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漢港控股
SINO HARBOUR HOLDINGS

Sino Harbour Holdings Group Limited

漢港控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1663)

DISCLOSEABLE TRANSACTION

ACQUISITION OF RIGHT OF USE ASSETS IN RELATION TO PROPERTY RENTAL AGREEMENTS

PROPERTY RENTAL AGREEMENTS

The Board is pleased to announce that on 11 October 2023 (after trading hours), Hangzhou Gangze (as the lessee), being an indirect wholly-owned subsidiary of the Company, entered into the Property Rental Agreement 1 and the Property Rental Agreement 2 with Hangzhou Binjiang Housing Assets Management Co., Ltd.* (杭州濱江房屋資產管理有限公司) and Hangzhou Binjiang Real Estate Group Co., Ltd.* (杭州濱江房產集團股份有限公司) (as the lessors), being Independent Third Parties, in respect of leasing Property 1 and Property 2 respectively each for a lease term of nineteen years and six months commencing from 12 April 2024 to 11 October 2043 (both days inclusive). The handover date of Property 1 and Property 2 is 12 October 2023 and the period commencing from 12 October 2023 to 11 April 2024 is a rent-free period.

LISTING RULES IMPLICATION

Pursuant to HKFRS 16, the Company will recognise the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of Property 1 and Property 2 under the Property Rental Agreement 1 and the Property Rental Agreement 2 respectively. Therefore, the entering into the Property Rental Agreements and the transactions contemplated thereunder will be regarded as acquisition of assets by the Group under the Listing Rules. The unaudited value of right-of-use assets to be recognised by the Company under the Property Rental Agreement 1 and the Property Rental Agreement 2 amounted to approximately RMB56.1 million and approximately RMB19.0 million respectively.

As one or more of the relevant applicable percentage ratios calculated in accordance with the Listing Rules in respect of the transactions contemplated under the Property Rental Agreements on aggregate basis are more than 5% but less than 25%, the transactions contemplated under the Property Rental Agreements on aggregate basis constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and are subject to reporting and announcement requirements but exempted from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 11 October 2023 (after trading hours), Hangzhou Gangze (as the lessee), being an indirect wholly-owned subsidiary of the Company, entered into the Property Rental Agreement 1 and the Property Rental Agreement 2 with Lessor 1 and Lessor 2 (as the lessors), being Independent Third Parties, in respect of leasing Property 1 and Property 2 respectively each for a lease term of nineteen years and six months commencing from 12 April 2024 to 11 October 2043 (both days inclusive), subject to the terms and conditions provided therein.

PROPERTY RENTAL AGREEMENTS

The summary of the principal terms of the Property Rental Agreements are set out as follows:

Property Rental Agreement 1:

Date: 11 October 2023 (after trading hours)

Parties: (1) Hangzhou Gangze, as the lessee
(2) Hangzhou Binjiang Housing Assets Management Co., Ltd.*
(杭州濱江房屋資產管理有限公司), as the lessor

Leased Property: Units 107, 201 of a property located at 79 Qiutaobei Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC

Rental area 6,780.46 sq.m.

Handover date: 12 October 2023

Use of Property: Property 1 is for commercial use.

Since there are other existing tenants engaging in businesses of hotel, chess and card and foot massage (“**Existing Tenants**”) in other parts of the property where Property 1 is located in, Hangzhou Gangze committed that Property 1 should not be used to operate above-mentioned types of businesses (“**Commitment**”). However, if the lease terms of the Existing Tenants are terminated or the Existing Tenants cease their businesses, the Commitment is allowed to be withdrawn upon confirmation of Lessor 1.

Lease Term: Nineteen years and six months commencing from 12 April 2024 to 11 October 2043 (both days inclusive) (“**Lease Term of Property 1**”).

The period commencing from 12 October 2023 to 11 April 2024 is a rent-free period (“**Rent-free Period of Property 1**”).

Rent: Rent includes the rent payable to lease Property 1, which does not include property management fees, water usage fees, electricity usage fees, telecommunication fees, internet fees, air-conditioner fees and other actual fees incurred when using Property 1. Hangzhou Gangze should bear the property management fees, water usage fees, electricity usage fees, telecommunication fees, internet fees, air-conditioner fees and other actual fees incurred when operating Property 1.

Based on the rental area, the total rent payable is RMB127,915,526 (tax included).

