

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED

周生生集團國際有限公司*

(Incorporated in Bermuda with limited liability)

Stock code: 116

CONNECTED TRANSACTIONS

ACQUISITION OF PROPERTIES

THE ACQUISITIONS

On 31 January 2023, the HK Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the HK SPA with the HK Vendors, pursuant to which the HK Vendors have agreed to sell, and the HK Purchaser has agreed to purchase, the HK Property at a total consideration of HK\$116,000,000.

On the same day, the PRC Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the PRC SPA-1 and the PRC SPA-2 with the PRC Vendor, pursuant to which the PRC Vendor has agreed to sell, and the PRC Purchaser has agreed to purchase, the PRC Property-1 and the PRC Property-2 at a total consideration of RMB7,175,000 and RMB2,954,000 respectively (equivalent to approximately HK\$8,307,475 and HK\$3,420,248 respectively).

LISTING RULES IMPLICATIONS

Among the HK Vendors, Mr. Vincent CHOW Wing Shing, Dr. Gerald CHOW King Sing and Mr. Winston CHOW Wun Sing are Executive Directors and are therefore connected persons of the Company. Other parties of the HK Vendors are Ms. Karen CHOW Shuk-wah and Mrs. Amy CHUNG Mo-ching, and since they are relatives (as defined in Rule 14A.21(1)(a) of the Listing Rules) of the aforementioned Executive Directors, they are also connected persons of the Company. Accordingly, the HK Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The PRC Vendor, Mr. Vincent CHOW Wing Shing, is an Executive Director and is therefore a connected person of the Company. Accordingly, the PRC Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the HK Acquisition and the PRC Acquisitions should be aggregated. As the highest applicable percentage ratio (as defined under the Listing Rules) calculated on an aggregate basis in relation to the Acquisitions is more than 0.1% but less than 5%, the Acquisitions are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

* For identification purpose only

HK ACQUISITION

On 31 January 2023, the HK Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the HK SPA with the HK Vendors, pursuant to which the HK Vendors have agreed to sell, and the HK Purchaser has agreed to purchase, the HK Property at a total consideration of HK\$116,000,000.

The principal terms of the HK SPA are summarised as follows:

Date

31 January 2023

Parties

1. HK Purchaser
2. HK Vendors

HK Property to be acquired

The HK Property is the whole building situated at No. 87 Castle Peak Road, Yuen Long, New Territories, Hong Kong with a site area of approximately 1,050 square feet. The total gross floor area of the HK Property is approximately 2,708 square feet, excluding the area of the roof. The ground floor (including a cockloft) of the HK Property is subject to an existing tenancy by CSS Jewellery, an indirect wholly-owned subsidiary of the Company, for jewellery business. Other parts of the HK Property are currently vacant.

The rental income derived from the HK Property for the two years ended 31 December 2022 are as follows:

	Approximate amount (HK\$)	
	For the year ended 31 December 2021	For the year ended 31 December 2022
Rental income	3,300,000	3,300,000

The value of the HK Property as at 18 January 2023 as appraised by the HK Property Valuer is HK\$116,000,000 (the “**HK Appraised Value**”), which is determined according to the market approach. The market approach assumes the sale of a property in its existing state and makes reference to comparable sales transactions as available in the relevant market.

Consideration and Payment Arrangement

The consideration has been determined on the basis of normal commercial terms and arm’s length negotiations between the HK Vendors and the HK Purchaser, taking into account, among other things, the information and particulars relating to the HK Property and the HK Appraised Value.

The consideration for the HK Acquisition is HK\$116,000,000 payable in cash in two instalments: (i) HK\$11,600,000 on the signing date of the HK SPA; and (ii) the remaining balance of HK\$104,400,000 upon completion of the HK Acquisition.

The consideration for the HK Acquisition, together with expenses (including all stamp duty payable to be borne by the HK Purchaser) which are estimated to be approximately HK\$4,930,000, will be funded by the Group’s internal resources.

The original acquisition cost of the HK Property by the HK Vendors in 1970 was HK\$240,000.

Title and due diligence

Pursuant to the HK SPA, the HK Vendors shall prove and give good title to the HK Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) respectively.

