

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this 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 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)

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
THE SALE SHARE AND THE SALE LOAN**

THE AGREEMENT

The Board announces that on 9 May 2024 (after trading hours), the Vendor and the Assignor (both being indirect wholly-owned subsidiaries of the Company), and the Target Company entered into the Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Share (representing the entire issued share capital of the Target Company) and the Assignor has agreed to assign and the Purchaser has agreed to take up the assignment of the Sale Loan (representing the entire amount of the loan owing by the Target Company to the Assignor immediately prior to the Completion).

The Consideration for the Sale Share and the Sale Loan is estimated to be not more than approximately US\$33 million (equivalent to approximately HK\$258 million) (subject to adjustments). The Consideration was arrived at after arm's length negotiations among the Vendor, the Assignor and the Purchaser after taking into account (i) the Agreed Property Value of US\$33 million (equivalent to approximately HK\$258 million) and (ii) the Completion NAV of the Target Company.

Completion shall take place on 24 June 2024, or such other day as may be agreed in writing among the Vendor, the Assignor and the Purchaser.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 25% (but is less than 75%), the Disposal constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Board having made all reasonable enquiries, none of the Shareholders has a material interest in the Disposal. Accordingly, no Shareholder will be required to abstain from voting if the Company were to convene a general meeting for approving the Disposal. Pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, shareholders' written approval has been obtained from EHL, which, as at the date of this announcement, held 949,581,644 Shares, representing approximately 56.77% of the entire issued share capital of the Company, approving the Disposal. EHL is beneficially owned as to 60% by Mr. Alan Chuang, the honorary chairman of the Company, and 10% each by Mr. Albert Chuang Ka Pun, Mrs. Candy Kotewall Chuang Ka Wai, Mr. Edwin Chuang Ka Fung and Mr. Geoffrey Chuang Ka Kam, each a Director.

A circular containing, amongst other things, further information on the Disposal, a valuation report of the Property and other information as required under the Listing Rules will be despatched to the Shareholders. As additional time is needed for the preparation of certain information to be included in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules for an extension of the deadline for the despatch of the circular to the Shareholders to on or before 20 June 2024.

GENERAL

It should be noted that the Completion is conditional upon the satisfaction of the terms and conditions of the Agreement, which may or may not be fulfilled. The Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares.

INTRODUCTION

The Board announces that on 9 May 2024 (after trading hours), the Vendor and the Assignor (both being indirect wholly-owned subsidiaries of the Company), and the Target Company entered into the Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Share and the Assignor has agreed to assign and the Purchaser has agreed to take up the assignment of the Sale Loan.

THE AGREEMENT

Date

9 May 2024 (after trading hours)

Parties

Vendor:	XYZ PTE. LTD.
Assignor:	Reward International Limited
Target Company:	Mongolia Property Development LLC
Purchaser:	Mr. Ganbat Doniddagva

Assets to be disposed of

Pursuant to the Agreement, the assets to be disposed of by the Vendor and the Assignor to the Purchaser comprise (i) the Sale Share (representing the entire issued share capital of the Target Company); and (ii) the Sale Loan (representing the entire amount of the loan owing by the Target Company to the Assignor immediately prior to the Completion).

The Vendor has conditionally agreed to sell the Sale Share and the Assignor has conditionally agreed to assign 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.

Further details of the Target Company is set out in the section headed “Information on the Target Company and the Property” below.

Consideration

The Consideration for the Sale Share and the Sale Loan is estimated to be not more than approximately US\$33 million (equivalent to approximately HK\$258 million) (subject to adjustments).

The Consideration was arrived at after arm’s length negotiations among the Vendor, the Assignor and the Purchaser after taking into account (i) the Agreed Property Value of US\$33 million (equivalent to approximately HK\$258 million) and (ii) the Completion NAV of the Target Company.