Rent payable (tax included) for each rental period is as follows:

Rental period	Unit rent (RMB/ sq.m./day)	Annual rent payable (RMB)
2023.10.12 to 2024.4.11 (Rent-free Period of Property 1)	0.00	0
2024.4.12 to 2025.4.11	2.12	5,246,718
2025.4.12 to 2026.4.11	2.12	5,246,718
2026.4.12 to 2027.4.11	2.23	5,509,052
2027.4.12 to 2028.4.11	2.23	5,509,052
2028.4.12 to 2029.4.11	2.34	5,784,504
2029.4.12 to 2030.4.11	2.34	5,784,504
2030.4.12 to 2031.4.11	2.45	6,073,728
2031.4.12 to 2032.4.11	2.45	6,073,728
2032.4.12 to 2033.4.11	2.58	6,377,414
2033.4.12 to 2034.4.11	2.58	6,377,414
2034.4.12 to 2035.4.11	2.71	6,696,284
2035.4.12 to 2036.4.11	2.71	6,696,284
2036.4.12 to 2037.4.11	2.84	7,031,098
2037.4.12 to 2038.4.11	2.84	7,031,098
2038.4.12 to 2039.4.11	2.98	7,382,652
2039.4.12 to 2040.4.11	2.98	7,382,652
2040.4.12 to 2041.4.11	3.13	7,751,784
2041.4.12 to 2042.4.11	3.13	7,751,784
2042.4.12 to 2043.4.11	3.29	8,139,372
2043.4.12 to 2043.10.11	3.29	<u>4,069,686</u>
Total		<u>127,915,526</u>

Payment terms: During the Lease Term of Property 1, under the principle of “pay before use”, rent shall be payable in advance every six months (each payment term of six months). Hangzhou Gangze shall pay the rent in the form of RMB bank transfer as agreed in the Property Rental Agreement 1.

Rental deposit: Hangzhou Gangze should pay rental deposit of RMB874,000 to Lessor 1 before 12 October 2023.

Rental deposit serves as a guarantee against Hangzhou Gangze for fulfillment of its obligations under the Property Rental Agreement 1, rather than prepayment of rent and other fees. If Hangzhou Gangze fails to fulfill its obligations under the Property Rental Agreement 1, Lessor 1 possesses the right to compensate its costs incurred and losses suffered thereof by deducting the rental deposit.

Renewal or termination term: Hangzhou Gangze shall provide written request to Lessor 1 on renewal of the Property Rental Agreement 1 three months prior to the expiration of the Lease Term of Property 1, then both parties shall consider negotiating the renewal of the Property Rental Agreement 1.

The Property Rental Agreement 1 may be terminated in specific circumstances set out in the Property Rental Agreement 1. In particular, Hangzhou Gangze is entitled to terminate the Property Rental Agreement 1 under certain circumstances without breach of contract or liquidated damages payment.

Otherwise, if Hangzhou Gangze terminates the Property Rental Agreement 1 for other reasons not specified therein, it shall pay liquidated damages to Lessor 1 according to the terms of the Property Rental Agreement 1.

Property Rental Agreement 2:

Date: 11 October 2023 (after trading hours)

Parties: (1) Hangzhou Gangze, as the lessee
(2) Hangzhou Binjiang Real Estate Group Co., Ltd.* (杭州濱江房產集團股份有限公司), as the lessor

Leased Property: Part of Unit 101 of a property located at 55 Fengqidong Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC

Rental area: 2,179.48 sq.m.

Handover date: 12 October 2023

Use of Property: Property 2 is for commercial (non-catering) use.

Lease Term: Nineteen years and six months commencing from 12 April 2024 to 11 October 2043 (both days inclusive) (“**Lease Term of Property 2**”).

The period commencing from 12 October 2023 to 11 April 2024 is a rent-free period (“**Rent-free Period of Property 2**”).

Rent: Rent includes the rent payable to lease Property 2, which does not include property management fees, water usage fees, electricity usage fees, telecommunication fees, internet fees, air-conditioner fees and other actual fees incurred when using Property 2. Hangzhou Gangze should bear the property management fees, water usage fees, electricity usage fees, telecommunication fees, internet fees, air-conditioner fees and other actual fees incurred when operating Property 2.

Based on the rental area, the total rent payable is RMB43,443,845 (tax included).

