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Chuang's China Investments Limited

(莊士中國投資有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 298)

**UPDATE ON
CONTINUING CONNECTED TRANSACTIONS**

On 26 June 2023, Xiamen JV (an indirect non-wholly-owned subsidiary of the Company for the purpose of the Listing Rules) as landlord entered into the Second Amendment Agreement with Mingjia Lujiang Hotel as tenant to amend certain terms of the Lujiang Agreements.

Mingjia Lujiang Hotel is indirectly wholly-owned by the JV Partner (a substantial shareholder of Xiamen JV) and thus is a connected person of the Company at the subsidiary level. As such, Xiamen JV's entry into of the Second Amendment Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The Company has previously appointed Halcyon Capital as independent financial adviser to explain the reason why each of the Lujiang Agreements which exceeded three years and to confirm whether this is normal practice for each of the Lujiang Agreements to be of such duration pursuant to Rule 14A.52 of the Listing Rules. The transaction contemplated under the Second Amendment Agreement, being rental concession for an estimated period of about 15 months, constituted variation of terms of existing continuing connected transactions of the Company. However, the duration of the existing continuing connected transactions of the Company under the Lujiang Agreements, being more than three years, has not changed or varied under the Second Amendment Agreement. Pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Halcyon Capital as an independent financial adviser to confirm whether there is any change in its opinion previously expressed on the duration of each of the Lujiang Agreements.

Since (i) Mingjia Lujiang Hotel is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Second Amendment Agreement; (iii) the independent non-executive Directors have confirmed that the terms of the Second Amendment Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the shareholders of the Company as a whole, the Second Amendment Agreement will constitute continuing connected transaction which is only subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

INTRODUCTION

Reference is made to the announcements issued by the Company on 15 October 2021 in relation to the New Tenancy Agreement and the Amendment Agreement, and on 26 January 2022 in relation to the Four Villas Agreement. The sole business of Mingjia Lujiang Hotel is to operate the Hotel together with a portion of the basement of the Hotel and 23 villas, which are leased under the Lujiang Agreements from Xiamen JV.

On 26 June 2023, Xiamen JV (an indirect non-wholly-owned subsidiary of the Company for the purpose of the Listing Rules) as landlord entered into the Second Amendment Agreement with Mingjia Lujiang Hotel as tenant to amend certain terms of the Lujiang Agreements.

THE SECOND AMENDMENT AGREEMENT

Under the Second Amendment Agreement dated 26 June 2023 between Xiamen JV as landlord and Mingjia Lujiang Hotel as tenant, the Lujiang Agreements are amended as follows:

- (a) the monthly rental for the Hotel will be reduced from approximately RMB833,333 (equivalent to approximately HK\$916,666) to approximately RMB691,667 (equivalent to approximately HK\$760,833) for the period from 20 December 2023 (the date immediately after the end date of the respective rental reduction period under the Amendment Agreement) to the month when the road access is resumed by the relevant authority, which is currently expected to be in February 2025;
- (b) the monthly rental for the Villas and Hotel Basement will be reduced from approximately RMB175,283 (equivalent to approximately HK\$192,811) to approximately RMB145,485 (equivalent to approximately HK\$160,033) for the period from 1 February 2024 (the date immediately after the end date of the respective rental reduction period under the Amendment Agreement) to the month when the road access is resumed by the relevant authority, which is currently expected to be in February 2025;

- (c) for the remaining periods thereafter from March 2025 upto January 2027 (being the expiry of rental of the Hotel and Villas and Hotel Basement), monthly rental for the Lujiang Agreements will remain unchanged; and
- (d) during the rental concession period as stated in (a) and (b) above, Mingjia Lujiang Hotel will pay 17% of its annual audited net profit (if any) to Xiamen JV as rental income, but such amount will not exceed the total amount of rental reduction during such rental concession period.

JV Partner will continue to provide joint and several guarantee with Lujiang Hotel for the performance of the obligations of Mingjia Lujiang Hotel under the Lujiang Agreements.

Save as the amendments aforesaid, all the other terms of the Lujiang Agreements remain in full force and effect.

