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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 TRANSACTION

DISPOSAL OF 34% EQUITY INTEREST OF THE TARGET COMPANY

INTRODUCTION

The Board is pleased to announce that on April 28, 2021, the Seller 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 Equity Interest, being 34% equity interest of the Target Company for a cash Consideration of RMB125,854,000.

LISTING RULES IMPLICATIONS

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

INTRODUCTION

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THE AGREEMENT

The principal terms of which are set out below:

- | | |
|----------------|--|
| Date | April 28, 2021 |
| Parties | (i) the Seller; and
(ii) the Purchaser. |

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Subject matter

Pursuant to the Agreement, the Seller has agreed to sell, and the Purchaser has agreed to purchase, the Sale Equity Interest, representing 34% equity interest of the Target Company subject to the terms and conditions therein.

Consideration

The consideration of RMB125,854,000 shall be payable by the Purchaser to the Seller in cash on or before April 30, 2021.

The Consideration was determined after arm's length negotiations between the Seller and the Purchaser with reference to (i) initial amount of capital contribution to the Target Company made by the Seller; (ii) the asset appraisal report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited on the total assets of the Target Company as at March 31, 2021; (iii) the reasons for the Disposal as mentioned in the section headed "Reasons for and Benefits of the Disposal" below and (iv) the current financial position of the Target Company.

The Directors are of the view that the Consideration is fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

Completion

The Seller and the Purchaser shall arrange and complete the relevant registration with the local authority in relation to the Disposal within 30 business days of the date of payment of the Consideration.

Pursuant to the articles of association of the Target Company, the Company controls 51% of the voting rights in the Target Company, and as a result, the Target Company is accounted as a subsidiary of the Company as at the date of this announcement.

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.

It has always been the Group's business strategy to continuously evaluate the current businesses of the Group with an aim to streamline its business for the purpose of increasing its overall performance and cost-effectiveness, as well as to improve its financial performance. Having reviewed the business plan of the Group, the Board decided to rationalize the overall investment portfolio of the Group. The Directors believe that the Disposal represents a good opportunity for the Group to realize its investment in the Target Company and generate returns to enhance the Group's liquidity and provide additional funds to expand its investment portfolio.

Having considered the nature of and the benefits resulting from the Disposal, the Directors believe that the terms of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and its 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 Huanliang Enterprise Management Co., Ltd. (上海緩亮企業管理有限公司), a company owned as to 99% by Shanghai Songhuan Enterprise Management Co., Ltd.* (上海頌緩企業管理有限公司), which is wholly owned by Ms. Song Yan (宋妍), and 1% by Mr. Yang Wenhao (楊文浩), each an Independent Third Party. 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 34% by the Seller, 33% by Ningbo Xingshengbo Investment Management Co., Ltd.* (寧波興勝博投資管理有限公司) and 33% by Ningbo Zhongyue Real Estate Co., Ltd.* (寧波中玥置業有限公司) and is principally engaged in property development.

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 2019 and 2020 respectively:

	For the year ended 31 December 2019 RMB'000 (Unaudited)	For the year ended 31 December 2020 RMB'000 (Unaudited)
Revenue	–	643,475
Net (loss)/profit before taxation	(9,022)	8,881
Net (loss)/profit after taxation	<u>(7,002)</u>	<u>6,610</u>

Based on the unaudited financial information of the Target Company, the total assets value and net assets value of the Target Group were approximately RMB846,211,000 and RMB395,670,000 respectively as at 31 December 2020.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Group will record a loss on the Disposal in the amount of approximately RMB1,692,000, being the difference between the sale proceeds and unaudited net assets attributable to the Sale Equity Interest as at 31 March 2021. 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.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Acquisition are more than 5% but all of which are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Disposal is subject to the reporting and announcement requirements but is exempt from Shareholders' approval requirement under Chapter 14 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 April 28, 2021 entered into between the Seller and the Purchaser relating to the sale and purchase of the Sale Equity 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 Equity Interest, being RMB125,854,000
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Equity 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 Huoyue Enterprise Management Co., Ltd* (上海霍岳企業管理有限公司), a company established in the PRC with limited liability and is wholly owned by Shanghai Huanliang Enterprise Management Co., Ltd. (上海緩亮企業管理有限公司), a company owned as to 99% by Shanghai Songhuan Enterprise Management Co., Ltd.* (上海頌緩企業管理有限公司), which is wholly owned by Ms. Song Yan (宋妍), and 1% by Mr. Yang Wenhao (楊文浩), each an Independent Third Party

“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity Interest”	34% equity interest of the Target Company held by the Purchaser
“Seller”	Sunkwan Real Estate Co., Ltd.* (上坤置業有限公司), a company established in the PRC with limited liability and 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”	Cixi Xingkun Real Estate Co., Ltd.* (慈溪星坤置業有限公司), a company established in the PRC with limited liability and is owned as to 34% by the Seller, 33% by Ningbo Xingshengbo Investment Management Co., Ltd.* (寧波興勝博投資管理有限公司) and 33% by Ningbo Zhongyue Real Estate Co., Ltd.* (寧波中玥置業有限公司)
“%”	per cent

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

Hong Kong, April 28, 2021

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