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兆邦基地產
Zhaobangji Properties

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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACCEPTANCE OF ASSIGNMENT OF SECURED LOAN

THE ACCEPTANCE OF ASSIGNMENT OF SECURED LOAN

On 8 September 2022 (after trading hours), the Assignee (an indirect wholly-owned subsidiary of the Company), as assignee, and the Assignor, as assignor, entered into the Assignment Agreement, pursuant to which, the Assignor conditionally agreed to assign, and the Assignee conditionally agreed to accept the assignment of, all the Assignor's rights, title and interests in relation to the Secured Loan and all the Assignor's rights to the collaterals and securities for or in respect of the Secured Loan (i.e. the Mortgage over the Property and the Guarantee), at the cash Consideration of RMB65,000,000 (equivalent to approximately HK\$74,100,000).

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 Assignment are more than 5% but less than 25%, the Assignment constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

As Completion is subject to the fulfilment of the Conditions Precedent detailed in this announcement, the Assignment 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.

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The principal terms of the Assignment Agreement are summarized as follows:

Date	8 September 2022
Parties	(1) The Assignee (an indirect wholly-owned subsidiary of the Company) as assignee; and (2) The Assignor as assignor.
Subject of the Assignment	All the Assignor's rights, title and interests in relation to the Secured Loan and all the Assignor's rights to collaterals and securities for or in respect of the Secured Loan (i.e. the Mortgage over the Property and the Guarantee).
Consideration (the "Consideration")	RMB65,000,000 (equivalent to approximately HK\$74,100,000). The Consideration shall be payable in cash within 90 days from the date of the Assignment Agreement.
Conditions Precedent (the "Conditions Precedent")	Completion of the Assignment shall be conditional upon: (i) the Assignment not affecting the current process of legal enforcement litigation in relation to the Secured Loan; (ii) legal procedures in relation to the Assignment have been completed; and (iii) no material adverse change in respect of the Assignee, the Assignor or the Secured Loan having occurred before the completion of Assignment.

The Assignee has the right to waive any of the above Conditions Precedent, and require the Assignor to proceed to Completion.

Where the above Conditions Precedent are not satisfied or waived within two years from the date of the Assignment Agreement, the Assignee has the right to (i) require the Assignor to return the amount of paid Consideration and cancel the Assignment; or (ii) depending on the legal process in relation to the Secured Loan, require for two additional years for completing the Assignment.

Completion Completion shall occur following the satisfaction of the Conditions Precedents.

INFORMATION ON THE SECURED LOAN

Details the Secured Loan are summarized as follows:

Date of the Loan Agreement 15 December 1997

Parties to the Loan Agreement Borrower: The Borrower

Original Lender: Guangzhou Development Bank

Guarantor: Qihui Industry

Outstanding Principal Amount RMB 80,000,000 (equivalent to approximately HK\$91,200,000) as at the date of this announcement

Outstanding Interest The outstanding amount of interest is approximately RMB 112,988,000 (equivalent to approximately HK\$128,806,000), where such amount is advised by the Group's PRC legal advisor as the estimated maximum amount of interest recoverable from the Secured Loan acceptable to the PRC courts based on the circumstances of the present case.

Fair value of the Secured Loan	According to a valuation report prepared by an independent valuer (the “ Valuer ”) engaged by the Group, as at 31 August 2022, (i) the fair value of the Secured Loan was approximately RMB67,550,000 (equivalent to approximately HK\$77,007,000); and (ii) the fair value of the Property was approximately RMB112,000,000 (equivalent to approximately HK\$127,680,000). The Valuer took the view that the fair value of the Secured Loan should be assessed with reference to the fair value of the Property, less estimated transaction costs and discounted to present value, as the amount of the Secured Loan recoverable would primarily derive from the proceeds from the enforcement of the Mortgage.
Maturity Date under the Loan Agreement	10 December 2000
Security and Guarantee	(i) the Mortgage; and (ii) the Guarantee provided by the Qihui Industry

BASIS OF DETERMINATION OF THE CONSIDERATION

The Consideration was arrived at after arm’s length negotiations between the Assignee and the Assignor taking into consideration, among others: (i) the fair value of the Secured Loan which amounted to RMB67.6 million (equivalent to approximately HK\$77.0 million) as at 31 August 2022, as determined by the Valuer; (ii) the legal rights of the Assignee in respect of the Secured Loans, the Guarantee and the Mortgage for the recovery of the outstanding amount under the Secured Loan as advised by the Group’s PRC legal advisor; (iii) the extent of monetary recovery arising from available legal actions pursuant to applicable PRC laws; and (iv) other factors regarding the risk-to-reward profile of the Secured Loan as detailed in the section headed “Reasons For and Benefits of the Assignment” in this announcement.

The Consideration will be funded by internal resources of the Group.

REASONS FOR AND BENEFITS OF THE ASSIGNMENT

Notwithstanding that: (a) the Secured Loan has reached maturity back on 10 December 2000; (b) the Borrower has already defaulted; (c) both the Borrower and Qihui Industry have been categorized as “dishonest entities” by way of court order by the relevant PRC courts and their respective business registrations have been suspended; and (d) that legal actions are expected to be taken to recover the outstanding amount under the Secured Loan, the Board is of the view that the risk-to-reward profile of the Secured Loan reflects good investment opportunity primarily for reasons that:

- (i) The debt obligations of the Borrower in respect of the Secured Loan are secured by the Mortgage over the Property. Even if the Company only manages to recover an amount equivalent to the fair value of the Property by way of enforcement of the Mortgage, as determined by the Valuer, the fair value of the Property amounted to RMB112.0 million (equivalent to approximately HK\$127.7 million) as at 31 August 2022, representing approximately 172.3% of the amount of Consideration and thus reflecting a desirable potential investment return from the Assignment;
- (ii) the Property has already been seized (查封) by order of the relevant PRC Court which shall last for a period 3 years from May 2022 as a result of application made by the Assignor, and as advised by the Group’s PRC legal adviser, following the completion of the Assignment, the Assignee shall have an intact right to apply to and it is likely that the Group can obtain from the relevant PRC court for an order to sell the Property by way of auction in order to recover part of the outstanding amount under the Secured Loan; and
- (iii) the Group’s experience in property and lease management in Shenzhen will enhance the efficiency of the legal enforcement process.