Based on the unaudited financial information of the Target Company as at 31 March 2024 extracted from the Group’s consolidated financial statements with estimated adjustments made up to Completion, to the best of the Directors’ knowledge, information and belief, the Directors estimate that the Completion NAV of the Target Company will be a negative figure with an absolute amount of not more than approximately US\$0.2 million (equivalent to approximately HK\$1.6 million). The exact amount of the Completion NAV of the Target Company and hence the Consideration can only be determined as at Completion.

The principal asset of the Target Company is the Property and the Agreed Property Value was US\$33 million (equivalent to approximately HK\$258 million), which was determined after arm’s length negotiations among the Vendor, the Assignor and the Purchaser by reference to, among others, the current development status of the Property, market values of comparable properties in nearby areas and the latest market conditions in Mongolia. The Agreed Property Value represents a premium of about 13.8% to market valuation of the Property as at 31 March 2024 of US\$29 million (equivalent to approximately HK\$227 million) as appraised by an independent valuer appointed by the Company based on residual approach.

As advised by the abovementioned independent valuer, the residual approach is commonly used to evaluate asset that is under development. The value is the residue of the gross development value of the proposed development scheme upon completion (which is evaluated using market approach by comparing recent sales of similar properties in the surrounding area, with adjustments made for size, location, time, age, quality and other relevant factors), deferred by the development period up to the time when all the units have been disposed of in the open market, after deducting the development costs including demolition costs, building costs, professional fees and allowance for risk and profit. More details of the valuation of the Property will be disclosed in the valuation report of the Property in the circular.

The Consideration of approximately US\$33 million (equivalent to approximately HK\$258 million), subject to adjustments, will be settled in the following manner:

- (a) an earnest money of US\$0.3 million (equivalent to approximately HK\$2.3 million) has already been paid by the Purchaser in cash in Hong Kong prior to the signing of the Agreement, which shall represent part payment of the Consideration upon Completion;
- (b) a further deposit of US\$4.65 million (equivalent to approximately HK\$36.4 million) shall be paid by the Purchaser in cash in Hong Kong within five Business Days after the date of the Agreement, which shall represent further part payment of the Consideration upon Completion; and
- (c) the balance of an amount of approximately US\$28.05 million (equivalent to approximately HK\$219.3 million), subject to adjustments, shall be paid by the Purchaser in cash in Hong Kong upon Completion.

VAT Receivables

Pursuant to the terms of the Agreement, the Purchaser undertakes with the Vendor and the Assignor that in the event if any VAT Receivables are utilized by the Target Company within four years from the Completion Date, the Purchaser shall pay to the Vendor within 10 days from the expiry date of the 4th anniversary of the Completion Date the amount of all such VAT Receivables utilized.

Based on the unaudited financial information of the Target Company as at 31 March 2024 with estimated adjustments made up to Completion, to the best of the Directors' knowledge, information and belief, the Directors estimate that the maximum amount of the VAT Receivables will not be higher than approximately US\$1.3 million (equivalent to approximately HK\$10.2 million). The exact amount of the VAT Receivables can only be determined as at the Completion, and the exact amount payable by the Purchaser can only be determined in 4 years after Completion.

Condition precedent

Completion is conditional upon the Shareholders approving the Disposal. The condition is fulfilled on the date of the Agreement. Please refer to the section headed "Implications under the Listing Rules" for more details.

Completion

Completion shall take place on 24 June 2024, or such other day as may be agreed in writing among the Vendor, the Assignor and the Purchaser.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

The Target Company is incorporated in Mongolia with limited liability and is a direct wholly-owned subsidiary of the Vendor. The Target Company is principally engaged in the investment and development of the Property.

The Property has a site area of about 3,269 *sq. m.* and is located within the central business district of Mongolia. It is planned that a 26-storey retail/office building with GFA of about 40,000 *sq. m.*, comprising office units and carparking spaces with shopping units at the podium levels will be developed. Superstructure works have been topped off. Internal structural works and external cladding works were halted because of Covid-19. The Property is held by the Group as an investment property under development in the consolidated financial statements.

