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CHINA TANGSHANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

MAJOR TRANSACTION: DISPOSAL OF SUBSIDIARIES

SP AGREEMENT

The Board is pleased to announce that on 1 December 2020 (after trading hours), Boren Cultural, a wholly-owned subsidiary of the Company, entered into the SP Agreement with the Purchaser, pursuant to which Boren Cultural has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares (representing 60% of the issued share capital of the Target Company as at the date of this announcement) at the total Consideration of HK$800,000 in accordance with the terms and conditions of the SP Agreement.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements thereunder.

To the best knowledge, information and belief of the Directors, as at the date of this announcement, neither the Purchaser nor any of its close associates hold any Shares and therefore no Shareholder is required to abstain from voting on the proposed resolution to approve the SP Agreement and the transactions contemplated thereunder in general meeting of the Shareholders. Accordingly, the Company has obtained written approvals for the Disposal from each of Mr. Chen and Grand Nice, a company wholly owned by Mr. Chen, which hold 800,000,000 Shares and 579,806,977 Shares respectively, representing in aggregate approximately 59.76% of the issued share capital of the Company as at the date of this announcement, to dispense with the holding of a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules.

GENERAL

A circular containing, among other things, further details of the SP Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 21 December 2020.

As Completion is conditional upon fulfilment (or if applicable, waiver) of the conditions precedent set out in the SP Agreement, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 1 December 2020 (after trading hours), Boren Cultural, a wholly-owned subsidiary of the Company, entered into the SP Agreement with the Purchaser in relation to the Disposal.

SP AGREEMENT

The major terms of the SP Agreement are set out below:

Date: 1 December 2020 (after trading hours)

Parties:
(i) Boren Cultural, a wholly-owned subsidiary of the Company, as vendor
(ii) the Purchaser, as purchaser

To the best knowledge, information and belief of the Directors after making reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject matter

The Sale Shares held by Boren Cultural, representing 60% of the issued share capital of the Target Company as at the date of this announcement, free from all encumbrances and together with all rights attaching thereto as from the Completion, including but not limited to all dividends paid, declared or made the record date for the entitlement of which falls on or after the Completion Date.

Consideration

The Consideration of the sale and purchase of the Sale Shares was HK$800,000, which shall be paid by the Purchaser to Boren Cultural upon Completion in cash.

The Consideration was determined by the parties to the SP Agreement after arm's length negotiation and having taken into account of the assets and operating value of the Target Group (other than assets constituted by leases under HKFRS 16). The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the satisfaction or (where applicable) waiver of the following:

(1) the Purchaser having obtained all consents and approvals required in respect of the sale and purchase of the Sale Shares;

(2) Boren Cultural having obtained all consents and approvals required in respect of the sale and purchase of the Sale Shares;

(3) the approval from the Shareholders for the SP Agreement and the transactions contemplated thereunder in a special general meeting of the Company or by way of written approval(s) pursuant to the Listing Rules having been obtained;

(4) there being no incidents, facts or circumstances of the Purchaser that constitute or may constitute a breach of warranties given by the Purchaser or any terms under the SP Agreement; and

(5) there being no incidents, facts or circumstances of Boren Cultural that constitute or may constitute a breach of any warranties given by Boren Cultural or any terms under the SP Agreement.

The Purchaser may at its discretion at any time waive in writing the condition precedent set out in sub-paragraph (5) above. Boren Cultural may at its discretion at any time waive in writing the condition precedent set out in sub-paragraph (4) above. Save as aforesaid, none of the conditions precedent may be waived.

If all the conditions precedent shall not have been fulfilled (or, where applicable, waived) on or before 31 January 2021 or such later date as may be agreed in writing between Boren Cultural and the Purchaser, the SP Agreement shall cease to have effect immediately (save for the provisions relating to, among others, confidentiality, costs and expenses, notices and governing law), and no party to the SP Agreement shall have any rights and obligations towards each other save for any antecedent breaches.

