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DISCLOSEABLE TRANSACTION IN RELATION TO THE SALE AND LEASEBACK ARRANGEMENTS

THE SALE AND LEASEBACK ARRANGEMENTS

On 10 March 2023, the Jiangsu Lessees entered into the Jiangsu Agreement with the Lessor, pursuant to which the Lessor will purchase the Jiangsu Leased Assets from the Jiangsu Lessees, and the Jiangsu Leased Assets will be leased back to the Jiangsu Lessees for a term of six years, subject to early termination in accordance with the terms and conditions of the Jiangsu Agreement. Upon expiry of the lease term and subject to full payment of all the lease payments and other payables by the Jiangsu Lessees, the Jiangsu Leased Assets shall be repurchased by the Jiangsu Lessees at the Nominal Repurchase Consideration.

Prior to the date of this announcement, on 30 January 2023, the Beijing Lessees entered into the Beijing Agreement with the Lessor, pursuant to which the Lessor has purchased the Beijing Leased Assets from the Beijing Lessees, and the Beijing Leased Assets have been leased back to the Beijing Lessees for a term of six years, subject to early termination in accordance with the terms and conditions of the Beijing Agreement. Upon expiry of the lease term and subject to full payment of all the lease payments and other payables by the Beijing Lessees, the Beijing Leased Assets shall be repurchased by the Beijing Lessees at the Nominal Repurchase Consideration.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Sale and Leaseback Arrangements on an aggregated basis exceed(s) 5% but are all less than 25%, the Sale and Leaseback Arrangements on an aggregated basis constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. None of the applicable percentage ratios in respect of each of the Sale and Leaseback Arrangements on a standalone basis exceeds 5%.

INTRODUCTION

On 10 March 2023, the Jiangsu Lessees entered into the Jiangsu Agreement with the Lessor, pursuant to which the Lessor will purchase the Jiangsu Leased Assets from the Jiangsu Lessees, and the Jiangsu Leased Assets will be leased back to the Jiangsu Lessees for a term of six years, subject to early termination in accordance with the terms and conditions of the Jiangsu Agreement.

Prior to the date of this announcement, on 30 January 2023, the Beijing Lessees entered into the Beijing Agreement with the Lessor, pursuant to which the Lessor has purchased the Beijing Leased Assets from the Beijing Lessees, and the Beijing Leased Assets have been leased back to the Beijing Lessees for a term of six years, subject to early termination in accordance with the terms and conditions of the Beijing Agreement.

The principal terms of the Sale and Leaseback Arrangements are set out below.

THE SALE AND LEASEBACK ARRANGEMENTS

Subject matter

In each of the Sale and Leaseback Arrangements, subject to the fulfilment of the conditions as set out in the relevant Sale and Leaseback Agreement (including but not limited to the provision of all necessary documents or information by the relevant Lessees evidencing their ownerships in the relevant Leased Assets, the obtaining of all necessary approvals by the relevant Lessees in relation to the relevant Sale and Leaseback Arrangement, the payment of the security money and handling charge by the relevant Lessees, and the signing and the coming into effect of the security agreements), the Lessor will purchase the relevant Leased Assets from the relevant Lessees and such Leased Assets will be leased back to the relevant Lessees for a term of six years commencing from the date on which the relevant Purchase Price (or the first instalment thereof, if applicable) in respect of the relevant Leased Assets is paid by the Lessor, subject to early termination in accordance with the terms and conditions of the relevant Sale and Leaseback Agreement.

Purchase Price

The Purchase Price was agreed between the relevant Lessees and the Lessor with reference to the appraised value of the relevant Leased Assets as assessed by way of cost method by an independent professional valuer in the PRC.

Legal title of the Leased Assets

The Lessor owns the legal title of the Leased Assets during the respective lease term.

Lease payments and handling charge

The total amount of lease payments over the lease term in respect of each Sale and Leaseback Arrangement shall be paid by the relevant Lessees to the Lessor in accordance with the payment schedule as set out in the relevant Sale and Leaseback Agreement.

The total amount of lease payments in respect of each Sale and Leaseback Arrangement represents the sum of the relevant lease principal amount (being the amount of the relevant Purchase Price paid or to be paid by the Lessor) and the lease interests which will be calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a fixed premium over the relevant LPR from time to time.

