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Sunkwan Properties Group Limited

上坤地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6900)

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF 60% EQUITY INTEREST IN
THE TARGET COMPANY**

INTRODUCTION

The Board is pleased to announce that on 29 April 2022 (after trading hours), the Seller (a wholly-owned subsidiary of the Company) entered into the Agreement with the Purchaser, pursuant to which the Seller has agreed to sell, and the Purchaser has agreed to purchase the Sale Interest, which shall represent 60% of the equity interest in the Target Company at a Consideration of RMB3,392,160 in cash.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Disposal are more than 5% but all of which are less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Target Company is held by the Seller and Purchaser as to 60% and 40% respectively. The Purchaser is a substantial shareholder of the Target Company and therefore, it is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (i) the Purchaser is a connected person at the subsidiary level, (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the Disposal is subject to the notification and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

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THE AGREEMENT

The principal terms of which are set out below:

Date 29 April 2022

Parties (i) the Seller; and

 (ii) the Purchaser.

As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company, and is held by the Seller and the Purchaser as to 60% and 40% respectively. The Purchaser is a substantial shareholder of the Target Company and therefore, it is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Except for that, the Purchaser and its ultimate beneficial owners are independent of the Company and its connected persons and their respective associates.

Subject matter

Pursuant to the Agreement, the Seller has agreed to sell, and the Purchaser has agreed to purchase, the Sale Interest, which shall represent 60% of the equity interest in the Target Company subject to the terms and conditions therein.

Consideration

The Consideration is RMB3,392,160, which shall be payable by the Purchaser to the Seller in cash on or before 20 May 2022.

The Consideration was determined after arm's length negotiations between the Seller and the Purchaser on normal commercial terms with reference to (i) the adjusted net asset of the Target Company after reducing the deferred income tax as at 31 March 2022, being approximately RMB67,367,750; (ii) the Sale Interest, being 60% of total equity interests of the Target Company; and (iii) the advance to the Seller by the Target Company, being RMB37,028,490.

Completion

The Seller and the Purchaser shall arrange and complete the relevant registration with the local authority in relation to the Disposal within 15 business days from the payment date of the Consideration.

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is a growing real estate developer in the PRC and is principally engaged in property development, property leasing and providing project management services in the PRC.

The Target Company is a project company established to engage in properties development for certain projects. As at the date of this announcement, most of the properties developed by the Target Company have been sold and delivered and the relevant profit has been distributed to the Company in advance. The Directors believe that the Disposal represents a good opportunity for the Group to dispose of its residual interests in the Target Company.

The Directors believe that the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The Group

The Company is an investment holding company. The Group is a growing real estate developer in the PRC and is principally engaged in property development, property leasing and providing project management services in the PRC.

The Seller

The Seller is a company established in the PRC with limited liability and is wholly-owned by the Company as at the date of this announcement. The Seller is principally engaged in property development and real estate investment.

The Purchaser

The Purchaser is a company established in the PRC with limited liability and is wholly-owned by Shanghai Tongtang Enterprise Management Company Limited.* (上海同棠企業管理有限公司), a company owned as to 99% by Mr. Yang Yang (楊陽) and as to 1% by Shanghai Keyan Enterprise Management Company Limited.* (上海恪岩企業管理有限公司), which is wholly owned by Ms. Cui Wanxin (崔宛新). Except for the fact that the Purchaser is a connected person of the Company at subsidiary level, each of the Purchaser and its ultimate beneficial owners are independent of the Company and its connected persons and their respective associates. The Purchaser is principally engaged in property development.

The Target Company

The Target Company is a company established in the PRC with limited liability and is owned as to 60% by the Seller and 40% by the Purchaser. The Company acquired the Sale Interest in April 2018 thus the Company has held the Sale Interest for more than 12 months. The Target Company is principally engaged in property development. The principal asset of the Target Company is the residential and ancillary properties developed by it held for sale located in Shangqiu, Henan Province, PRC with a gross floor area of approximately 238,825 square metres.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the unaudited financial information of the Target Company for the financial years ended 31 December 2020 and 2021 respectively:

	For the year ended 31 December 2020	For the year ended 31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue	–	1,136,496
Net (loss)/profit before taxation	(13,877)	85,061
Net (loss)/profit after taxation	(10,103)	63,751

Based on the financial information of the Target Company, the unaudited net assets of the Target Company was approximately RMB61,714,150 as at 31 March 2022.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Group will record a gain on the Disposal in the amount of approximately RMB3,392,160, which is calculated with reference to the Consideration, the adjusted net assets of the Target Company as at 31 March 2022 and the advance to the Seller by the Target Company. The actual gain or loss arising from the Disposal will be subject to audit by the auditors of the Company and may be different from the amount stated.

Upon Completion, the Company will cease to have any equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group.

The net proceeds from the Disposal will be used as general working capital of the Group.

BOARD APPROVAL

The Directors (including the independent non-executive Directors) have reviewed the Disposal and are of the view that the Disposal is on normal commercial terms and not in the ordinary and usual course of business of the Group, but it is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors is or is deemed to have a material interest in the transactions contemplated under the Agreement and is required to abstain from voting for approval of the Agreement in the Board meeting.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Disposal are more than 5% but all of which are less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Target Company is held by the Seller and Purchaser as to 60% and 40% respectively. The Purchaser is a substantial shareholder of the Target Company and therefore, it is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (i) the Purchaser is a connected person at the subsidiary level, (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the Disposal is subject to the notification and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

“Agreement”	the equity transfer agreement dated 29 April 2022 entered into between the Seller and the Purchaser relating to the sale and purchase of the Sale Interest
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Sunkwan Properties Group Limited (上坤地產集團有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 6900)
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Sale Interest, being RMB3,392,160
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Interest by the Seller to the Purchaser pursuant to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person, or in the case of a company, the company of its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Purchaser”	Shanghai Huxi Enterprise Management Company Limited* (上海乎熙企業管理有限公司), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	60% of the equity interest in the Target Company held by the Seller
“Seller”	Zhengzhou Sunkwan Property Co., Ltd.* (鄭州上坤置業有限公司), a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Henan Chenbo Property Co., Ltd.* (河南宸博置業有限公司), a company established in the PRC with limited liability
“%”	per cent

By Order of the Board
Sunkwan Properties Group Limited
Zhu Jing
Chairwoman

Hong Kong, 29 April 2022

As at the date of this announcement, the Board comprises three executive Directors, namely, Ms. Zhu Jing, Ms. Sheng Jianjing and Mr. Yang Zhandong, two non-executive Directors, namely, Mr. Lin Jinfeng and Ms. Lin Zhaohong and three independent non-executive Directors, namely, Mr. Guo Shaomu, Mr. Au Yeung Po Fung and Mr. Zhou Zheren.

* *For identification purpose only*