The HK Purchaser has carried out and is satisfied with its due diligence review of the HK Property, save for the following defects as advised by its Hong Kong legal adviser:

1. One party of the HK Vendors does not have a good title to 1/3 shares in the HK Property as there exists the risk of the validity of the conveyance of title from a previous owner (the “**Deceased**”) to such party being challenged. As the Deceased died before 24 June 1994 (i.e. the commencement date of the New Territories Land (Exemption) Ordinance) and the Letters of Administration was not issued within 3 months to the Deceased’s husband after the death of the Deceased, there exists the risk of the validity of the Assent Memorial No.YL186770 relating to the HK Property being challenged, thereby affecting the title to 1/3 shares in the HK Property;
2. The Hong Kong Land Registry could neither locate the original and certified copy of the government lease nor ascertain the lease term and the commencement date of the government lease and rent of the HK Property upon request; and
3. The HK Property is subject to certain conditions pertaining to Gazette No. 364/34 as amended by Gazette No. 50/40 restricting the number of storeys and the height of the building to be erected. In breach of the said condition, a building structure of four storeys in height was erected. The government may require the owner of the HK Property to demolish the extra storeys of the HK Property.

The HK Property Valuer had been informed of the abovementioned title defects when arriving at the HK Appraised Value.

The existence of title defects may adversely affect any future completion of sale and purchase transactions of the HK Property, or acceptance of the HK Property by banks as security for granting loans, but it does not prevent the HK Property from being sold, purchased or accepted by banks as security for granting loans.

Completion

The HK Vendors as the personal representatives in respect of their respective property interests in the HK Property will at completion assign the HK Property to the HK Purchaser free from all encumbrances and subject to the existing tenancy. Completion is expected to take place on or before 30 March 2023.

PRC ACQUISITIONS

On 31 January 2023, the PRC Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the PRC SPA-1 and the PRC SPA-2 with the PRC Vendor, pursuant to which the PRC Vendor has agreed to sell, and the PRC Purchaser has agreed to purchase, the PRC Property-1 and the PRC Property-2 at a total consideration of RMB7,175,000 and RMB2,954,000 respectively (equivalent to approximately HK\$8,307,475 and HK\$3,420,248 respectively).

PRC SPA-1

In respect of the PRC SPA-1, the principal terms are summarised as follows:

Date

31 January 2023

Parties

1. PRC Purchaser
2. PRC Vendor

PRC Property-1 to be acquired

The PRC Property-1 is a parcel of land located at No. 168 Lanyuan Street, Lanyuan Road, Licun, Lunjiao Street, Shunde District, Foshan City, the PRC* (中國佛山市順德區倫教街道荔村蘭園路蘭園街168號) with a site area of 286.79 square metres.

The PRC Property-1 is currently used by the Group in its ordinary and usual course of business as a dormitory for its staff. The land use right of the land where the PRC Property-1 situates is owned by the PRC Vendor.

The value of the PRC Property-1 as at 11 January 2023 as appraised by the PRC Property Valuer is RMB4,305,000, which is determined according to the comparison method for the value of the land use right. The comparison method is a valuation approach that is based on the principle of substitution and compares the valued assets with similar properties in recent transactions in the market, followed by adjustments with reference to the transaction nature, date, district and individual circumstances of the valued assets.

Consideration and Payment Arrangement

The consideration has been determined on the basis of normal commercial terms and arm's length negotiations between the PRC Vendor and the PRC Purchaser, taking into account, among other things, the information and particulars relating to the PRC Property-1, the appraised value mentioned above and the land premium of approximately RMB2,870,000 in respect of the acquisition of the PRC Property-1.

The consideration for the acquisition of the PRC Property-1 is RMB7,175,000 (equivalent to approximately HK\$8,307,475) payable in cash in two instalments: (i) RMB717,500 (equivalent to approximately HK\$830,748) on 31 January 2023; and (ii) the remaining balance of RMB6,457,500 (equivalent to approximately HK\$7,476,727) on or before 30 March 2023.

The consideration for the acquisition of the PRC Property-1, together with expenses (including the tax and surcharge, and stamp duty payable to be borne by the PRC Purchaser) which are estimated to be approximately RMB218,838 (equivalent to approximately HK\$253,378), will be funded by the Group's internal resources.