As for the rental reduction as stated in (a) and (b) above, this bridging arrangement can help to support the business and cash flow of the tenant under the current difficult environment arising out of closure of road access to the Hotel. The total rental receivable (on the assumption that there is no additional income from profit sharing as stated in (d) above) upto the maturity (under the Lujiang Agreements, as amended by the Second Amendment Agreement) will be reduced in maximum by about 2.4% from approximately RMB96.9 million (equivalent to approximately HK\$106.6 million) to approximately RMB94.6 million (equivalent to approximately HK\$104.1 million).

In the event that the net profit sharing stated in (d) above is equivalent to the rental concession stated in (a) and (b) above, there will be no rental reduction under the Lujiang Agreements pursuant to the Second Amendment Agreement.

As for the net profit sharing (if any) as stated in (d) above, it is payable before end of June of each year.

INFORMATION ON THE ULTIMATE BENEFICIAL OWNERS OF MINGJIA LUJIANG HOTEL

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Mingjia Lujiang Hotel is wholly-owned by Lujiang Hotel, both are principally engaged in the operation and management of hotel. Lujiang Hotel is wholly-owned by the JV Partner, which is principally engaged in tourism management and investment holding. The JV Partner is ultimately wholly-owned by 廈門市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of People's Government of Xiamen Municipal*), which is principally engaged in the supervision and administration of state-owned assets in Xiamen Municipal.

ANNUAL CAP AMOUNTS

The annual aggregate maximum rental receivable by Xiamen JV under the Lujiang Agreements (as amended by the Second Amendment Agreement) for each of the 9 financial years ending 31 March 2032 will be subject to the following cap amounts (the “**Annual Cap Amounts**”) denominated in RMB and has remained unchanged as previously announced on 26 January 2022:

(A) On an aggregate basis

<u>Year ending 31 March</u>	<u>Rental</u>	<u>Annual Cap Amounts</u>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>Equivalent to HK\$'000</i>
2024	16,392	16,392	18,031
2025	16,348	16,348	17,984
2026	16,348	16,348	17,984
2027 (<i>Note</i>)	14,394	14,394	15,834
2028	6,319	6,319	6,951
2029	6,302	6,302	6,933
2030	6,302	6,302	6,933
2031	6,302	6,302	6,933
2032	3,869	3,869	4,256

Note: The Existing Tenancy Agreement will expire in January 2027.

(B) On a separate basis

(i) Existing Tenancy Agreement

<u>Year ending 31 March</u>	<u>Rental</u>	<u>Annual Cap Amounts</u>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>Equivalent to HK\$'000</i>
2024	10,074	10,074	11,081
2025	10,046	10,046	11,051
2026	10,046	10,046	11,051
2027	8,092	8,092	8,901

(ii) *New Tenancy Agreement*

<u>Year ending 31 March</u>	<u>Rental</u>	<u>Annual Cap Amounts</u>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>Equivalent to HK\$'000</i>
2024	4,748	4,748	5,223
2025	4,736	4,736	5,210
2026	4,736	4,736	5,210
2027	4,736	4,736	5,210
2028	4,749	4,749	5,224
2029	4,736	4,736	5,210
2030	4,736	4,736	5,210
2031	4,736	4,736	5,210
2032	2,556	2,556	2,812

(iii) *Four Villas Agreement*

<u>Year ending 31 March</u>	<u>Rental</u>	<u>Annual Cap Amounts</u>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>Equivalent to HK\$'000</i>
2024	1,570	1,570	1,727
2025	1,566	1,566	1,723
2026	1,566	1,566	1,723
2027	1,566	1,566	1,723
2028	1,570	1,570	1,727
2029	1,566	1,566	1,723
2030	1,566	1,566	1,723
2031	1,566	1,566	1,723
2032	1,313	1,313	1,444

The Annual Cap Amounts were determined with reference to the effective rental denominated in RMB, which has taken into account the rental amounts, the rent-free periods and net profit sharing as stipulated in the Lujiang Agreements and the Second Amendment Agreement.

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE SECOND AMENDMENT AGREEMENT

Xiamen JV is a company established in the PRC and is recorded as a joint venture in the consolidated financial statements of the Group, in which Dragon Rich has a 70% interest and the JV Partner has the remaining 30% interest. The principal activities of Xiamen JV are property and hotel development and investment and its sole development project is the Project located at Xiamen, the PRC, which comprises the Hotel and 30 villas.