Rent payable (tax included) for each rental period is as follows:

Rental period	Unit rent (RMB/ sq.m./day)	Annual rent payable (RMB)
2023.10.12 to 2024.4.11 (Rent-free Period of Property 2)	0.00	0
2024.4.12 to 2025.4.11	2.24	1,781,942
2025.4.12 to 2026.4.11	2.24	1,781,942
2026.4.12 to 2027.4.11	2.35	1,871,038
2027.4.12 to 2028.4.11	2.35	1,871,038
2028.4.12 to 2029.4.11	2.47	1,964,588
2029.4.12 to 2030.4.11	2.47	1,964,588
2030.4.12 to 2031.4.11	2.59	2,062,816
2031.4.12 to 2032.4.11	2.59	2,062,816
2032.4.12 to 2033.4.11	2.72	2,165,956
2033.4.12 to 2034.4.11	2.72	2,165,956
2034.4.12 to 2035.4.11	2.86	2,274,252
2035.4.12 to 2036.4.11	2.86	2,274,252
2036.4.12 to 2037.4.11	3.00	2,387,964
2037.4.12 to 2038.4.11	3.00	2,387,964
2038.4.12 to 2039.4.11	3.15	2,507,362
2039.4.12 to 2040.4.11	3.15	2,507,362
2040.4.12 to 2041.4.11	3.31	2,632,730
2041.4.12 to 2042.4.11	3.31	2,632,730
2042.4.12 to 2043.4.11	3.47	2,764,366
2043.4.12 to 2043.10.11	3.47	<u>1,382,183</u>
Total		<u><u>43,443,845</u></u>

Payment terms: During the Lease Term of Property 2, under the principle of “pay before use”, rent shall be payable in advance every six months (each payment term of six months). Hangzhou Gangze shall pay the rent in the form of RMB bank transfer as agreed in the Property Rental Agreement 2.

Rental deposit: Hangzhou Gangze should pay rental deposit of RMB297,000 to Lessor 2 before 12 October 2023.

Rental deposit serves as a guarantee against Hangzhou Gangze for fulfillment of its obligations under the Property Rental Agreement 2, rather than prepayment of rent and other fees. If Hangzhou Gangze fails to fulfill its obligations under the Property Rental Agreement 2, Lessor 2 possesses the right to compensate its costs incurred and losses suffered thereof by deducting the rental deposit.

Renewal or termination term: Hangzhou Gangze shall provide written request to Lessor 2 on renewal of the Property Rental Agreement 2 three months prior to the expiration of the Lease Term of Property 2, then both parties shall consider negotiating the renewal of the Property Rental Agreement 2.

The Property Rental Agreement 2 may be terminated in specific circumstances set out in the Property Rental Agreement 2. In particular, Hangzhou Gangze is entitled to terminate the Property Rental Agreement 2 under certain circumstances without breach of contract or liquidated damages payment.

Otherwise, if Hangzhou Gangze terminates the Property Rental Agreement 2 for other reasons not specified therein, it shall pay liquidated damages to Lessor 2 according to the terms of the Property Rental Agreement 2.

The payment of the rent, the rental deposit and other relevant expenses will be funded by the internal resources of the Group.

THE RIGHT-OF-USE ASSETS

The unaudited value of the right-of-use assets to be recognised by the Company amounted to approximately RMB56.1 million and RMB19.0 million, respectively, which are calculated with reference to the present value of the lease payments under the Property Rental Agreement 1 and the Property Rental Agreement 2. The discount rates of approximately 8.32% per annum and 8.32% per annum are applied to compute the present values of the lease payments under the Property Rental Agreement 1 and Property Rental Agreement 2 respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE PROPERTY RENTAL AGREEMENTS

The Group is principally engaged in property development and other businesses in the second and third tier cities in the PRC. The property development business includes development of residential properties, detached housing, apartments, retails as well as commercial properties. The Group's other business includes investment and operation in chemistry, manufacturing and control process and medical service sector.

SHCM, a wholly-owned subsidiary of the Company, has been providing property operation services to the Group's self-owned commercial properties. Hangzhou Gangze is the wholly owned subsidiary of SHCM. SHCM has built a team with strong business acumen in the field of retail and commercial spaces as well as extensive experience in tenant-sourcing and operation since its establishment in late 2020.

In addition to the Group's self-owned commercial properties, SHCM and its subsidiaries are focusing on the business of serving external property owners or lessors. SHCM and its subsidiaries lease commercial properties from external property owners or lessors, and sublease to third-party tenants, in order to receive rental income. With respect to the above, SHCM's other subsidiary had entered into a lease arrangement in December 2022 with another external lessor to lease a commercial property of around 39,000 sq.m. located at an economic park in Yuhang District of Hangzhou City (reference is made to the announcement of the Company dated 21 December 2022 for details).

Execution of the Property Rental Agreements between Hangzhou Gangze and Lessor 1 and Lessor 2 enables SHCM to further enrich the diversity of its leased property portfolio and expand its business footprint.