Set out below is the unaudited financial summary of the Target Company extracted from the Group's consolidated financial statements:

	For the financial year ended	
	31 March 2024	31 March 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(note)</i>	<i>(note)</i>
Revenue	–	–
Loss before taxation	(31,355)	(118,810)
Loss after taxation	(26,385)	(89,418)

Note: The figures included the fair value loss of approximately HK\$19.9 million and HK\$117.6 million on the revaluation of the Property and the reversal of the related deferred taxation liabilities of approximately HK\$5.0 million and HK\$29.4 million for the financial years ended 31 March 2024 and 2023 respectively.

The total assets and net assets of the Target Company (not taking into account the amount due to the Assignor of approximately HK\$250.4 million) as at 31 March 2024 are approximately HK\$227.3 million and HK\$222.6 million respectively.

The Property was recorded at valuation of US\$29 million (equivalent to approximately HK\$227 million) as at 31 March 2024 in the consolidated financial statements of the Group, in which valuation is appraised by an independent valuer appointed by the Company based on residual approach. The Agreed Property Value of US\$33 million represents a premium of about 13.8% to the appraised value of the Property of US\$29 million as at 31 March 2024.

INFORMATION ON THE VENDOR, THE ASSIGNOR, THE COMPANY AND THE GROUP

The Vendor is a company incorporated in Singapore with limited liability and is an indirect wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding and its sole investment is the holding of the issued share capital of the Target Company.

The Assignor is a company incorporated in Malaysia with limited liability and is an indirect wholly-owned subsidiary of the Company. The Assignor is principally engaged in the provision of funding to the Target Company on behalf of the Vendor and the Company.

The Company is incorporated in Bermuda and its shares are listed on the Main Board of the Stock Exchange (stock code: 367).

The 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

The Purchaser is Mr. Ganbat Doniddagva, a citizen of Mongolia.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Purchaser is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

FINANCIAL EFFECTS OF THE DISPOSAL

Earnings

On the basis of the estimated Consideration of approximately US\$33 million (equivalent to approximately HK\$258 million) and taking into account (a) the fair value of the Property as at 31 March 2024; (b) the Completion NAV of the Target Company as estimated as at the date of the Agreement; and (c) the estimated expenses and taxation related to the Disposal, it is expected that the Group will record an estimated gain on the Disposal of approximately HK\$23.5 million. The actual amount of the gain arising from the Disposal can only be determined at Completion.

Assets and liabilities

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results, assets and liabilities of the Target Company will no longer be included in the consolidated financial statements of the 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 the Company's consolidated financial statements with reference to, among other things, the actual expenses and taxation associated with the Disposal, and is subject to audit.

USE OF PROCEEDS

Based on the estimated Consideration of approximately US\$33 million (equivalent to approximately HK\$258 million), the net cash proceeds (after deducting the expenses and taxation associated with the Disposal) from the Disposal are estimated to be approximately HK\$251 million. The net proceeds from the Disposal will replenish the working capital of the Group, improve its liquidity and strengthen its financial position.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board has considered the following factors regarding the Disposal:

- (a) as disclosed in the annual report of the Company for the year ended 31 March 2023 and the interim report of the Company for the six months ended 30 September 2023, the Group will adopt appropriate strategy to consider disposal of investments in non-core assets. The Disposal is in line with the Group's strategy to off-load investments in non-core assets;
- (b) the net proceeds from the Disposal will improve the Group's liquidity and strengthen its financial position; and
- (c) the Consideration is based on the Agreed Property Value of US\$33 million (equivalent to approximately HK\$258 million) which represents a premium of approximately 13.8% to the appraised value of the Property as provided by an independent valuer of US\$29 million (equivalent to approximately HK\$227 million) as at 31 March 2024.