The lease interest rate will be subject to review on 1 January every year during the relevant lease term. In the event that the relevant LPR changes, the lease interest rate will be adjusted to a rate at the aforesaid fixed premium over the new LPR, except in the case where the relevant Lessees had been previously or are in default, the interest rate to be applied will not be adjusted when the relevant LPR is reduced.

The interest rate applicable to each of the Sale and Leaseback Arrangements (including the applicable LPR and the premium) is one of the major commercial terms negotiated between the parties on an arm's length basis and may vary on a case-by-case basis depending on a number of factors, such as the relevant amount of lease principal, the lease term, the overall return rate attained by the Lessor taking into account the aggregate amount of lease interests and other receivables (if any), the prevailing market conditions and the movement of the LPR.

The Lessees shall pay a handling charge to the Lessor for the implementation of the Sale and Leaseback Arrangements. The amount of the handling charge was determined on a case-by-case basis taking into account the resources deployed by the Lessor in the implementation of the Sale and Leaseback Arrangements and the prevailing market conditions.

Repurchase of the Leased Assets

Upon the relevant Lessees having paid all the lease payments and other payables (if any) to the Lessor in accordance with the terms of the relevant Sale and Leaseback Agreement, the relevant Lessees shall repurchase the relevant Leased Assets under the relevant Sale and Leaseback Agreement at a nominal consideration of RMB1.00 (the "**Nominal Repurchase Consideration**"), except where the relevant Lessees are in default of lease payments for more than 30 days (inclusive) during the relevant lease term, the Nominal Repurchase Consideration shall be adjusted to an amount equivalent to 2% of the relevant Purchase Price instead.

Credit enhancement measures

The relevant Lessees will pay a security money to the Lessor for the performance of their obligations under the relevant Sale and Leaseback Arrangement. The amount of the security money was determined on a case-by-case basis after evaluating the background and creditability etc. of the relevant Lessees. If the relevant Lessees fail to fully perform any obligation under the relevant Sale and Leaseback Arrangement, the Lessor shall have the right to apply the security money to set off against any amount owed to it, including outstanding lease payments. If the relevant Lessees have fully performed all of their payment obligations under the relevant Sale and Leaseback Arrangement, subject to the Lessor's consent, the security money could be used to set off against the whole or part of the last instalment of lease payments upon expiry of the lease term and the Lessor shall return any remaining security money to such Lessees.

Corporate guarantee, receivables pledge and share pledge shall also be provided in favour of the Lessor to guarantee all obligations and liabilities of the Lessees under the Sale and Leaseback Agreements (including but not limited to lease payments, interest, liquidated damages, penalties, costs incurred from realisation of claims and other payables). For further details of other credit enhancement measures available for each of the Sale and Leaseback Arrangements, please refer to the table below.

Material terms of each of the Sale and Leaseback Arrangements

The general terms and conditions of each of the Sale and Leaseback Arrangements are substantially the same. Their respective key terms are summarised as follows:

	Beijing Arrangement	Jiangsu Arrangement
Date of the relevant Sale and Leaseback Agreement	30 January 2023	10 March 2023
Lessor	The Lessor	The Lessor
Lessees	The Beijing Lessees	The Jiangsu Lessees
Leased Assets	<p>(i) Certain supporting equipment for data center such as UPS (uninterruptible power supply), batteries, diesel generator sets, transformers, power distribution cabinets, water chiller, cold storage tanks, cooling towers, precision air conditioners, power cables, container machine rooms, server cabinets, DCIM (data center infrastructure management) systems, core routers, integrated alternating current machines, alternating current assembly machines, port modules, power modules, switches and servers</p> <p>(ii) Certain computer room-related supporting equipment and supporting projects such as firefighting, electrical, weak current, water system and ventilation equipment</p>	<p>(i) Certain supporting equipment for data center such as UPS, batteries, diesel generator sets, transformers, power distribution cabinets, water chiller, cold storage tanks, cooling towers and precision air conditioners</p> <p>(ii) Certain computer room-related supporting equipment and supporting projects such as firefighting, electrical, weak current, and heating and ventilation equipment</p>
Purchase Price	RMB225 million, of which the first instalment of RMB190 million has been paid and the second instalment shall be payable subject to fulfilment (or waiver by the Lessor) of certain conditions precedent (including the provision of documents or information evidencing that the occupancy rate of the IDC (internet data center) owned by the Beijing Lessees reaches 70% and other customary conditions)	RMB150 million
Appraised value of the Leased Assets	Approximately RMB248.22 million as at 31 October 2022	Approximately RMB182.50 million as at 31 October 2022
Lease term	Six years	Six years
Interest rate	Floating interest rate, which is determined at a fixed premium over the five-year LPR from time to time	Floating interest rate, which is determined at a fixed premium over the five-year LPR from time to time