Property 1 and Property 2 are located in a well-developed community in the Qingchun commercial area of Shangcheng District of Hangzhou City, which are surrounded by a number of residential quarters, office buildings, schools and hospitals. With tenants engaging in businesses of food and beverages, entertainment and retail sales in and around this area, Property 1 and Property 2 are well-positioned to serve as commercial complexes to attract surrounding consumer groups including residents, office workers and students, as well as the visitors from other parts of the city.

When considering the benefits of leasing Property 1 and Property 2, Hangzhou Gangze carried out detailed project assessment, including the characteristics and qualities of Property 1 and Property 2, future development planning of the surrounding area, demand of consumer groups nearby, current rental prices of surrounding shops and potential growth rate of rental prices for such locations. Based on the strategic positioning of developing high-quality “boutique” commercial property projects, SHCM had prepared a thorough tenant sourcing and operation plan for Property 1 and Property 2 in order to generate stable rental returns in the long term and establish its brand recognition in the Zhejiang Province.

Based on the aforesaid, the Directors (including the independent non-executive Directors) consider that the terms of the Property Rental Agreements and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, are fair and reasonable, on normal commercial terms or better, and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Lessors

Lessor 1 is a company established in the PRC with limited liability which is principally engaged in property management and leasing of self-owned properties. Lessor 1 is a wholly-owned subsidiary of Lessor 2.

Lessor 2 is a company established in the PRC with limited liability which is principally engaged in property development, whose issued shares are listed on the Shenzhen Stock Exchange (Stock code: 002244).

To the best of the Directors’ knowledge, information and belief having made all reasonable enquires, the Lessors and their ultimate beneficial owner(s) (if applicable) are Independent Third Parties.

The Lessee

Hangzhou Gangze is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Hangzhou Gangze is a commercial property operation service provider and its principal businesses include lease of non-residential properties and provision of marketing and sales planning services.

The Group

The Company is a company incorporated in Bermuda with limited liability and is an investment holding company operating its business through its subsidiaries. The Group is principally engaged in the property development in the second and third tier cities in the PRC and other business. The property development includes residential properties, detached housing, apartments, retails as well as commercial properties. The other business includes investment and operation in chemistry, manufacturing and control process and medical service sector.

LISTING RULES IMPLICATION

Pursuant to HKFRS 16, the Company will recognise the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of Property 1 and Property 2 under the Property Rental Agreement 1 and the Property Rental Agreement 2 respectively. Therefore, the entering into the Property Rental Agreements and the transactions contemplated thereunder will be regarded as acquisition of assets by the Group under the Listing Rules. The unaudited value of right-of-use assets to be recognised by the Company under the Property Rental Agreement 1 and the Property Rental Agreement 2 amounted to approximately RMB56.1 million and approximately RMB19.0 million respectively.

As one or more of the relevant applicable percentage ratios calculated in accordance with the Listing Rules in respect of the transactions contemplated under the Property Rental Agreements on aggregate basis are more than 5% but less than 25%, the transactions contemplated under the Property Rental Agreements on aggregate basis constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and are subject to reporting and announcement requirements but exempted from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Sino Harbour Holdings Group Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company

“Group”	the Company and its subsidiaries
“Hangzhou Gangze”	Hangzhou Gangze Enterprises Management Co., Ltd.* (杭州港澤企業管理有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“HKFRS 16”	Hong Kong Financial Reporting Standard 16
“Independent Third Party(ies)”	any person(s) or companies and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Lessor 1”	Hangzhou Binjiang Housing Assets Management Co., Ltd.* (杭州濱江房屋資產管理有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of Lessor 2
“Lessor 2”	Hangzhou Binjiang Real Estate Group Co., Ltd.* (杭州濱江房產集團股份有限公司), a company established in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 002244)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	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
“Property 1”	Units 107, 201 of a property located at 79 Qiutaobei Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC
“Property 2”	Part of Unit 101 of a property located at 55 Fengqidong Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC
“Property Rental Agreement 1”	a property rental agreement dated 11 October 2023 entered into between Lessor 1 and Hangzhou Gangze in relation to lease arrangement of Property 1

“Property Rental Agreement 2”	a property rental agreement dated 11 October 2023 entered into between Lessor 2 and Hangzhou Gangze in relation to lease arrangement of Property 2
“Property Rental Agreements”	Property Rental Agreement 1 and Property Rental Agreement 2
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares of the Company
“Shareholder(s)”	holders of the ordinary shares of the Company
“SHCM”	Hangzhou Sino Harbour Commercial Management Co., Ltd., a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	percentage

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

Hong Kong, 11 October 2023

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