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

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 25% (but is less than 75%), the Disposal constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Board having made all reasonable enquiries, none of the Shareholders has a material interest in the Disposal. Accordingly, no Shareholder will be required to abstain from voting if the Company were to convene a general meeting for approving the Disposal. Pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, shareholders' written approval has been obtained from EHL, which, as at the date of this announcement, held 949,581,644 Shares, representing approximately 56.77% of the entire issued share capital of the Company, approving the Disposal. EHL is owned as to 60% by Mr. Alan Chuang, the honorary chairman of the Company, and 10% each by Mr. Albert Chuang Ka Pun, Mrs. Candy Kotewall Chuang Ka Wai, Mr. Edwin Chuang Ka Fung and Mr. Geoffrey Chuang Ka Kam, each a Director. EHL's interests in the Disposal aligns with the interest of the other Shareholders. Accordingly, EHL does not have a material interest in the Disposal and will not be required to abstain from voting. As such, the Company is not required to convene a special general meeting for this purpose.

A circular containing, amongst other things, further information on the Disposal, a valuation report of the Property and other information as required under the Listing Rules will be despatched to the Shareholders. As additional time is needed for the preparation of certain information to be included in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules for an extension of the deadline for the despatch of the circular to the Shareholders to on or before 20 June 2024.

GENERAL

It should be noted that the Completion is conditional upon the satisfaction of the terms and conditions of the Agreement, which may or may not be fulfilled. The Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares.

DEFINITIONS

“Agreed Property Value”	the agreed property value of the Property of US\$33 million (equivalent to approximately HK\$258 million) under the Agreement
“Agreement”	the agreement dated 9 May 2024 entered into among the Vendor, the Assignor, the Target Company and the Purchaser in relation to the Disposal
“Assignor”	Reward International Limited, a company incorporated in Malaysia with limited liability and is an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company

“Business Day”	a day (other than a Saturday, a Sunday or a public holiday or a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong and Mongolia are open to the general public for business
“Company”	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)
“Completion”	completion of the Agreement and the transactions contemplated thereunder
“Completion Date”	24 June 2024, or such other day as may be agreed in writing among the Vendor, the Assignor and the Purchaser
“Completion NAV”	the aggregate of all assets (excluding the Property and the VAT Receivables) less the aggregate of all liabilities and provisions (excluding the deferred taxation liabilities and the Sale Loan) of the Target Company 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 and the Assignor respectively pursuant to the Agreement
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Share and the Sale Loan pursuant to the Agreement
“EHL”	Evergain Holdings Limited, which, as at the date of this announcement, held 949,581,644 Shares, representing approximately 56.77% of the entire issued share capital of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“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
“Mr. Alan Chuang”	Mr. Alan Chuang Shaw Swee, the controlling shareholder of the Company
“PRC”	the People’s Republic of China
“Property”	International Finance Centre, situated at 1st Khoroo, Sukhbaatar District, Ulaanbaatar, Mongolia
“Purchaser”	Mr. Ganbat Doniddagva, a citizen of Mongolia
“Sale Loan”	the entire amount of the unsecured interest-free loan owing by the Target Company to the Assignor immediately prior to the Completion
“Sale Share”	entire issued share capital of the Target Company
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	ordinary share(s) of HK\$0.25 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Mongolia Property Development LLC, a company incorporated in Mongolia with limited liability and is a direct wholly-owned subsidiary of the Vendor
“US\$”	United States dollars, the lawful currency of the United States of America
“VAT Receivables”	the amount of value-added tax receivables of the Target Company in Mongolia as at the Completion Date
“Vendor”	XYZ PTE. LTD., a company incorporated in Singapore with limited liability and is an indirect wholly-owned subsidiary of the Company
“%”	per cent

“sq. m.”

square meter

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

Hong Kong, 9 May 2024

As at the date of this 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 the Company, 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 the Company.

Unless otherwise stated, for the purpose of illustration only, amounts denominated in US\$ in this announcement have been translated into HK\$ at the rate of US\$1.00 = HK\$7.82. 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.