On the above grounds, the Directors are of the view that terms of the Assignment Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable, and the entering into of the Assignment Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. The Assignment Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group.

INFORMATION OF THE BORROWER AND QIHUI INDUSTRY

The Borrower is a company established under the laws of the PRC on 19 May 1995 with a registered capital of RMB10 million. Its business registration is currently suspended and has been ordered by the PRC court as a dishonest entity. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the equity interest of the Borrower is owned as to 67.0 % by the Qihui Industry, which ultimate beneficial owner is Chang Jianshe, and 30.0 % by Shenzhen Aokangde Department Store Co., Ltd.* (深圳市奧康德百貨有限公司). As at the date of this announcement, Shenzhen Aokangde Department Store Co., Ltd.* (深圳市奧康德百貨有限公司) is owned as to approximately 95.0% by Shenzhen Aokangde Group Co., Ltd.*(深圳奧康德集團股份有限公司), which is ultimately owned by 50 shareholders, each owning not more than 6% effective control on the Borrower.

Qihui Industry is a company established under the laws of the PRC on 7 March 1995 with a registered capital of USD3 million. Its business registration is currently suspended and has been ordered by the PRC court as a dishonest entity. The ultimate beneficial owner of Qihui Industry is Chang Jianshe.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquires, the Borrower, Qihui Industry and their respective ultimate beneficial owners are all Independent Third Parties as at the date of this announcement.

INFORMATION OF THE GROUP AND THE ASSIGNEE

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 Assignee 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 ASSIGNOR

The Assignor is a company established under the laws of the PRC, principally engaged in project management and consultation, real estate development and operation, and advertisement. It is wholly owned by Mr. Jin Yue (金悦), a PRC citizen.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquires, the Assignor and its ultimate beneficial owner are all Independent Third Parties as at the date of this announcement.

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 Assignment are more than 5% but less than 25%, the Assignment constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

DEFINITIONS

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

“Assignee”	Shenzhen Zhaobangji Financial Leasing Limited* (深圳市兆邦基融資租賃有限公司), a company established under the laws of the PRC on 25 January 2016 and a wholly owned indirectly subsidiary of the Company
“Assignment”	the assignment to the Assignee of all the Assignor’s rights, title and interests in relation to the Secured Loan and all the Assignor’s rights to collaterals and securities for or in respect of the Secured Loan (i.e. the Mortgage over the Property and the Guarantee) pursuant to the Assignment Agreement
“Assignment Agreement”	an assignment agreement dated 8 September 2022 entered into by the Assignee and the Assignor in relation to the Assignment
“Assignor”	Shanwei Tianyu Investment Development Company Limited* (汕尾市天裕投資開發有限公司), a company established under the laws of the PRC on 31 October 2011
“Board”	the board of Directors
“Borrower”	Shenzhen Department Store Plaza Development Co., Ltd.* (深圳市百貨廣場大廈開發有限公司), a company established under the laws of the PRC on 19 May 1995
“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
“Completion”	completion of the Assignment

“Condition Precedents”	has the meaning ascribed to it in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	has the meaning ascribed to it in this announcement
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries for the time being
“Guangzhou Development Bank”	Guangzhou Development Bank Qingyuan Branch* (廣東發展銀行清遠分行)
“Guarantee”	the guarantee provided by Qihui Industry under the Loan Agreement for securing the performance of all debt obligations of the Borrower
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person(s) or company(ies) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are independent of the Company and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	The loan agreement entered into on 15 December 1997 by Guangzhou Development Bank as original lender, the Borrower as borrower and Qihui Industry as Guarantor, in respect of the Secured Loan
“Mortgage”	the mortgage over, among others, the Property securing the performance of debt obligations of the Borrower under the Loan Agreement pursuant to the mortgage agreement entered into on 15 December 1997 by Guangzhou Development Bank as original lender and Qihui Industry as mortgagor

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	Two Temporary Use Rights* (待用證) for commercial use purpose located at Shenzhen Shennan East Road Department Store Plaza Forth Floor Unit B and C* (深圳市深南東路百貨廣場大廈第四層B號及C號), with a construction area of 4,000 square meters
“Qihui Industry”	Qihui Industry Development (Shenzhen) Co., Ltd. * (企輝實業發展(深圳)有限公司), a company established under the laws of the PRC on 7 March 1995
“RMB”	Renminbi, the lawful currency of the PRC
“Secured Loan”	the loan under the Loan Agreement with outstanding principal amount of RMB80,000,000 (equivalent to approximately HK\$91,200,000) as at the date of this announcement, to be assigned to Assignee from the Assignor pursuant to the Assignment Agreement
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuer”	has the meaning ascribed to it in this announcement
“%”	per cent.

* For identification purpose only

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

Hong Kong, 8 September 2022

As at the date of this notice, the Board comprises four executive Directors, namely, Mr. Xu Chujia, Mr. Kwan Kin Man Keith, 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.

In this announcement, amounts in RMB are translated into HK\$ on the basis of RMB1.00 = HK\$1.14. The conversion rate is for illustration purposes only and should not be taken as a representation that RMB could actually be converted into HK\$ at such rate or at all.