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FULLSUN INTERNATIONAL HOLDINGS GROUP CO., LIMITED
福晟國際控股集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00627)

VERY SUBSTANTIAL DISPOSAL

**DISPOSAL OF THE ENTIRE ISSUED CAPITAL IN THE TARGET
COMPANY AND RELATED SHAREHOLDER'S LOAN**

Reference is made to the announcement of the Company dated 14 April 2021 in relation to, among others, the Preliminary SP Agreement.

THE DISPOSAL AND THE FORMAL SP AGREEMENT

The Board announces that on 27 May 2021, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Company entered into the Formal SP Agreement, pursuant to which (i) the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares and the Sale Loan; and (ii) the Company has agreed to guarantee due observance and performance by the Vendor of all the agreements, obligations, undertakings and commitments contained in the Formal SP Agreement.

The Formal SP Agreement supersedes and replaces the Preliminary SP Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is above 75%, the Disposal constitutes a very substantial disposal for the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, to approve the Formal SP Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Formal SP Agreement and the transactions contemplated thereunder; (ii) a notice of the SGM; and (iii) further information required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders as soon as practicable.

Completion of the Disposal is subject to fulfillment of the conditions precedent as set out in the paragraph headed “The Disposal and the Formal SP Agreement — Conditions precedent” in this announcement. As the Disposal may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

Reference is made to the announcement of the Company dated 14 April 2021 in relation to, among others, the Preliminary SP Agreement.

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The Formal SP Agreement supersedes and replaces the Preliminary SP Agreement.

THE DISPOSAL AND THE FORMAL SP AGREEMENT

Set out below are the principal terms of the Formal SP Agreement:

Date: 27 May 2021

Parties:

- (i) the Vendor, an indirect wholly owned subsidiary of the Company, as vendor;
- (ii) the Purchaser, as purchaser; and
- (iii) the Company, as the Vendor’s guarantor

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, as at the date of this announcement the Purchaser and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

Assets to be disposed of

The assets to be disposed pursuant to the Formal SP Agreement comprise:

- (i) the Sale Shares, which are to be sold free from any encumbrances (other than leases in respect of certain parts of the Properties subsisting as at the date of the Formal SP Agreement, and the Loan Facilities together with their respective security documents shall be discontinued and discharged on the Completion Date); and
- (ii) the Sale Loan, which amounts to approximately HK\$424,079,000 as at the date of this announcement.

The Target Group holds the entire legal and beneficial interest of each of the Properties. Further details of the Target Group and the Properties are set out in the paragraph headed “Information on the Target Group and the Properties” in this announcement.

Consideration

Preliminary Consideration

The preliminary consideration (the “**Preliminary Consideration**”) payable by the Purchaser to the Vendor for the Disposal shall be HK\$790,000,000 (the “**Agreed Property Value**”) plus the NAV as shown in the Proforma Completion Accounts (if such NAV is a positive number) or minus the NAV as shown in the Proforma Completion Accounts (if such NAV is a negative number).

The Proforma Completion Accounts shall be delivered by the Vendor to the Purchaser at least five (5) Business Days before the Completion Date.

Consideration

The Consideration shall be the Agreed Property Value plus the NAV as shown in the Completion Accounts (if such NAV is a positive number) or minus the NAV as shown in the Completion Accounts (if such NAV is a negative number).

The Completion Accounts shall be delivered (the “**Completion Accounts Delivery**”) by the Vendor to the Purchaser no later than forty-five (45) Business Days after the Completion Date.