Completion

Subject to the fulfilment (or, where applicable, waived) in full of the conditions precedent set out in the paragraph headed "Conditions precedent" above, Completion shall take place on the third business day after all the conditions precedent have been fulfilled and/or waived (or such other date as may be agreed in writing between Boren Cultural and the Purchaser).

Upon Completion, each of the Target Company, Nanjing Creative and Nanjing Yinkun will cease to be the subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated into the financial results of the Group.

INFORMATION ON THE GROUP AND BOREN CULTURAL

The Company is a Hong Kong-based investment holding company principally engaged in the exhibition and property businesses. The Company has four segments. Exhibition-related business organizes exhibition events and meeting events. Food and beverages business represents the sales of food and beverages and restaurant operations. Money lending business represents the business of loan to customers, including individuals and corporation pursuant to the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). Property sub-leasing, property development and investment businesses represent the sub-leasing and development of real estates and the leasing of investment properties.

Boren Cultural is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company. Boren Cultural is principally engaged in investment holding.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability and an investor with diversified investments in Hong Kong and the PRC.

To the best knowledge, information and belief of the Directors after making reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability and is owned as to 60% by Boren Cultural. It is principally engaged in investment holding. As at the date of this announcement, the Target Company indirectly holds 100% of the equity interest in Nanjing Yinkun through Nanjing Creative. Each of Nanjing Creative and Nanjing Yinkun is a company established in the PRC and is principally engaged in sub-leasing business in Nanjing, the PRC.

Set out below is a summary of unaudited consolidated financial information of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards for the two years ended 31 March 2020 and the six months ended 30 September 2020:

	For the year ended 31 March 2019 *HK$'000* *approximately* *(unaudited)*	For the year ended 31 March 2020 *HK$'000* *approximately* *(unaudited)*	For the six months ended 30 September 2020 *HK$'000* *approximately* *(unaudited)*
Revenue	39,821	50,797	17,045
Profit/(loss) before taxation	21,390	(9,920)	(46,372)
Profit/(loss) after taxation	20,649	(10,620)	(46,372)

	As at 31 March 2019 *HK$'000* *approximately* *(unaudited)*	As at 31 March 2020 *HK$'000* *approximately* *(unaudited)*	As at 30 September 2020 *HK$'000* *approximately* *(unaudited)*
Net (liabilities)/assets	(12,881)	54,879	9,353

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Group has recorded a net loss of approximately HK$10,620,000 for the year ended 31 March 2020. As disclosed in the announcement of the Company dated 20 November 2020, it is expected that Group will record a significant increase in loss for the six months ended 30 September 2020 when compared to the corresponding period in 2019, due to, among others, the weak market sentiment of the sub-leasing business in Nanjing as a result of the impact of COVID-19 pandemic. It is anticipated that the adverse market conditions for the sub-leasing business in Nanjing will continue in the near future.

In particular, the majority of sub-leasees of the leased properties in Nanjing (the "**Property**") are small to medium technology companies, and in light of the weak market sentiment and its impact on the sector in the PRC, the sub-leasing rate of the Property has been declining over the past year, while the Target Group requires to maintain its spending for maintenance of the Property and its daily operations. The Company foresees that the business performance of the Target Group will continue to be unsatisfactory in the coming years. Therefore, the Company intends to restructure the existing sub-leasing business by disposing of the Target Group to cease the current sub-leasing business in Nanjing and expanding the sub-leasing business in Beijing with more stable lease market and lower business risk. The effect of the restructuring would be to shift the location of the Group's sub-leasing business from a second-tier city to a first-tier city in the PRC and improve the financial return to the Company and the performance of the Company, which in turn would be beneficial to the Shareholders as a whole. The Disposal is part of such restructuring and a development strategy of the Group, and the Company expects to announce the details of the expansion of the sub-leasing business in Beijing in or about December 2020.

