEMENTS

The Premises have largely been rented by the Tenant for use as its retail business from 1 January 2022 to 31 December 2022 and the Directors consider that the Premises are suitable locations to renew the tenancy agreements to continue the business of the Tenant. As compared to the Tenancy Agreements, the total leased area in the Renewed Tenancy Agreements increased from 7,883 square meters to 11,122 square meters to cater for business growth. The Tenant and Landlords have agreed not to increase the unit rents in the Renewed Tenancy Agreements for the existing locations in the new term from 1 January 2023 to 31 December 2023. The Directors are of the view that it is fair and reasonable for the Target Group to enter into the Renewed Tenancy Agreements to secure the use of the Premises at the prevailing market rents to continue its business operations.

BASIS OF DETERMINATION OF THE RENTS

The terms of the Renewed Tenancy Agreements (including the rents) were negotiated on an arm's length basis between the parties with reference to the comparable prevailing market rents. The Directors (including the independent non-executive Directors) are of the view that terms of the Renewed Tenancy Agreements are on normal commercial terms or better, and the entering into of the Renewed Tenancy Agreements and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

RIGHT-OF-USE-ASSETS

The value of the right-of-use assets to be recognised by the Group in respect of the tenancy of the Premises-1 and Premises-2 under the Renewed Tenancy Agreements are expected to be approximately HK\$2.1 million and HK\$4.6 million, respectively, which includes the present value of the rental payments to be made during the term of the respective Renewed Tenancy Agreements. The right-of-use assets represent the right to use the underlying leased assets over the terms of the Renewed Tenancy Agreements and the lease liability represents the Group's obligation to make rental payments. The assets and the liability arising from the tenancy are initially measured on present value basis and calculated by discounting the non-cancellable rental payments under the Renewed Tenancy Agreements, using the weighted average incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use assets; and (ii) interest expenses amortised from the lease liability over the term of the Renewed Tenancy Agreements.

INFORMATION OF THE TENANT

The Tenant is a company established under the laws of the PRC, and an indirect wholly owned subsidiary of the Company. It is principally engaging in the business of operating a number of own branded retail shops in shopping malls in Shenzhen, including amusement arcades and cinema.

INFORMATION OF THE LANDLORDS

The Landlord-1 is a company established under the laws of the PRC, principally engaging in the business of investment properties holdings. It is owned as to 66.5% by Shenzhen Zhaobangji Group and 29% by Mr. Xu Weizhen, the nephew of Mr. Xu. The Landlord-2 is a company established under the laws of the PRC, principally engaging in the business of investment properties holdings. It is owned as to 90% by Shenzhen Zhaobangji Group. Shenzhen Zhaobangji Group is 81% directly owned by Hong Kong Well Home Limited (which is in turn owned as to 90% by Mr. Xu and 10% by Ms. Zhang Meijuan, the spouse of Mr. Xu) and 8% ultimately owned by Mr. Xu Chusheng, the Chief Executive Officer and one of the executive Directors of the Company.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Group is required to recognise the tenancy of the Premises as right-of-use assets of a total amount of approximately HK\$6.7 million. Hence the entering into of the Renewed Tenancy Agreements and the transaction contemplated thereunder will be regarded as acquisition of assets by the Group.