Payment terms

The Consideration shall be payable in the following manner:

- (i) HK\$39,500,000 (equivalent to 5% of the Agreed Property Value) being the preliminary deposit (the “**Preliminary Deposit**”) shall be payable in cash by the Purchaser to the solicitors to the Vendor upon signing of the Preliminary SP Agreement, which has been paid accordingly;
- (ii) HK\$79,000,000 (equivalent to 10% of the Agreed Property Value) being the further deposit (the “**Further Deposit**”, together with the Preliminary Deposit, collectively known as the “**Deposits**”) shall be payable in cash by the Purchaser to the solicitors to the Vendor on 11 May 2021 in accordance with the Preliminary SP Agreement, which has been paid accordingly;
- (iii) an amount equivalent to the Preliminary Consideration minus the Deposits shall be payable in cash by the Purchaser to the Vendor at Completion; and
- (iv) an amount equivalent to the difference between the Consideration and the Preliminary Consideration shall be payable in cash within five (5) Business Days from the date of the Completion Accounts Delivery by (i) the Purchaser to the Vendor (if the Consideration is greater than the Preliminary Consideration); or (ii) the Vendor to the Purchaser (if the Preliminary Consideration is greater than the Consideration).

Should the Purchaser fail to discharge its obligations under paragraphs (i) to (iii) above by the respective deadlines set out in the relevant paragraphs, unless otherwise agreed in writing between the Vendor and the Purchaser, the Vendor may, by written notice to the Purchaser, choose to terminate the Formal SP Agreement and to forfeit all Deposits paid as damages.

Termination of the Formal SP Agreement in the manner above shall not affect all accrued rights and obligations of the parties to the Formal SP Agreement (including the breach (if any) which may have led to such termination) or the rights of either party to claim for breaches which may have accrued under the Formal SP Agreement prior to such termination.

Basis of determination

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser after taking into account, among others,

- (i) the preliminary valuation of the Properties as indicated by an independent valuer as at 31 December 2020 of approximately HK\$936,000,000;

- (ii) the financial position and prospects of the Target Group; and
- (iii) the reasons for and benefits of the Disposal as detailed in the section headed “Reasons for and benefit of the Disposal” below in this announcement.

As the Loan Facilities will be fully repaid upon Completion, they were not taken into account when determining the Consideration and the preliminary valuation of the Properties.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be subject to the fulfilment (or, where applicable, waiver) of the following conditions:

- (i) certain warranties given by the Vendor in the Formal SP Agreement remaining true, accurate and not misleading in all material respects on the Completion Date; and
- (ii) the Formal SP Agreement and the transactions contemplated thereunder being approved in compliance with the bye-laws of the Company and the requirements of the Listing Rules by the Shareholders at a general meeting of the Company.

If the conditions precedent above are not fulfilled (or, in respect of the condition precedent under paragraph (i) above, waived by the Purchaser) on or before the Longstop Date, unless otherwise agreed in writing between the Vendor and the Purchaser, the Vendor or the Purchaser may, by notice to the other party on the Longstop Date, choose to (without prejudice any other rights and remedies to which the Vendor is entitled to under the Formal SP Agreement):

- (i) postpone the Longstop Date to a date (such date must be a Business Day) no later than sixty (60) Business Days following the original Longstop Date, in which case the date by which the conditions precedent shall be fulfilled (or, where applicable, waived) shall be such postponed Longstop Date; or
- (ii) terminate the Formal SP Agreement, whereupon the Vendor shall immediately refund to the Purchaser all Deposits paid without interest or fees and thereafter none of the parties to the Formal SP Agreement shall make any further claims or commence any further legal proceedings against the other.

Completion

Completion shall take place on the Completion Date subject to the satisfaction (or, where applicable, waiver) of all the conditions precedent as mentioned in the paragraph headed “Conditions precedent” above.

Upon Completion, the members of the Target Group will cease to be subsidiaries of the Company and their respective assets and liabilities and profits and losses will no longer be consolidated into the financial statements of the Company.

Should the Vendor or the Purchaser fail to discharge its Completion obligations under the Formal SP Agreement, the other party may, by written notice to the party in breach, choose to terminate the Formal SP Agreement, and

- (i) in the event that the party in breach is the Vendor, the Vendor shall also immediately refund to the Purchaser all Deposits paid without interest or fees and pay the Purchaser a sum equal to the Deposits as liquidated damages; or
- (ii) in the event that the party in breach is the Purchaser, the Vendor may also: (a) forfeit from the amount of the Deposits paid a sum equal to 10% of the Agreed Property Value as damages; and (b) keep the balance of the Deposits paid as further damages and expenses suffered by the Vendor.

Termination of the Formal SP Agreement in the manner above shall not affect all accrued rights and obligations of the parties to the Formal SP Agreement (including the breach (if any) which may have led to such termination or the rights of either party to claim for breaches which may have accrued under the Formal SP Agreement prior to such termination).

As at the date of this announcement, the Properties are subject to and benefit from leases on certain parts of the Properties (the “**Leased Properties**”). The Properties shall be subject to such leases on the Completion Date, but in the event any lessee, tenant or user surrenders or vacates any part of the Leased Properties or delivers vacant possession of any part of the Leased Properties, or if any part of the Leased Properties is no longer subject to any lease, the Vendor shall deliver vacant possession of such part(s) of the Leased Properties to the Purchaser on the Completion Date.

Guarantee

Pursuant to the Formal SP Agreement, the Company has agreed to guarantee due observance and performance by the Vendor of all the agreements, obligations, undertakings and commitments contained in the Formal SP Agreement.

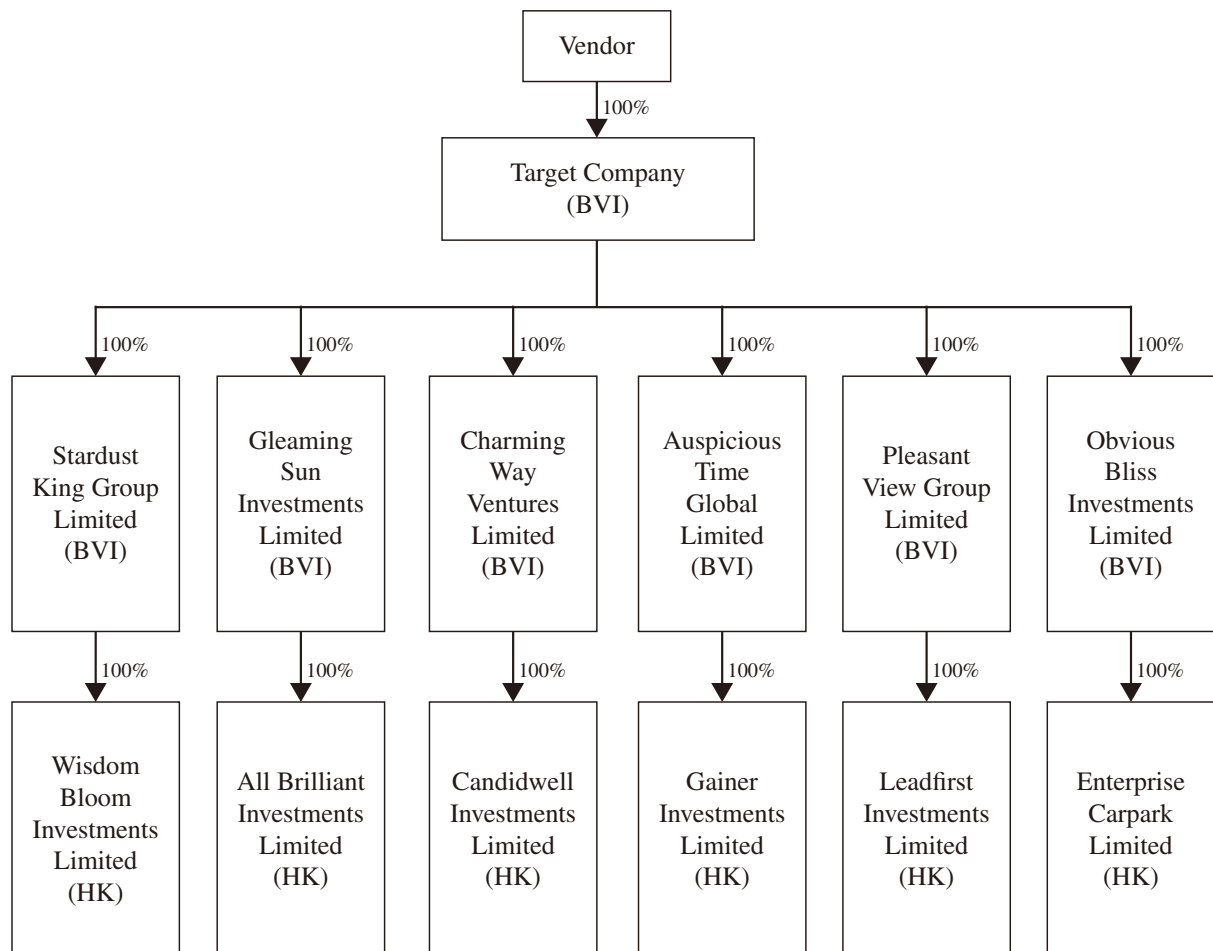
INFORMATION ON THE TARGET GROUP AND THE PROPERTIES

Information on the Target Group

The Target Company is an investment holding company. The BVI Subsidiaries are property investment companies all incorporated in BVI with limited liability. The HK Subsidiaries are property investment companies all incorporated in Hong Kong with limited liability. The principal assets of the Target Group are the Properties.

Corporate structure of the Target Group

Set out below is the shareholding structure of the Target Group as at the date of this announcement:



Financial information of the Target Group

Set out below is the summary of key consolidated financial information of the Target Group for each of the two years ended 31 December 2019 and 2020:

	2019 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Loss before taxation	86,802	86,802
Loss after taxation	87,674	347,982
Net liabilities value	134,737	482,719

Information on the Properties

The Properties consist of seven units on 41st, eight units on 42nd, the whole of 43rd, the whole of 45th and the whole of 46th floors, 16 car parking spaces and the certain retained portions representing 3 external signage areas (the “**Retained Portions**”) of “Enterprise Square Three (企業廣場3期)”, No. 39 Wang Chiu Road, Kowloon, Hong Kong. The gross floor area of the Properties (excluding the 16 car parking spaces and the Retained Portions) is approximately 72,800 sq. ft. As at the date of this announcement, the Leased Properties comprises 2 car parking spaces which are currently leased out to tenants who are independent third parties. The remaining portion of the Properties is currently vacant. For the avoidance of doubt, the 42nd, 43rd, 45th and 46th floors among the Properties are numbered according to the record of the Land Registry. However, such floors are also known as 43rd, 45th, 47th and 49th floors, respectively, and are shown in the respective premises. In this announcement, the number of the floors of the Properties are stated according to the record of the Land Registry.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the BVI with limited liability and is an investment holding company. The entire issued share capital of the Purchaser is legally and beneficially held by Lin Xiaowen, who is a merchant.

INFORMATION ON THE GROUP

The Company is an investment holding company and the Group is principally engaged in the development and sale of residential and commercial properties in the PRC including Hong Kong.

INFORMATION ON THE VENDOR

The Vendor, a company incorporated in the BVI with limited liability, is an indirect wholly-owned subsidiary of the Company. The Vendor is an investment holding company.

FINANCIAL EFFECT OF THE DISPOSAL

Immediately after the Completion, each member of the Target Group will cease to be a subsidiary of the Company and the financial results, assets and liabilities of the Disposal Group will no longer be consolidated into the Group's financial statements.

Assuming the Disposal had completed on 31 December 2020 and based on the unaudited accounts for the year ended 31 December 2020, it is expected that the Group would record an estimated loss of approximately RMB157,145,000 upon the completion of the Disposal with reference to (i) the Consideration (i.e. HK\$790,000,000 (equivalent to approximately RMB664,896,000)); (ii) the carrying amount of the Properties of approximately RMB803,525,000 as at 31 December 2020 in the unaudited management accounts of the Target Group; and (iii) the transaction costs and professional expenses of approximately RMB18,516,000.

The actual amount of loss to be recognised would be subject to the operating results of the Target Group for the period from 1 January 2021 up to the Completion Date, recognition of the expenses to be incurred in relation to the Target Group and the review by the Company's auditors.

The Company intends to use the proceeds from the Disposal for repayment of bank and other borrowings of the Group secured by the Properties.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Since 2020, the novel coronavirus (Covid-19) has spread around the world. The quarantine measures and lockdown of countries and regions have severely impacted the growth of the global economy. In Hong Kong, the vacancy rate for the commercial properties has increased significantly since the beginning of 2020. The Company has noted that the overall rental rate in Kowloon East has dropped significantly during the last year. The ongoing pandemic situation keeps bringing uncertainties to the business environment in Hong Kong. The management considered that the above-mentioned factors further slowdown the economic recovery of Hong Kong, especially its commercial property market.

In view of the prospects of the commercial property market in Kowloon East and the size of the Properties, the Directors consider that the Disposal allows the Group to realise the value of the Properties under the current market situation.

The Group intends to apply the proceeds from the Disposal to settle the outstanding borrowings of the Group, which not only will lessen the burden of immediate cash inflow for settling its maturing indebtedness, but will also reduce the recurring finance costs.

Having considered the above, the Directors (including the independent non-executive Directors) consider that the Disposal is in the interests of the Company and the Shareholders as a whole and on normal commercial terms or better and that the terms of the Formal SP Agreement are fair and reasonable.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is above 75%, the Disposal constitutes a very substantial disposal for the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, to approve the Formal SP Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Formal SP Agreement and the transactions contemplated thereunder; (ii) a notice of the SGM; and (iii) further information required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders as soon as practicable.

To the best knowledge, information and belief of the Directors, as at the date of this announcement, none of the Purchaser and its close associates hold any Shares and therefore no Shareholder is required to abstain from voting on the ordinary resolution(s) to be proposed at the SGM approving the Formal SP Agreement and the transactions contemplated thereunder (including but not limited to the Disposal).

Completion of the Disposal is subject to fulfillment of the conditions precedent as set out in the paragraph headed “The Disposal and the Formal SP Agreement — Conditions precedent” in this announcement. As the Disposal may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Agreed Property Value”	has the meaning defined in the paragraph headed “The Disposal and the Formal SP Agreement — Consideration” in this announcement
“Board”	the board of Directors
“Business Day”	any day (other than Saturdays and Sundays) on which commercial banks in Hong Kong are open for business to the general public
“BVI”	the British Virgin Islands
“BVI Subsidiaries”	collectively, Stardust King Group Limited, Gleaming Sun Investments Limited, Charming Way Ventures Limited, Auspicious Time Global Limited, Pleasant View Group Limited and Obvious Bliss Investments Limited, all of which are companies incorporated in the BVI with limited liability and direct wholly-owned subsidiaries of the Target Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	Fullsun International Holdings Group Co., Limited (福晟國際控股集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loan in accordance with the terms of the Formal SP Agreement
“Completion Accounts”	the audited consolidated balance sheet of the Target Group as at Completion

“Completion Date”	the fifth Business Day after all the conditions precedent set out in the paragraph headed “The Disposal and the Formal SP Agreement — Conditions precedent” in this announcement have been fulfilled (or, where applicable, waived) or such other date as the Vendor and the Purchaser may agree in writing
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the total consideration payable by the Purchaser to the Vendor for the acquisition of the Sale Shares and the Sale Loan pursuant to the Formal SP Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser pursuant to the Formal SP Agreement
“Formal SP Agreement”	the conditional formal sale and purchase agreement dated 27 May 2021 and entered into among the Vendor, the Purchaser and the Company in relation to the sale and purchase of the Sale Shares and the Sale Loan, which supersedes and replaces the Preliminary SP Agreement
“Group”	the Company and its subsidiaries
“HK Subsidiaries”	collectively, Wisdom Bloom Investments Limited, All Brilliant Investments Limited, Candidwell Investments Limited, Gainer Investments Limited, Leadfirst Investments Limited and Enterprise Carpark Limited, all of which are companies incorporated in Hong Kong with limited liability and indirect wholly-owned subsidiaries of the Target Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facilities”	the Target Loan Facility and the Vendor Loan Facility
“Longstop Date”	24 August 2021
“NAV”	the consolidated total assets of the Target Group as at Completion (excluding the value of the Properties, receivables under inter-company loans between the members of the Target Group and any intangible assets) as derived from the Proforma Completion Accounts or the Completion Accounts (as the case may be) minus the consolidated total liabilities of the Target Group as at Completion (including (for the avoidance of doubt) all outstanding liabilities of the Target Group identified by the Purchaser on or before the date of the Formal SP Agreement in the course of its due diligence review on the Target Group, but excluding the value of the Sale Loan, any deferred tax liabilities and payables under inter-company loans between the members of the Target Group) as derived from the Proforma Completion Accounts or the Completion Accounts (as the case may be)
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administration Region and Taiwan
“Preliminary Consideration”	has the meaning defined in the paragraph headed “The Disposal and the Formal SP Agreement — Consideration” in this announcement
“Preliminary SP Agreement”	the conditional preliminary sale and purchase agreement dated 28 March 2021 and entered into among the Vendor, the Purchaser and the Company in relation to the sale and purchase of the Sale Shares and the Sale Loan, which has been superseded and replaced by the Formal SP Agreement
“Proforma Completion Accounts”	the unaudited consolidated proforma balance sheet of the Target Group as at Completion

“Properties”	seven units on 41st, eight units on 42nd, the whole of 43rd, the whole of 45th and the whole of 46th Floors, 16 car parking spaces and certain portions in the Retained Areas I of “Enterprise Square Three (企業廣場3期)”, No. 39 Wang Chiu Road, Kowloon, Hong Kong
“Purchaser”	Retain Prosper Group Limited, a company incorporated in the BVI with limited liability
“Sale Loan”	all the interests, benefits and rights of and in the shareholder’s loan owed by the Target Company to the Vendor as at the Completion Date
“Sale Shares”	10,000 ordinary shares of US\$1 each in the Target Company, being all the issued shares of the Target Company
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve the Formal SP Agreement and the transactions contemplated thereunder (including but not limited to the Disposal)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Splendor Keen Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Target Group”	collectively, the Target Company, the BVI Subsidiaries and the HK Subsidiaries

“Target Loan Facility”	the loan facility made by a banking institution to the Target Company in the total principal amount of up to HK\$499,200,000, of which HK\$449,280,000 remains outstanding as at the date of this announcement. Such loan facility is secured by, among other things, mortgages over certain parts of the Properties
“Vendor”	Vivalink Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Vendor Loan Facility”	the loan facility made by a company controlled by a banking institution to the Vendor in the principal amount of up to HK\$400,000,000, of which HK\$380,000,000 remains outstanding as at the date of this announcement. Such loan facility is secured by, among other things, mortgages over certain parts of the Properties
“%”	per cent.

By Order of the Board
Fullsun International Holdings Group Co., Limited
Pan Haoran
Executive Director and Chief Executive Officer

Hong Kong, 1 June 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Pan Haoran, Mr. Li Jinrong and Mr. Tang Kwok Hung and three independent non-executive Directors, namely Mr. Kong Tat Yee, Mr. Yau Pak Yue and Mr. Zheng Zhen.