The Group is principally engaged in property development, investment and trading, hotel operation and management, development and operation of cemetery, sales and trading of goods and merchandises (including art pieces), and securities investment and trading.

From the last quarter of 2022, the main road (龍虎山路) where the Project is located was closed to facilitate the construction of underground metro train of Siming District. This has adversely affected not only accessibility to the Project but also business demands of Mingjia Lujiang Hotel. It led to cancelation of rooms, events and tours of Mingjia Lujiang Hotel. Mingjia Lujiang Hotel has, therefore, requested for certain rental concession until road access is resumed by the relevant authority, which is expected to be in February 2025.

Having considered the circumstance as mentioned above and the financial strength of Lujiang Hotel and JV Partner (who will guarantee the performance of Mingjia Lujiang Hotel under the Lujiang Agreements), the rental concession for only an estimated period of 15 months (which represents the expected period of the main road closure due to the construction of the underground metro train), and the rental concession represented a maximum of about 2.4% of the aggregate rental receivables from Mingjia Lujiang Hotel for the remaining period of the Lujiang Agreements, the Group considered that the entry of the Second Amendment Agreement will enable Mingjia Lujiang Hotel to continue its business and Xiamen JV to continue to enjoy a steady recurrent income under the current difficult business environment.

Given that the terms of the Second Amendment Agreement were negotiated on an arm's length basis with reference to market condition, the Directors (including the independent non-executive Directors) consider that the terms of the Second Amendment Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Group and the shareholders of the Company as a whole.

As no Director has any interest in the Second Amendment Agreement, none of them has abstained from voting on the Board resolutions approving the Second Amendment Agreement.

OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

Halcyon Capital, as the independent financial adviser to the Board, had confirmed that it is normal business practice for each of the Lujiang Agreements to be of such duration exceeding three years pursuant to Rule 14A.52 of the Listing Rules. Details of the opinions were set out in the announcements of the Company dated (a) 19 January 2017, (b) 30 April 2018, (c) 15 October 2021, and (d) 26 January 2022, respectively.

The transaction contemplated under the Second Amendment Agreement, being rental concession for an estimated period of about 15 months, constituted variation of terms of existing continuing connected transactions of the Company. However, the duration of the existing continuing connected transactions of the Company under the Lujiang Agreements, being more than three years, has not changed or varied under the Second Amendment Agreement. Pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed Halcyon Capital as an independent financial adviser to confirm whether there is any change in its opinion previously expressed on the duration of each of the Lujiang Agreements.

In arriving at its opinion, Halcyon Capital has principally taken into consideration the fact that the Second Amendment Agreement does not amend the duration of any of the Lujiang Agreements.

In addition, Halcyon Capital has also obtained and reviewed the latest annual reports (if available) of the companies identified in formulating its opinion included in the announcement of the Company dated 26 January 2022, and noted that the previous observations remain materially unchanged based on their respective latest published annual report. Taking into account of the above, Halcyon Capital confirms its opinions that it is normal business practice for each of the Lujiang Agreements to be of such duration pursuant to Rule 14A.52 of the Listing Rules remain unchanged.

IMPLICATIONS UNDER THE LISTING RULES

Mingjia Lujiang Hotel is indirectly wholly-owned by the JV Partner (a substantial shareholder of Xiamen JV) and thus is a connected person of the Company at the subsidiary level. As such, Xiamen JV's entry into of the Second Amendment Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Since (i) Mingjia Lujiang Hotel is a connected person of the Company at the subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the Second Amendment Agreement; (iii) the independent non-executive Directors have confirmed that the terms of the Second Amendment Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the shareholders of the Company as a whole, the Second Amendment Agreement will constitute continuing connected transaction which is only subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“Amendment Agreement”	the amendment agreement dated 15 October 2021 entered into between Xiamen JV as landlord and Mingjia Lujiang Hotel as tenant and other related agreements in respect of the amendment of certain terms of the Existing Tenancy Agreement
“Board”	the board of Directors
“Company”	Chuang's China Investments Limited (莊士中國投資有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 298)
“Directors”	the directors of the Company
“Dragon Rich”	Dragon Rich Investments Limited, a company incorporated in Hong Kong, which is indirectly held as to 85% by the Company with the balance of the 15% held by Lawdion Investments Limited, a company beneficially owned by Mr. Lam Wah Kwok