	Beijing Arrangement	Jiangsu Arrangement
Lease payments	Maximum of approximately RMB258.93 million assuming that the entire sum of the Purchase Price is paid by the Lessor, with the actual amount of lease payments to be calculated on a pro-rata basis based on the actual amount of the Purchase Price paid by the Lessor, which is payable in 24 quarterly instalments during the lease term	Approximately RMB172.88 million, payable in 24 quarterly instalments during the lease term
Handling charge	2.25% of the amount of the Purchase Price to be paid by the Lessor (i.e. a maximum of RMB5.0625 million for the entire sum of the Purchase Price), payable before the payment of each instalment of the Purchase Price by the Lessor	RMB3.6 million (representing 2.4% of the Purchase Price), of which (i) RMB3.375 million is payable before the payment of the Purchase Price by the Lessor and (ii) RMB0.225 million is payable before the payment of the fourth instalment of the lease payments
Credit enhancement measures	<ul style="list-style-type: none"> (i) Security money representing 2.75% of the actual amount of the Purchase Price paid by the Lessor (i.e. a maximum of RMB6.1875 million for the entire sum of the Purchase Price) payable by the Beijing Lessees; (ii) Irrevocable guarantee from SOG China; (iii) Receivables pledge created by Beijing Yuntai; and (iv) Share pledge created by Shenzhen Yuanyun over the entire equity interest in Beijing UNIQcloud 	<ul style="list-style-type: none"> (i) Security money representing 2.75% of the Purchase Price (i.e. RMB4.125 million) payable by the Jiangsu Lessees; (ii) Irrevocable guarantee from SOG China; (iii) Receivables pledge created by Beijing Yuntai; and (iv) Share pledge created by Beijing UNIQcloud over the entire equity interest in Jiangsu Yuntai

FINANCIAL EFFECTS AND USE OF PROCEEDS

It is expected that according to the Hong Kong Financial Reporting Standards, the transactions as contemplated under the Sale and Leaseback Arrangements shall be accounted for as financing arrangements and therefore would not have any significant immediate effect on the earnings of the Group for the year ending 31 December 2023.

The funding from the Sale and Leaseback Arrangements would be used for replenishing the working capital of the Group and/or refinancing existing financing arrangements.

REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENTS

The Sale and Leaseback Arrangements are financing arrangements that would enable the Group to further optimise its cash flows and extend the Group's financing channels, thereby further replenishing the working capital of the Group, while allowing the Group to continue to utilise the Leased Assets at the same time.

Having considered the above, the Directors consider that the terms of the Sale and Leaseback Agreements and the Sale and Leaseback Arrangements as contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY, THE GROUP, SOG CHINA, SHENZHEN YUANYUN AND THE LESSEES

The Company is a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business of the Company is investment holding.

The Group is a leading large-scale property developer with developments in key economic regions in the PRC, including the Beijing Region, the Bohai Rim Region, the Eastern Region, the Southern Region, the Central Region and the Western Region. The core businesses of the Group are development of residential property, investment property development and operation, property services and whole-industrial chain construction services, with its scope of businesses also covering senior living service, internet data center, logistics real estate, real estate financing, etc.

SOG China is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Shenzhen Yuanyun is a company established under the laws of the PRC with limited liability and a non wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Beijing UNIQloud is a company established under the laws of the PRC with limited liability and a non wholly-owned subsidiary of the Company which is wholly-owned by Shenzhen Yuanyun. It is principally engaged in the business of operation of internet data center(s).

Beijing Yuntai is a company established under the laws of the PRC with limited liability and is controlled by Beijing UNIQloud through contractual arrangement. It is a licenced company set up by Beijing UNIQloud for operation of internet data center(s).

Jiangsu Yuntai is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of Beijing UNIQloud. It is principally engaged in the business of operation of internet data center(s).