As each of the Landlords is owned as to more than 50% by Shenzhen Zhaobangji, which is owned as to more than 50% by Mr. Xu, each of the Landlords is a connected person of the Company under Chapter 14A of the Listing Rules and the entering into each of the Renewed Tenancy Agreements therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the percentage ratios (other than the profits ratio) in respect of the right-of-use assets to be recognized by the Group under the Renewed Tenancy Agreements are more than 0.1% and less than 5%, the Renewed Tenancy Agreements are subject to the reporting and announcement requirements but exempted from circular, independent financial advice and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Mr. Xu, Mr. Xu Chusheng and Ms. Zhan Meiqing are considered to have a material interest in the Renewed Tenancy Agreements. Ms. Zhan Meiqing, the non-executive Director of the Company, is the sister-in-law of Mr. Xu. Therefore, Mr. Xu, Mr. Xu Chusheng and Ms. Zhan Meiqing have abstained from voting on the resolutions in relation to the Renewed Tenancy Agreements. Save as disclosed above, none of the Directors who attended the Board meeting has a material interest nor is required to abstain from voting in respect of the relevant Board resolutions.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Zhaobangji Properties Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1660)
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Department Stores Plaza”	Department Stores Plaza, Shennan East Road 3020, Dongmen Community, Dongmen Street, Luohu District, Shenzhen* (深圳市羅湖區東門街道東門社區深南東路3020號百貨廣場)
“Directors”	director(s) of the Company
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Landlords”	the Landlord-1 and the Landlord-2
“Landlord-1”	Shenzhen Jinyifu Investment Development Company Limited* (深圳市金怡富投資發展有限公司)
“Landlord-2”	Shenzhen Liyumen Investment Development Company Limited* (深圳市鯉魚門投資發展有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Xu”	Mr. Xu Chujia, one of the executive Directors and one of the Controlling Shareholders of the Company

“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Premises”	the Premises-1 and the Premises-2
“Premises-1”	has the meaning defined in this announcement
“Premises-2”	has the meaning defined in this announcement
“Renewed Tenancy Agreements”	The Renewed Tenancy Agreements-1 and Renewed Tenancy Agreements-2 as detailed in this announcement
“Renewed Tenancy Agreements-1”	The renewed tenancy agreements dated 30 December 2022 entered into between the Tenant and the Landlord-1 in relation to the leasing of the Premises-1 from 1 January 2023 to 31 December 2023
“Renewed Tenancy Agreements-2”	The renewed tenancy agreements dated 30 December 2022 entered into between the Tenant and the Landlord-2 in relation to the leasing of the Premises-2 from 1 January 2023 to 31 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shenzhen Zhaobangji Group”	Shenzhen Zhaobangji Group Company Limited* (深圳兆邦基集團有限公司), a company established under the laws of the PRC and is 81% directly owned by Hong Kong Well Home Limited (which is in turn owned as to 90% by Mr. Xu and 10% by Ms. Zhang Meijuan, the spouse of Mr. Xu) and 8% ultimately owned by Mr. Xu Chusheng, the Chief Executive Officer and one of the executive Directors of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements”	The Tenancy Agreements-1 and Tenancy Agreements-2 as detailed in the announcement of the Company dated 24 December 2021

“Tenancy Agreements-1”	The tenancy agreements dated 24 December 2021 entered into between the Tenant and the Landlord-1 in relation to the leasing of the Premises-1 from 1 January 2022 to 31 December 2022
“Tenancy Agreements-2”	The tenancy agreements dated 24 December 2021 entered into between the Tenant and the Landlord-2 in relation to the leasing of the Premises-2 from 1 January 2022 to 31 December 2022
“Tenant”	Shenzhen Bang Century Cultural and Media Company Limited* (深圳邦世紀文化傳播有限公司), a company established in the PRC, and a wholly-owned subsidiary of the Company
“Well Link City”	Well Link City, Dongbin Road, Liwan Community, Nanshan Street, Nanshan District, Shenzhen* (深圳市南山區南山街道荔灣社區東濱路立橋城購物中心)
“%”	Per cent.

For illustration purpose only, amounts in RMB in this announcement have been converted into HKD at the rate of RMB1 = HKD1.1158.

By order of the Board
Zhaobangji Properties Holdings Limited
Xu Chujia
Chairman and executive Director

Hong Kong, 30 December 2022

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Xu Chujia, Mr. Xu Chusheng and Mr. Kwan Kin Man Keith; two non-executive Directors, namely, Ms. Zhan Meiqing and Professor Lee Chack Fan, G.B.S., B.B.S., J.P.; and three independent non-executive Directors, namely, Mr. Hui Chin Tong Godfrey, Mr. Wong Chun Man, Mr. Ye Longfei.

* For identification purpose only