“Existing Tenancy Agreement”	collectively, the Hotel Agreement and the Supplemental Agreement, and as amended by the Amendment Agreement
“Four Villas”	4 villas of approximately 1,386.5 sq. m. in aggregate located within the Project
“Four Villas Agreement”	the new tenancy agreement dated 26 January 2022 entered into between Xiamen JV as landlord and Mingjia Lujiang Hotel as tenant and other related agreements in respect of the Four Villas
“Group”	the Company and its subsidiaries
“Halcyon Capital”	Halcyon Capital Limited, being a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel”	a six-storey hotel with about 100 guest rooms and a basement of approximately 6,675 sq. m. located within the Project
“Hotel Agreement”	the tenancy agreement dated 19 January 2017 entered into between Xiamen JV as landlord and Lujiang Hotel as tenant in respect of the Hotel and a portion of the basement of approximately 4,439 sq. m., which has been subsequently assigned by Lujiang Hotel to its wholly-owned subsidiary, Mingjia Lujiang Hotel
“JV Partner”	廈門旅遊集團有限公司 (Xiamen Tourism Group Limited*), a company established in the PRC, which has a 30% interest in Xiamen JV
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lujiang Agreements”	collectively, the Existing Tenancy Agreement, the New Tenancy Agreement and the Four Villas Agreement
“Lujiang Hotel”	廈門鷺江賓館 (Xiamen Lujiang Harbourview Hotel*), a company established in the PRC and wholly-owned by the JV Partner

“Mingjia Lujiang Hotel”	廈門佻家鷺江酒店有限公司 (Xiamen Mingjia Lujiang Hotel Limited*), a wholly-owned subsidiary of Lujiang Hotel, established in the PRC for the operation of the 鷺江•佻家酒店 (Mega Lujiang Hotel) under the Existing Tenancy Agreement
“New Leased Villas and Hotel Basement”	16 villas of approximately 4,179.8 sq. m. in aggregate, and a portion of the basement of the Hotel of approximately 297.2 sq. m. located within the Project
“New Tenancy Agreement”	the new tenancy agreement dated 15 October 2021 entered into between Xiamen JV as landlord and Mingjia Lujiang Hotel as tenant and other related agreements in respect of the New Leased Villas and Hotel Basement
“PRC”	the People’s Republic of China
“Project”	the development project located in Siming District, Xiamen City, Fujian Province, the PRC, owned by Xiamen JV which comprises the Hotel and 30 villas
“RMB”	Renminbi, the lawful currency of the PRC
“Second Amendment Agreement”	the second amendment agreement dated 26 June 2023 entered into between Xiamen JV as landlord and Mingjia Lujiang Hotel as tenant and other related agreements in respect of the amendment of certain terms of the Lujiang Agreements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in the Listing Rules
“Supplemental Agreement”	the supplemental tenancy agreement dated 30 April 2018 entered into between Xiamen JV as landlord and Mingjia Lujiang Hotel as tenant in respect of the Villas and Hotel Basement
“Villas and Hotel Basement”	three villas of approximately 990.3 sq. m. in aggregate adjacent to the Hotel, and a portion of the basement of the Hotel of approximately 983.7 sq. m. located within the Project
“Xiamen JV”	廈門佻家濱海度假村有限公司 (Xiamen Mingjia Binhai Resort Company Limited*), a company established in the PRC and is recorded as a joint venture in the consolidated financial statements of the Group, in which Dragon Rich has a 70% interest

“sq. m.” square metres

“%” percent

By order of the Board of
Chuang’s China Investments Limited
Albert Chuang Ka Pun
Chairman

Hong Kong, 26 June 2023

As at the date of this announcement, Mr. Albert Chuang Ka Pun, Miss Ann Li Mee Sum, Mr. Edwin Chuang Ka Fung and Mr. Geoffrey Chuang Ka Kam are the Executive Directors of the Company, Mr. Dominic Lai is the Non-Executive Director of the Company, and Mr. Abraham Shek Lai Him, Mr. Andrew Fan Chun Wah, Dr. Eddy Li Sau Hung and Dr. Ng Kit Chong are the Independent Non-Executive Directors of the Company.

For the purpose of this announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.0 = HK\$1.1. Such translation should not be construed as a representation that the amount in question has been, could have been or could be converted at any exchange rate or at all.

* *English translation only*