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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)

MAJOR TRANSACTION IN RELATION TO LEASE AGREEMENT AND BREACH OF LISTING RULES IN RESPECT OF LEASE AGREEMENT

BACKGROUND

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Properties Investment Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that 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 a lease agreement (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 8,000 square meters (the “**Leased Property**”) with a term from 1 June 2020 to 31 October 2028 (the “**Lease**”). Pursuant to the Lease Agreement, (i) the rental expense incurred from renting of the Leased Property is approximately RMB4,000,000 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 Property of approximately RMB32,000,000 in the following schedule as to RMB10,000,000 for 1 June 2020 to 30 May 2021, RMB5,000,000 per annum for 1 June 2021 to 30 May 2025 and RMB2,000,000 for 1 June 2026.

The rental expense is RMB4,000,000 per annum and the average outstanding renovation cost is approximately RMB3,800,000 per annum (calculated with reference to the total renovation cost of approximately RMB32,000,000 over the term of approximately eight years and five months under the

Lease Agreement) which implied the total rental cost is RMB7,800,000 per annum. Such total rental cost is determined with reference to the prevailing market rental of similar properties in the nearby locations.

INFORMATION OF THE 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*).

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

The Group is principally engaged in (i) properties investment; and (ii) money lending business. The Lessee, a wholly-owned subsidiary of the Company, is incorporated in the PRC with limited liability which is principally engaged in properties investment business. As one of the principal business of the Group, the Group will lease out its self-owned properties or leased properties for rental income. The Leased Property is located at Qingpu District of Shanghai, a first-tier city in the PRC. By entering into the Lease Agreement, the Group has expanded its properties investment business with least capital requirement and at a shortest time frame. As at the date of this announcement, the Group has successfully leased out the Leased Property which has generated additional revenue for the Group.

The Board considers that transaction contemplated under the Lease Agreement is conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Lease Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

Pursuant to Hong Kong Financial Reporting Standards 16 (the “**HKFRS 16**”), the Leased Property under the Lease will be recognised as right-of-use assets and the transaction contemplated under the Lease Agreement will be recognised as the acquisition of right-of use assets with value of approximately HK\$31,451,000, which is calculated with reference to the present value of the aggregated payments to be made under the Lease Agreement for the term from 1 June 2020 to 31 October 2028.

Based on the review of the Board, as one of the applicable percentage ratios in respect of the Lease is above 25% but all of them are less than 100%, the Lease constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and was therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Lessor and its ultimate beneficial owner(s) are parties who are not connected with (as defined in the Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates, therefore, the Lease did not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

REASONS FOR THE BREACH OF LISTING RULES

The Company submitted that they have inadvertently failed to timely comply with the relevant requirements under Chapter 14 of the Listing Rules (the “**Non-Compliance**”) upon entering into the Lease Agreement. Such Non-Compliance is mainly due to the misunderstanding by the Company on classifying the Lease as revenue in nature as it is one of the principal activities and in the ordinary and usual course of business of the Company as well as misinterpretation of the relevant Listing Rules in respect of the Lease as a result of the HKFRS16, which was recently adopted in 2018.

REMEDIAL MEASURES

The Company wishes to submit that the Non-Compliance was inadvertent and the Company had no intention to circumvent from the applicable requirements under Chapter 14 of the Listing Rules in relation to the Lease.

In order to prevent the reoccurrence of the Non-Compliance in the future and ensure full compliance with the Listing Rules on an on-going basis, the Company intends to adopt the following remedial measures:

- (i) the Company will engage a legal adviser to provide 8 hours training to the Directors on the compliance requirements and practical knowledge of the Listing Rules; and
- (ii) the Company will engage a financial adviser to assist in reviewing and advising the future transactions conducted by the Group in order to ensure the compliance with the relevant Listing Rules.

The Company would like to stress that the Company will endeavor to carry out necessary measures and appropriate actions for the full compliance with the Listing Rules on an on-going basis.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 22 December 2020

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. Lai Wai Yin, Wilson, Ms. Cao Jie Min and Mr. Liang Kuo Chieh.

** For identification purpose only*