Based on the information provided by the PRC Vendor, the original acquisition cost of the PRC Property-1 cannot be traced as it was inherited from the earlier generations of his family.

Transfer of ownership of the PRC Property-1

The PRC Vendor and the PRC Purchaser shall bring all relevant documents to attend the change of property ownership procedures at the relevant government authorities in the PRC within 30 days upon completion of all payment obligations by the PRC Purchaser according to the PRC SPA-1. The PRC Vendor shall transfer the ownership of the PRC Property-1 to the PRC Purchaser for its use on 30 March 2023.

PRC SPA-2

In respect of the PRC SPA-2, the principal terms are summarised as follows:

Date

31 January 2023

Parties

1. PRC Purchaser
2. PRC Vendor

PRC Property-2 to be acquired

The PRC Property-2 is a parcel of land located at Section 1 of No. 168 Lanyuan Street, Lanyuan Road, Licun, Lunjiao Street, Shunde District, Foshan City, the PRC* (中國佛山市順德區倫教街道荔村蘭園路蘭園街168號之一) with a site area of 118.07 square metres.

The PRC Property-2 is currently used by the Group in its ordinary and usual course of business as a dormitory for its staff. The land use right of the land where the PRC Property-2 situates is owned by the PRC Vendor.

The value of the PRC Property-2 as at 11 January 2023 as appraised by the PRC Property Valuer is RMB1,772,000, which is determined according to the comparison method for the value of the land use right. The comparison method is a valuation approach that is based on the principle of substitution and compares the valued assets with similar properties in recent transactions in the market, followed by adjustments with reference to the transaction nature, date, district and individual circumstances of the valued assets.

Consideration and Payment Arrangement

The consideration has been determined on the basis of normal commercial terms and arm's length negotiations between the PRC Vendor and the PRC Purchaser, taking into account, among other things, the information and particulars relating to the PRC Property-2, the appraised value mentioned above and the land premium of approximately RMB1,182,000 in respect of the acquisition of the PRC Property-2.

The consideration for the acquisition of the PRC Property-2 is RMB2,954,000 (equivalent to approximately HK\$3,420,248) payable in cash in two instalments: (i) RMB295,400 (equivalent to approximately HK\$342,025) on 31 January 2023; and (ii) the remaining balance of RMB2,658,600 (equivalent to approximately HK\$3,078,223) on or before 30 March 2023.

The consideration for the acquisition of the PRC Property-2, together with expenses (including the tax and surcharge, and stamp duty payable to be borne by the PRC Purchaser) which are estimated to be approximately RMB90,097 (equivalent to approximately HK\$104,318), will be funded by the Group's internal resources.

Based on the information provided by the PRC Vendor, the original acquisition cost of the PRC Property-2 cannot be traced as it was inherited from the earlier generations of his family.

Transfer of ownership of the PRC Property-2

The PRC Vendor and the PRC Purchaser shall bring all relevant documents to attend the change of property ownership procedures at the relevant government authorities in the PRC within 30 days upon completion of all payment obligations by the PRC Purchaser according to the PRC SPA-2. The PRC Vendor shall transfer the ownership of the PRC Property-2 to the PRC Purchaser for its use on 30 March 2023.

REASONS FOR AND BENEFITS OF THE HK ACQUISITION

CSS Jewellery, an indirect wholly-owned subsidiary of the Company, operates a shop which spanned through the ground floor (containing a cockloft) of the HK Property and a building situated at No. 85 Castle Peak Road, Yuen Long, New Territories, Hong Kong which is owned by the Group. Currently, a monthly rent of HK\$275,000 for the HK Property is payable by CSS Jewellery to the HK Vendors.

In view of the prevailing property market conditions in Hong Kong, the Company considers that the acquisition of the HK Property provides a good opportunity for investment purpose and at the same time securing the Group's current operations. The proposed acquisition is more cost efficient in the long run. Moreover, it would also strengthen the Group's ability to compete with other industry players and may further enhance the Group's asset portfolio and provide potential capital appreciation to the Group in the future.

REASONS FOR AND BENEFITS OF THE PRC ACQUISITIONS

The proposed acquisitions of the PRC Property-1 and the PRC Property-2 are for the Group's own operational use and long-term investment purpose, which are in the interests of the Group as a whole.

OPINION OF THE BOARD

In respect of the title defects of the HK Property as mentioned in the section headed "HK Acquisition – Title and due diligence", the Board considers that the risks associated with such title defects of the HK Property will not materially affect the business and operation of the Group on the following grounds:

1. The HK Property situates at the prime location of Yuen Long's central business district, which has been and will continue to be used as a retail outlet of the Group. The title defects will not affect the current usage after completion of the HK Acquisition. On the contrary, the use of the premises can be secured without worrying about whether the owner would refuse to lease it to the Group in future;
2. The HK Property accounts for an insignificant part of the Group's properties in Hong Kong, as it equates to less than 3% of the total gross floor/saleable area of the properties owned by the Group in Hong Kong as at the date of this announcement; and

3. The HK Purchaser has been informed by the HK Vendors that:

- (a) They have never received any challenges from anyone regarding their ownership of the HK Property; and
- (b) They have never received any formal letter from the government actively pursuing an enforcement action in the form of re-entry.

Having considered the above, the Board is of the view that it is in the interests of the Company and its shareholders as a whole for the HK Purchaser to enter into the HK SPA.

On the whole, the Board (including the Independent Non-Executive Directors) are of the view that the HK SPA, the PRC SPA-1, the PRC SPA-2 and the transactions contemplated thereunder have been entered into on normal commercial terms, and the terms are fair and reasonable and the Acquisitions are in the interests of the Company and its shareholders as a whole.

In respect of the HK Acquisition, save for Mr. Vincent CHOW Wing Shing, Dr. Gerald CHOW King Sing and Mr. Winston CHOW Wun Sing, being parties of the HK Vendors, none of the other Directors has a material interest in the HK SPA and the transactions contemplated thereunder. Mr. Vincent CHOW Wing Shing, Dr. Gerald CHOW King Sing and Mr. Winston CHOW Wun Sing have abstained from voting on the relevant board resolutions approving the HK SPA and the transactions contemplated thereunder. For good corporate governance, as Ms. Genevieve CHOW Karwing is a daughter of Mr. Vincent CHOW Wing Shing, she has also abstained from voting on the relevant board resolutions approving the HK SPA and the transactions contemplated thereunder.

In respect of the PRC Acquisitions, save for Mr. Vincent CHOW Wing Shing, being the PRC Vendor, none of the other Directors has a material interest in the PRC SPA-1, the PRC SPA-2 and the transactions contemplated thereunder. Mr. Vincent CHOW Wing Shing has abstained from voting on the relevant board resolutions approving the PRC SPA-1, the PRC SPA-2 and the transactions contemplated thereunder. For good corporate governance, as Ms. Genevieve CHOW Karwing is a daughter of Mr. Vincent CHOW Wing Shing, she has also abstained from voting on the relevant board resolutions approving the PRC SPA-1, the PRC SPA-2 and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

Among the HK Vendors, Mr. Vincent CHOW Wing Shing, Dr. Gerald CHOW King Sing and Mr. Winston CHOW Wun Sing are Executive Directors and are therefore connected persons of the Company. Other parties of the HK Vendors are Ms. Karen CHOW Shuk-wah and Mrs. Amy CHUNG Mo-ching, and since they are relatives (as defined in Rule 14A.21(1)(a) of the Listing Rules) of the aforementioned Executive Directors, they are also connected persons of the Company. Accordingly, the HK Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The PRC Vendor, Mr. Vincent CHOW Wing Sing, is an Executive Director and is therefore a connected person of the Company. Accordingly, the PRC Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the HK Acquisition and the PRC Acquisitions should be aggregated. As the highest applicable percentage ratio (as defined under the Listing Rules) calculated on an aggregate basis in relation to the Acquisitions is more than 0.1% but less than 5%, the Acquisitions are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

The HK Purchaser and the PRC Purchaser are indirect wholly-owned subsidiaries of the Company. The HK Purchaser and the PRC Purchaser are principally engaged in property investment and manufacture and sale of jewellery respectively.

The principal activity of the Company is investment holding. Its subsidiaries are active in the field of the manufacture and retail of jewellery, distribution of watches, the wholesale of precious metals and e-commerce platform operation.

The HK Vendors comprises three Executive Directors of the Company (namely Mr. Vincent CHOW Wing Shing, Dr. Gerald CHOW King Sing and Mr. Winston CHOW Wun Sing) and two individuals (namely Ms. Karen CHOW Shuk-wah and Mrs. Amy CHUNG Mo-ching) who are relatives (as defined in Rule 14A.21(1)(a) of the Listing Rules) of the aforementioned Executive Directors.

The PRC Vendor is Mr. Vincent CHOW Wing Shing, an Executive Director of the Company.

DEFINITIONS

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

“Acquisitions”	collectively the HK Acquisition and the PRC Acquisitions
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Chow Sang Sang Holdings International Limited, a company incorporated in Bermuda with limited liability, the shares of which are currently listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSS Jewellery”	Chow Sang Sang Jewellery Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK Acquisition”	the acquisition of the HK Property by the HK Purchaser from the HK Vendors pursuant to the HK SPA
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Property”	the whole building situated at No. 87 Castle Peak Road, Yuen Long, New Territories, Hong Kong

“HK Property Valuer”	Cushman & Wakefield Limited, an independent property valuer appointed by the Company in respect of the HK Acquisition
“HK Purchaser”	Chow Sang Sang Property Holdings (BVI) Limited, a company redomiciled from Netherlands Antilles to the BVI in 2019 with limited liability and an indirect wholly-owned subsidiary of the Company
“HK SPA”	the sale and purchase agreement dated 31 January 2023 entered into between the HK Vendors and the HK Purchaser in respect of the HK Acquisition
“HK Vendors”	(a) Mr. Vincent CHOW Wing Shing, holding one-third of the property interest; (b) Dr. Gerald CHOW King Sing and Mr. Winston CHOW Wun Sing, holding one-third of the property interest; and (c) Ms. Karen CHOW Shuk-wah and Mrs. Amy CHUNG Mo-ching, holding one-third of the property interest
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PRC”	the People’s Republic of China, which for the purpose of this announcement, does not include, Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Acquisitions”	the acquisitions of the PRC Property-1 and the PRC Property-2 by the PRC Purchaser from the PRC Vendor pursuant to the PRC SPA-1 and the PRC SPA-2
“PRC Property-1”	the parcel of land located at No. 168 Lanyuan Street, Lanyuan Road, Licun, Lunjiao Street, Shunde District, Foshan City, the PRC* (中國佛山市順德區倫教街道荔村蘭園路蘭園街168號)
“PRC Property-2”	the parcel of land located at Section 1 of No. 168 Lanyuan Street, Lanyuan Road, Licun, Lunjiao Street, Shunde District, Foshan City, the PRC* (中國佛山市順德區倫教街道荔村蘭園路蘭園街168號之一)
“PRC Property Valuer”	Guangdong Boshun Assets Real Estate Land Appraisal Company Limited* (廣東博順資產房地產土地評估有限公司), an independent property valuer appointed by the PRC Purchaser in respect of the PRC Acquisitions

“PRC Purchaser”	Chow Sang Sang Jewellery (Foshan) Co., Ltd.* (周生生珠寶(佛山)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC SPA-1”	the property sale and purchase agreement dated 31 January 2023 entered into between the PRC Vendor and the PRC Purchaser in respect of the acquisition of the PRC Property-1
“PRC SPA-2”	the property sale and purchase agreement dated 31 January 2023 entered into between the PRC Vendor and the PRC Purchaser in respect of the acquisition of the PRC Property-2
“PRC Vendor”	Mr. Vincent CHOW Wing Shing, holding the entire property interest
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.86368 = HK\$1.00 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates.

By order of the Board
Vincent CHOW Wing Shing
Chairman

Hong Kong, 31 January 2023

As at the date of this announcement, the Executive Directors of the Company are Mr. Vincent CHOW Wing Shing, Dr. Gerald CHOW King Sing, Mr. Winston CHOW Wun Sing and Ms. Genevieve CHOW Karwing; the Non-executive Directors are Mr. Stephen TING Leung Huel and Mr. CHUNG Pui Lam; and the Independent Non-executive Directors are Dr. CHAN Bing Fun, Mr. LEE Ka Lun, Dr. LO King Man and Mr. Stephen LAU Man Lung.