INFORMATION ON THE LESSOR

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessor is a company established under the laws of the PRC with limited liability and is principally engaged in financial leasing business. The Lessor is a wholly-owned subsidiary of China General Nuclear Power Corporation* (中國廣核集團有限公司), a state-owned enterprise in the PRC controlled by the State-Owned Assets Supervision and Administration Commission of the State Council, which, together with its subsidiaries, are principally engaged in the generation and sale of power, and the construction, operation and management of nuclear and non-nuclear clean projects.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Lessor and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Sale and Leaseback Arrangements on an aggregated basis exceed(s) 5% but are all less than 25%, the Sale and Leaseback Arrangements on an aggregated basis constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. None of the applicable percentage ratios in respect of each of the Sale and Leaseback Arrangements on a standalone basis exceeds 5%.

DEFINITIONS

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

“Beijing Agreement”	the finance lease agreement dated 30 January 2023 and entered into among the Beijing Lessees and the Lessor in respect of the Beijing Arrangement
“Beijing Arrangement”	the sale and leaseback arrangement in respect of the Beijing Leased Assets under the Beijing Agreement
“Beijing Leased Assets”	the leased assets under the Beijing Arrangement
“Beijing Lessees”	collectively, Beijing UNIQloud and Beijing Yuntai
“Beijing UNIQloud”	Beijing UNIQloud Technology Co., Ltd.* (北京雲泰數通互聯網科技有限公司), a company established under the laws of the PRC with limited liability and a non wholly-owned subsidiary of the Company
“Beijing Yuntai”	Beijing Yuntai Datacom Internet Technology Co., Ltd.* (北京雲泰數通互聯網科技有限公司), a company established under the laws of the PRC with limited liability and an entity controlled by Beijing UNIQloud through the contractual arrangement
“Board”	the board of Directors
“Company”	Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03377)
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiangsu Agreement”	the finance lease agreement dated 10 March 2023 and entered into among the Jiangsu Lessees and the Lessor in respect of the Jiangsu Arrangement

Sino-Ocean Group Holding Limited

(Incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

Stock Code : 03377

“Jiangsu Arrangement”	the sale and leaseback arrangement in respect of the Jiangsu Leased Assets under the Jiangsu Agreement
“Jiangsu Leased Assets”	the leased assets under the Jiangsu Arrangement
“Jiangsu Lessees”	collectively, Jiangsu Yuntai and Beijing Yuntai
“Jiangsu Yuntai”	Jiangsu Yuntai Interconnection Technology Co., Ltd.* (江蘇雲泰互聯科技有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of Beijing UNIQloud
“Leased Assets”	collectively, the Beijing Leased Assets and the Jiangsu Leased Assets, and singly, the Leased Assets
“Lessees”	collectively, the Beijing Lessees and the Jiangsu Lessees, and singly, the Lessees
“Lessor”	CGN International Financial Leasing (Tianjin) Co., Ltd.* (中廣核國際融資租賃(天津)有限公司), a company established under the laws of the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LPR”	the loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China
“Nominal Repurchase Consideration”	has the meaning ascribed to it under the section headed “THE SALE AND LEASEBACK ARRANGEMENTS — Repurchase of the Leased Assets” in this announcement
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Purchase Price”	the consideration payable by the Lessor for the purchase of the relevant Leased Assets from the relevant Lessees
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	collectively, the Beijing Agreement and the Jiangsu Agreement, and singly, a Sale and Leaseback Agreement
“Sale and Leaseback Arrangements”	collectively, the Beijing Arrangement and the Jiangsu Arrangement, and singly, a Sale and Leaseback Arrangement
“Shareholder(s)”	shareholder(s) of the Company
“Shenzhen Yuanyun”	Shenzhen Yuanyun Data Co., Ltd.* (深圳遠雲數據有限公司), a company established under the laws of the PRC with limited liability and a non wholly-owned subsidiary of the Company

“SOG China”	Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

In this announcement, unless the context otherwise requires, the terms “connected person(s)”, “percentage ratio(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

By order of the Board
Sino-Ocean Group Holding Limited
SUM Pui Ying
Company Secretary

Hong Kong, 10 March 2023

As at the date of this announcement, the Board comprises Mr. LI Ming, Mr. WANG Honghui and Mr. CUI Hongjie as executive Directors; Ms. HUANG Xiumei, Mr. ZHAO Peng, Mr. HOU Jun, Mr. CHEN Ziyang and Mr. ZHAN Zhong as non-executive Directors; and Mr. HAN Xiaojing, Mr. SUEN Man Tak, Mr. WANG Zhifeng, Mr. JIN Qingjun and Ms. LAM Sin Lai Judy as independent non-executive Directors.

* *For identification purposes only*