Taking into consideration of the foregoing and the gain from the Disposal as further illustrated below, the Board considers that the Disposal is a good opportunity for the Company to realize its investments in the sub-leasing business in Nanjing. The Board considers that the proceeds from the Disposal can strengthen the general working capital of the Group and allow the Group to reallocate its resources for other business development, namely to expand the sub-leasing business in Beijing and generate better return for the Shareholders.

Based on the foregoing, the Directors (including the independent non-executive Directors) consider that the terms of the SP Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPLICATIONS AND USE OF PROCEEDS FROM THE DISPOSAL

Upon Completion, the Company expects to recognize an unaudited estimated disposal gain of approximately HK$1,752,000. The net proceeds from the Disposal (after deducting transaction costs and professional expenses) are approximately HK$440,000. The Group intends to use such net proceeds to strengthen the general working capital of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements thereunder.

To the best knowledge, information and belief of the Directors, as at the date of this announcement, neither the Purchaser nor any of its close associates hold any Shares and therefore no Shareholder is required to abstain from voting on the proposed resolution to approve the SP Agreement and the transactions contemplated thereunder in general meeting of the Shareholders. Accordingly, the Company has obtained written approvals for the Disposal from each of Mr. Chen and Grand Nice, a company wholly owned by Mr. Chen, which hold 800,000,000 Shares and 579,806,977 Shares respectively, representing in aggregate approximately 59.76% of the issued share capital of the Company as at the date of this announcement, to dispense with the holding of a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules.

GENERAL

A circular containing, among other things, further details of the SP Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 21 December 2020.

As Completion is conditional upon fulfilment (or if applicable, waiver) of the conditions precedent set out in the SP Agreement, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

"Board"	the board of Directors
"Boren Cultural"	Boren Cultural Development Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly owned subsidiary of the Company
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Company"	China Tangshang Holdings Limited, an exempted company incorporated in Bermuda with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 674)
"Completion"	completion of the SP Agreement in accordance with its terms and conditions
"Completion Date"	the date on which Completion takes place
"connected person(s)"	has the meaning as ascribed to it under the Listing Rules
"Consideration"	the total consideration of HK$800,000 (or such other currency of equivalent value) payable by the Purchaser to Boren Cultural under the Disposal in accordance with the terms of the SP Agreement
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Sale Shares by Boren Cultural to the Purchaser

"Grand Nice"	Grand Nice International Limited, a company incorporated in the British Virgin Islands with limited liability, and is wholly-owned by Mr. Chen
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chen"	Mr. Chen Weiwu, the chairman of the Company and an executive Director
"Nanjing Creative"	Nanjing Creative Eastern 8 Zone Technology Co., Ltd.* (南京創意東八區科技有限責任公司), a company established in the PRC with limited liability and a wholly owned subsidiary of the Target Company
"Nanjing Yinkun"	Nanjing Yinkun Investment Corporation Co., Ltd.* (南京垠坤投資實業有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of Nanjing Creative
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan)
"Purchaser"	Iwork Trading Technology Company Limited, a company incorporated in Hong Kong with limited liability
"Sale Shares"	6,000 shares of the Target Company, representing 60% of the issued share capital of the Target Company as at the date of this announcement
"Share(s)"	ordinary share(s) of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"SP Agreement"	the conditional sale and purchase agreement dated 1 December 2020 and entered into between Boren Cultural and the Purchaser in relation to the Disposal
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Elite-China Cultural Development Limited, a company incorporated in Hong Kong with limited liability and an non-wholly owned subsidiary of Boren Cultural

“Target Group”	the Target Company and its subsidiaries
“HK$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

The English transliterations of the Chinese names in this announcement, where indicated with “”, are included for information purpose only, and should not be regarded as the official English names of such Chinese names.*

By Order of the Board
China Tangshang Holdings Limited
Chen Weiwu
Chairman

Hong Kong, 1 December 2020

As at the date of this announcement, the executive Directors are Mr. Chen Weiwu (Chairman) and Mr. Zhou Houjie; and the independent non-executive Directors are Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin.