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Zhaobangji Properties Holdings Limited

兆邦基地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1660)

(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANY; AND

(2) CONNECTED TRANSACTIONS IN RELATION TO TENANCY AGREEMENTS

(1) SALE AND PURCHASE AGREEMENT

BACKGROUND

The Board is pleased to announce that on 24 December 2021, the Purchaser, an indirect wholly owned subsidiary of the Company, and each of the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire equity interest in the Target Company at the Consideration of RMB3,000,000 (equivalent to approximately HK\$3,677,700).

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

As Mr. Xu Weizhen and Mr. Chen Jiazhen are the nephews of Mr. Xu, pursuant to Chapter 14A of the Listing Rules, the Vendors are deemed connected persons of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the percentage ratios (other than the profits ratio) in respect of the Acquisition are less than 25% and the total Consideration is less than HK\$10,000,000, the Acquisition is subject to the reporting and announcement requirements but exempted from circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) TENANCY AGREEMENTS

BACKGROUND

On 24 December 2021, the Tenant, a wholly-owned subsidiary of the Target Company, (i) entered into the Tenancy Agreements-1 with the Landlord-1 for the leasing of the Premises-1 for a period of one year commencing from 1 January 2022 to 31 December 2022 at an aggregated monthly rent of RMB156,217 (equivalent to approximately HK\$191,506); and (ii) entered into the Tenancy Agreements-2 with the Landlord-2 for the leasing of the Premises-2 for a period of one year commencing from 1 January 2022 to 31 December 2022 at an aggregated monthly rent of RMB222,280 (equivalent to approximately HK\$272,493).

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 "Leases", the Group is required to recognise the tenancy of the Premises as right-of-use assets. Hence the entering into of the Tenancy Agreements and the transaction contemplated thereunder will be regarded as acquisition of assets by the Group.

Upon Completion, the Tenant will become indirectly wholly-owned by the Company. As each of the Landlords is owned as to more than 50% by Shenzhen Zhaobangji, which is owned as to more than 50% by Mr. Xu, (i) each of the Landlords is a connected person of the Company under Chapter 14A of the Listing Rules and the entering into each of the Tenancy Agreements therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules; and (ii) the transaction under each of the Tenancy Agreements shall be aggregated as a series of transactions for the Company pursuant to Rule 14A.81 of the Listing Rules.

As the percentage ratios (other than the profits ratio) in respect of the right-of-use assets to be recognized by the Group under the Tenancy Agreements (in aggregate) are more than 0.1% and less than 5%, the Tenancy Agreements are subject to the reporting and announcement requirements but exempted from circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Completion of the Acquisition is subject to the fulfilment of a number of conditions precedent detailed in this announcement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.

(1) SALE AND PURCHASE AGREEMENT

BACKGROUND

On 24 December 2021, the Purchaser, an indirect wholly-owned subsidiary of the Company, and each of the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire equity interest in the Target Company at the Consideration of RMB3,000,000 (equivalent to approximately HK\$3,677,700). The principal terms of the Sale and Purchase Agreement are as follows:

Date	24 December 2021
Parties	<p>(1) The Purchaser;</p> <p>(2) Mr. Xu Weizhen, the vendor of 99% equity interest of the Target Company; and</p> <p>(3) Mr. Chen Jiazhen, the vendor of 1% equity interest of the Target Company.</p> <p>Mr. Xu Weizhen and Mr. Chen Jiazhen are the nephews of Mr. Xu.</p>
Subject Matter	The Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the entire equity interest of the Target Company. Upon Completion, the Target Company shall become an indirect wholly-owned subsidiary of the Company.
Consideration and Payment Terms	RMB3,000,000 (equivalent to approximately HK\$3,677,700). The Consideration shall be paid in cash by the Purchaser to the Vendors on Completion.
Condition Precedents	Completion of the transactions contemplated under the Sale and Purchase Agreement shall be conditional upon: (i) completion of the necessary filing and registration process with relevant PRC governmental authorities for the transfer of the entire equity interest in the Target Company as contemplated in the Sale Purchase Agreement; and (ii) no material adverse change of the Purchaser or the Target Company before the completion of (i) above.

Completion Completion shall occur within five business days from the satisfaction of the Conditions Precedents.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC and is principally engaging in the business of investment holding. Its wholly-owned subsidiaries operate a number of own branded retail shops in shopping malls in Shenzhen, including amusement arcades, cinema, supermarket and franchise branded electronics retail shop.

According to the consolidated management accounts of the Target Company, the revenue, net profit or loss (both before and after taxation) of the Target Company for the two financial years immediately preceding the Acquisition are as follows:

	Years ended	
	31 December 2019 <i>RMB million</i>	31 December 2020 <i>RMB million</i>
Revenue	44.8	26.2
Earnings before interest, taxation, depreciation and amortization (“EBITDA”)	5.5	(9.0)
Net loss before taxation	(4.4)	(18.7)
Taxation	–	–
Net loss after taxation	(4.4)	(18.7)

According to the consolidated management accounts of the Target Company, the total assets and net assets of the Target Company on 30 June 2021 are as follows:

	As at 30 June 2021 <i>RMB million</i>
Total assets	36.7
Net assets	3.8

Based on the information provided by the Vendors, the Target Company was established by Shenzhen Zhaobangji Group, and its entire equity interest was transferred to the Vendors with a nominal consideration of RMB1 as part of its internal restructuring.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group is principally engaging in trading of machinery, leasing of machinery and spare parts, and the provision of related services, and the provision of transportation services in Hong Kong, the provision of property management services, and property leasing and subletting in the PRC.

The Purchaser is a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaging in investment holding.

INFORMATION OF THE VENDORS

Each of the Vendors is a PRC citizen who is responsible for managing the businesses owned by Mr. Xu.

REASONS AND BENEFITS OF THE ACQUISITION

The Group's business in property leasing and subletting has declined in the six months period ended 30 June 2021 following the disposal of a subsidiary in May 2020 which held certain property use rights of a shopping mall in Shenzhen. The Group has since been looking for appropriate opportunities to recover exposure to the consumption retail market in Shenzhen.

The Target Group operates its own branded retail shops in shopping malls in Shenzhen, including amusement arcades, cinema, supermarket and franchise branded electronics retail shop. While the financial performance of the Target Company was impacted by COVID-19 pandemic in the year immediately preceding the Acquisition, the Board is seeing a fast recovery of its business driven by the resilient retail consumption market in Shenzhen and believes that the Consideration is of good value.

Although the Target Group incurred net loss of RMB18.7 million for the year ended 31 December 2020, approximately RMB9.7 million expense of which was related to non-cash depreciation and amortization expenses, and approximately RMB22.4 million expense of which was related to rent. The Board considers that the rents for the Premises of the Target Group for the two years ended 31 December 2021 have been higher than the prevailing market price. Prior to the execution of the Sale and Purchase Agreement, the Target Group entered into the Tenancy Agreements such that the rental expense for the year ending 31 December 2022 will be reduced by approximately RMB11.0 million as compared to that for the year ended 31 December 2020. Had the Tenancy Agreements been effected from the beginning of the year ended 31 December 2020, the adjusted pro-forma EBITDA of the Target Group for the year ended 31 December 2020 would be approximately RMB2.0 million, instead of recording a loss before interest, taxation, depreciation and amortization of approximately RMB9.0 million.

BASIS OF DETERMINATION OF THE CONSIDERATION

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors taking into consideration, among others: (i) the net assets of the Target Group; and (ii) a marketability discount on the illiquid nature of the Target Group. The Consideration will be funded by internal resources of the Group.

The Directors (including the independent non-executive Directors) are of the view that terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable, and the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

As Mr. Xu Weizhen and Mr. Chen Jiazhen are the nephews of Mr. Xu, pursuant to Chapter 14A of the Listing Rules, the Vendors are deemed connected persons of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the percentage ratios (other than the profits ratio) in respect of the Acquisition are less than 25% and the total Consideration is less than HK\$10,000,000, the Acquisition is subject to the reporting and announcement requirements but exempted from circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Xu, Mr. Xu Chusheng and Ms. Zhan Meiqing are considered to have a material interest in the Acquisition. Mr. Xu Weizhen is the son of Mr. Xu Chusheng, the Chief Executive Officer and Executive Director of the Company and Ms. Zhan Meiqing, the non-executive Director of the Company, is the sister-in-law of Mr. Xu. Therefore, Mr. Xu, Mr. Xu Chusheng and Ms. Zhan Meiqing have abstained from voting on the resolutions in relation to the Acquisition. Save as disclosed above, none of the Directors who attended the Board meeting has a material interest nor is required to abstain from voting in respect of the relevant Board resolutions.

(2) TENANCY AGREEMENTS

BACKGROUND

On 24 December 2021, the Tenant, a wholly-owned subsidiary of the Target Company, (i) entered into the Tenancy Agreements-1 with the Landlord-1 for the leasing of the Premises-1 for a period of one year commencing from 1 January 2022 to 31 December 2022 at an aggregated monthly rent of RMB156,217 (equivalent to approximately HK\$191,506); and (ii) entered into the Tenancy Agreements-2 with the Landlord-2 for the leasing of the Premises-2 for a period of one year commencing from 1 January 2022 to 31 December 2022 at an aggregated monthly rent of RMB222,280 (equivalent to approximately HK\$272,493). The principal terms of each of the Tenancy Agreements are as follows:

(a) Tenancy Agreements-1

Date	24 December 2021
Parties	(1) the Tenant, as tenant; and (2) the Landlord-1, as landlord
Effective Date	1 January 2022 to 31 December 2022
Premises (collectively, the “Premises-1”)	(1) Unit B1-3-8 of Department Stores Plaza; (2) Unit B1-3-3 of Department Stores Plaza; and (3) Unit B1-1-1 of Department Stores Plaza
Rent per month	(1) RMB10,000 (equivalent to approximately HK\$12,259) for unit B1-3-8 of Department Stores Plaza; (2) RMB57,817 (equivalent to approximately HK\$70,877) for unit B1-3-3 of Department Stores Plaza; and (3) RMB88,400 (equivalent to approximately HK\$108,369) for unit B1-1-1 of Department Stores Plaza
Area of premises	(1) 100 square meters for unit B1-3-8 of Department Stores Plaza; (2) 642 square meters for unit B1-3-3 of Department Stores Plaza; and (3) 1,040 square meters for unit B1-1-1 of Department Stores Plaza
Usage	Commercial Use
Payment terms	Monthly payment to be paid in advance before the 5th day of each month.

Management fee and utility expenses To be paid by the Tenant

(b) Tenancy Agreements 2

Date 24 December 2021

Parties (1) the Tenant, as tenant; and
(2) the Landlord-2, as landlord

Effective Date 1 January 2022 to 31 December 2022

Premises (collectively, the "Premise-2") (1) Unit L3-03 of Well Link City;
(2) Unit L3-13 of Well Link City;
(3) Unit L2-13/15/16-1 of Well Link City;
(4) Unit L3-13-3 of Well Link City;
(5) Unit L3-02 of Well Link City; and
(6) Unit L3-19-1 of Well Link City

Rent per month (1) RMB45,000 (equivalent to approximately HK\$55,166) for unit L3-03 of Well Link City;
(2) RMB45,000 (equivalent to approximately HK\$55,166) for unit L3-13 of Well Link City;
(3) RMB67,500 (equivalent to approximately HK\$82,748) for unit L2-13/15/16-1 of Well Link City;
(4) RMB27,280 (equivalent to approximately HK\$33,443) for unit L3-13-3 of Well Link City;
(5) RMB7,500 (equivalent to approximately HK\$9,194) for unit L3-02 of Well Link City; and
(6) RMB30,000 (equivalent to approximately HK\$36,777) for unit L3-19-1 of Well Link City

Area of premises (1) 1,430 square meters for unit L3-03 of Well Link City;
(2) 896 square meters for unit L3-13 of Well Link City;
(3) 2,149 square meters for unit L2-13/15/16-1 of Well Link City;
(4) 682 square meters for unit L3-13-3 of Well Link City;
(5) 263 square meters for unit L3-02 of Well Link City; and
(6) 681 square meters for unit L3-19-1 of Well Link City

Usage Commercial Use

Payment terms Monthly payment to be paid in advance before the 10th day of each month.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENTS

Upon Completion of the Acquisition, the Target Company shall become an indirect wholly-owned subsidiary of the Company. As the Premises have been rented by the Target Group for use as its retail shops and the Directors consider that the Premises are suitable for the business of the Target Group, the Directors are of the view that it is fair and reasonable for the Target Group to enter into the Tenancy Agreements to secure the use of the Premises at the prevailing market rents to continue its business operations.

BASIS OF DETERMINATION OF THE RENTS

The terms of the Tenancy Agreements (including the rents) were negotiated on an arm's length basis between the parties with reference to the comparable prevailing market rents. The Directors (including the independent non-executive Directors) are of the view that terms of the Tenancy Agreements are on normal commercial terms or better, and the entering into of the Tenancy Agreements and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

RIGHT-OF-USE-ASSETS

The value of the right-of-use assets to be recognised by the Group in respect of the tenancy of the Premises-1 and Premises-2 under the Tenancy Agreements are expected to be approximately HK\$2,202,277 and HK\$3,133,605, respectively, which includes the present value of the rental payments to be made during the term of the respective Tenancy Agreements. The right-of-use assets represent the right to use the underlying leased assets over the terms of the Tenancy Agreements and the lease liability represents the Group's obligation to make rental payments. The assets and the liability arising from the tenancy are initially measured on present value basis and calculated by discounting the non-cancellable rental payments under the Tenancy Agreements, using the weighted average incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use assets; and (ii) interest expenses amortised from the lease liability over the term of the Tenancy Agreements.

INFORMATION OF THE TENANT

The Tenant is a company established under the laws of the PRC, and an indirect wholly owned subsidiary of the Target Company, which are wholly-owned by the Vendors before the Completion. It is principally engaging in the business of operating a number of own branded retail shops in shopping malls in Shenzhen, including amusement arcades, cinema, supermarket and franchise branded electronics retail shop.

INFORMATION OF THE LANDLORDS

The Landlord-1 is a company established under the laws of the PRC, principally engaging in the business of investment properties holdings. It is owned as to 66.5% by Shenzhen Zhaobangji Group and 29% by Mr. Xu Weizhen.

The Landlord-2 is a company established under the laws of the PRC, principally engaging in the business of investment properties holdings. It is owned as to 90% by Shenzhen Zhaobangji Group.

Shenzhen Zhaobangji Group is 81% directly owned by Hong Kong Well Home Limited (which is in turn owned as to 90% by Mr. Xu and 10% by Ms. Zhang Meijuan, the spouse of Mr. Xu) and 8% ultimately owned by Mr. Xu Chusheng, the Chief Executive Officer and one of the executive Directors of the Company.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Group is required to recognise the tenancy of the Premises as right-of-use assets. Hence the entering into of the Tenancy Agreements and the transaction contemplated thereunder will be regarded as acquisition of assets by the Group.

Upon Completion, the Tenant will become indirectly wholly-owned by the Company. As each of the Landlords is owned as to more than 50% by Shenzhen Zhaobangji, which is owned as to more than 50% by Mr. Xu, (i) each of the Landlords is a connected person of the Company under Chapter 14A of the Listing Rules and the entering into each of the Tenancy Agreements therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules; and (ii) the transaction under each of the Tenancy Agreements shall be aggregated as a series of transactions for the Company pursuant to Rule 14A.81 of the Listing Rules.

As the percentage ratios (other than the profits ratio) in respect of the right-of-use assets to be recognized by the Group under the Tenancy Agreements (in aggregate) are more than 0.1% and less than 5%, the Tenancy Agreements are subject to the reporting and announcement requirements but exempted from circular, independent financial advice and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Mr. Xu, Mr. Xu Chusheng and Ms. Zhan Meiqing are considered to have a material interest in the Tenancy Agreements and therefore have abstained from voting on the resolutions in relation to the Tenancy Agreements. Save as disclosed above, none of the Directors who attended the Board meeting has a material interest nor is required to abstain from voting in respect of the relevant Board resolutions.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in the Target Company pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	Zhaobangji Properties Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1660)
“Completion”	Completion of the Acquisition pursuant to the terms and conditions under the Sale and Purchase Agreement
“Consideration”	RMB3,000,000 (equivalent to approximately HK\$3,677,700), being the consideration of the Acquisition
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Department Stores Plaza”	Department Stores Plaza, Shennan East Road 3020, Dongmen Community, Dongmen Street, Luohu District, Shenzhen* (深圳市羅湖區東門街道東門社區深南東路3020號百貨廣場)
“Directors”	director(s) of the Company
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Landlords”	the Landlord-1 and the Landlord-2

“Landlord-1”	Shenzhen Jinyifu Investment Development Company Limited* (深圳市金怡富投資發展有限公司)
“Landlord-2”	Shenzhen Liyumen Investment Development Company Limited* (深圳市鯉魚門投資發展有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Xu”	Mr. Xu Chujia, one of the executive Directors and one of the Controlling Shareholders of the Company
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Premises”	the Premises-1 and the Premises-2
“Premises-1”	has the meaning defined in this announcement
“Premises-2”	has the meaning defined in this announcement
“Purchaser”	Shenzhen Zhaobangji Dingding Playeat eCommerce Company Limited* (深圳市兆邦基町町玩食電子商務有限公司), a company established under the laws of the PRC, an indirect wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered between the Purchaser and each of the Vendors dated 24 December 2021 in respect of the Acquisition
“Share(s)”	ordinary shares of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

“Shenzhen Zhaobangji Group”	Shenzhen Zhaobangji Group Company Limited* (深圳兆邦基集團有限公司), a company established under the laws of the PRC and is 81% directly owned by Hong Kong Well Home Limited (which is in turn owned as to 90% by Mr. Xu and 10% by Ms. Zhang Meijuan, the spouse of Mr. Xu) and 8% ultimately owned by Mr. Xu Chusheng, the Chief Executive Officer and one of the executive Directors of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shenzhen Bang Century Interactive Network Company Limited* (深圳市邦世紀互動網絡有限公司), a company established under the laws of the PRC
“Target Group”	The Target Company and its subsidiaries
“Tenancy Agreements”	The Tenancy Agreements-1 and Tenancy Agreements-2 as detailed in this announcement
“Tenancy Agreements-1”	The tenancy agreements dated 24 December 2021 entered into between the Tenant and the Landlord-1 in relation to the leasing of the Premises-1
“Tenancy Agreements-2”	The tenancy agreements dated 24 December 2021 entered into between the Tenant and the Landlord-2 in relation to the leasing of the Premises-2
“Tenant”	Shenzhen Bang Century Cultural and Media Company Limited* (深圳邦世紀文化傳播有限公司), a company established in the PRC, and a wholly-owned subsidiary of the Target Company
“Vendors”	Mr. Xu Weizhen and Mr. Chen Jiazhen
“Well Link City”	Well Link City, Dongbin Road, Liwan Community, Nanshan Street, Nanshan District, Shenzhen* (深圳市南山區南山街道荔灣社區東濱路立橋城購物中心)
“%”	per cent.

For illustration purpose only, amounts in RMB in this announcement have been converted into HKD at the rate of RMB1 = HKD1.2259.

By order of the Board
Zhaobangji Properties Holdings Limited
Xu Chujia
Chairman and executive Director

Hong Kong, 24 December 2021

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Xu Chujia, Mr. Cai Chun Fai, Mr. Wei Jinwen and Mr. Xu Chusheng; two non-executive Directors, namely, Ms. Zhan Meiqing and Professor Lee Chack Fan, G.B.S., S.B.S., J.P.; and three independent non-executive Directors, namely, Mr. Hui Chin Tong Godfrey, Mr. Wong Chun Man and Mr. Ye Longfei.

* *For identification purpose only*