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CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

中國置業投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 736)

INSIDE INFORMATION EARLY TERMINATION OF LEASE AGREEMENT

This announcement is made by China Properties Investment Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“**SFO**”).

Reference is made to the announcements of the Company dated 22 December 2020 (the “**Announcement**”) in relation to the Lease Agreement. The capitalised terms used herein have the same meanings as defined in the Announcement unless otherwise specified.

EARLY TERMINATION OF LEASE AGREEMENT

On 1 June 2020, 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited*) (the “**Lessee**”), a wholly owned subsidiary of the Company, entered into the Lease Agreement with 上海康墨企業管理諮詢有限公司 (Shanghai Kangmo Enterprise Management Consulting Co., Ltd.*) (the “**Lessor**”), pursuant to which the Lessee agreed to rent and the Lessor agreed to lease the whole building, No.1888, Songze Avenue, Xujing Town, Qingpu District, Shanghai* with an aggregated gross floor area of approximately 7958.79 square meters (the “**Leased Property**”) with a term from 1 June 2020 to 31 October 2028.

Pursuant to the Lease Agreement, (i) the rental expense incurred from renting of the Leased Property is approximately RMB4,000,000.00 per annum and the Lessee shall pay the rental expenses every half year; and (ii) the Lessee shall undertake the Lessor’s outstanding renovation cost of the Leased

* *For identification purpose only*

Property of approximately RMB32,000,000.00 in the following schedule as to RMB10,000,000.00 for 1 June 2020 to 30 May 2021, RMB5,000,000.00 per annum for 1 June 2021 to 30 May 2025 and RMB2,000,000.00 for 1 June 2026.

During the terms of the Lease Agreement, the Lessee has entered into operating leases with third parties, with the purpose of subleasing the Leased Property to generate rental income from the sub-lessees. These subleases come with terms varying between four and eight years.

In or around June 2023, the Lessor became aware that the People's Government of Qingpu District, Shanghai had issued a land acquisition notice namely 沪(青)征地告 [2023] 第59號 (“**Land Acquisition Notice**”) to acquire the land encompassing the area where the Leased Property is situated. Consequently, the Lessor notified the Lessee of its intention to exercise its rights to terminate the Lease Agreement (“**Termination**”) in accordance with Clause 9-1(3) thereof, which essentially entitles the Lessor to carry out the Termination in the event of government's land acquisition without any liability for compensation or otherwise.

Notwithstanding to the aforementioned, the Lessor and the Lessee have engaged in negotiations and entered a termination agreement dated 30 June 2023 (“**Termination Agreement**”) with the aim of reaching a full and final settlement regarding the Termination, principal terms of which are set forth hereinbelow.

PRINCIPAL TERMS OF THE TERMINATION AGREEMENT

- Parties:**
- (1) the Lessor, as party A
 - (2) the Lessee, as party B
 - (3) Shanghai Gu Xin Decoration Design Co. Limited* (上海谷欣裝飾設計有限公司) (the “**Contractor**”), as party C
- Premises:** the Leased Property
- Original lease term:** from 1 June 2020 to 31 October 2028
- Material terms:**
- (1) The Lessor and the Lessee mutually agree to terminate the Lease Agreement, with the termination taking effect on 30 June 2023 (“**Termination Date**”). The Lessor and the Lessee shall release each other from any liabilities that may arise due to the Termination;

- (2) The Lessee shall be responsible for paying the rent under the Lease Agreement up until 31 May 2023, and the Lessor shall release the Lessee from the obligation to settle the rent in the total amount of RMB 6,224,632.00 due and payable as of the Termination Date; and
- (3) As of the Termination Date, the Lessee owes the Contractor a total sum of RMB3,710,000.00 being the balance payable for the renovation of the Leased Property. The Contractor agrees to waive RMB1,210,000.00 thereof, with the Lessee agrees to pay the remaining RMB2,500,000.00 within 3 years.

INFORMATION OF THE PARTIES

Lessor

The Lessor is a company incorporated in the People's Republic of China (the "PRC") with limited liability which is principally engaged in provision of training service and exhibition & event service. The ultimate beneficial owner of the Lessor is 彭忠 (Peng Zhong*).

Lessee

The Lessee is a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company. It is principally engaged in property investment.

Contractor

The Lessor is a company incorporated in the PRC with limited liability which is principally engaged in interior design, fitting-out, and construction works. The ultimate beneficial owner of the Contractor is 許鋨 (Xu Kun*).

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Lessor and the Contractor and their respective ultimate beneficial owner(s) are independent third parties of the Group.

FINANCIAL EFFECTS OF THE TERMINATION AGREEMENT

Financial impact

The potential financial impact was assessed by making reference to the Interim Report for the period ended 30 September 2022 published by the Company on 30 November 2022 ("Interim Report 2022"). The Leased Property was classified as investment property of the Group and the carrying value of the investment property and the lease liabilities relevant to the Termination Agreement were approximately HK\$88.00 million and HK\$22.53 million as at 30 September 2022, respectively. The

derecognition of investment properties amounted to approximately HK\$88.00 million, while the derecognition of associated lease liabilities was approximately HK\$22.53 million. Consequently, this led to a net loss before tax of approximately HK\$65.47 million as of the Termination Date, which was classified as a disposal. Net loss shall be lower after considering the release of the relevant deferred tax liabilities associated with the de-recognized investment property and lease liability.

Following the Termination Date, rental income from the investment property will no longer be recognized, and concurrently, the Lessee's obligations regarding lease liabilities and lease payments to the Lessor will cease. Both changes result from the Termination.

The above potential financial impact is based on the best estimation on the figures extracted from Interim Report 2022. Thus, the actual financial impact may be different from the estimation. In addition, the Company will also continue to assess the financial impact of the deferred tax arising from the Termination.

Continuous and sufficient operation

According to the Interim Report 2022, the percentage of the rental income arising from the Leased Property to the Group's total revenue and the percentage of the carrying value of the Leased Property to the Group's total assets are approximately 14.15% and 10.62% respectively. While the Termination will result in a loss of income and assets for the Group, the growth of the Group's money lending business and the commencement of the newly leased property are expected to offset such loss. The Group remains committed to exploring new business opportunities so as to maintain continuous and sufficient operation, as well as to maximize the shareholders' interest.

Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules and the SFO.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By Order of the Board
China Properties Investment Holdings Limited
Han Wei
Chairman

Hong Kong, 30th June 2023

As at the date of this announcement, the executive Directors are Mr. Han Wei, Mr. Au Tat On and Mr. Wang Linbo and the independent non-executive Directors are Mr. Tang Yiu Kay, Ms. Cao Jie Min and Mr. Liang Kuo-Chieh.

In case of inconsistency, the English text of this announcement shall prevail over the Chinese text.