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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)

(1) APPOINTMENT OF NON-EXECUTIVE DIRECTOR (2) CHANGE IN USE OF IPO PROCEEDS

APPOINTMENT OF NON-EXECUTIVE DIRECTOR

With effect from 22 October 2018, Professor Lee Chack Fan, *G.B.S., S.B.S., J.P.* has been appointed as a non-executive Director.

CHANGE IN USE OF IPO PROCEEDS

The Board has resolved to change the use of the unutilised net proceeds of approximately HK\$34.9 million from the expansion of transportation fleet to expansion of leasing fleet and general working capital.

(1) APPOINTMENT OF NON-EXECUTIVE DIRECTOR

The board (the “**Board**”) of directors (the “**Directors**”) of Zhaobangji Properties Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that Professor Lee Chack Fan, *G.B.S., S.B.S., J.P.* (“**Professor Lee**”) has been appointed as a non-executive Director with effect from 22 October 2018.

The biography of Professor Lee is set out below:

Professor Lee, aged 73, is a distinguished professor of geotechnical engineering and a renowned leader in Hong Kong’s higher education sector.

Professor Lee holds a BEng (CivE) (first class honours) and a MSc (Eng) from University of Hong Kong (HKU), and a PhD from the University of Western Ontario, Canada. He has worked on hydropower, energy and transportation projects in Canada and China for over 40 years, including projects like the Three Gorges, Ertan, Lijiaxia and others across China. He is the author of over 300 engineering publications and some 20 literary books.

From 1994 to his retirement in 2015, he has served the University of Hong Kong as a Chair Professor, Pro-Vice-Chancellor (Research), Pro-Vice-Chancellor (University Relations) and Director of HKU SPACE. He is currently Emeritus Professor and Deputy Chairman of the HKU Foundation.

Professor Lee is an Academician of the Chinese Academy of Engineering, a Fellow of the Canadian Academy of Engineering, and a Fellow and former President of the Hong Kong Academy of Engineering Science. He is a Fulbright Distinguished Scholar and has received the Gold Medal of the Hong Kong Institution of Engineers. He holds honorary degrees from the University of Western Ontario, Plymouth University, Edinburgh Napier University, University of Macau and the Open University of Hong Kong. He is very active in public service and has served on numerous government committees.

Professor Lee was appointed a Justice of the Peace in 2003, and awarded a Silver Bauhinia Star in 2005 and a Gold Bauhinia Star in 2013.

Professor Lee is currently an independent non-executive director of South Shore Holdings Limited (stock code: 577) and he was an independent non-executive director of AID Life Science Holdings Limited (stock code: 8088) until August 2017.

Under the letter of appointment entered into between Professor Lee and the Company, the appointment will take effect from 22 October 2018 for a term of one year. His directorship in the Company is subject to retirement and re-election at general meetings of the Company in accordance with the articles of association of the Company.

Pursuant to the letter of appointment, Professor Lee is entitled to receive a remuneration of HK\$240,000 per year. His remuneration package is determined by the Board based on the recommendation of the Remuneration Committee after considering a range of factors including his experience, his duties and responsibilities in the Group, the remuneration structure of the Group and levels of remuneration for peers in the market.

As at the date of this announcement, Professor Lee does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or any relationship with any director, senior management or substantial or controlling shareholder of the Company.

Save as disclosed above, as at the date of this announcement, there is no other information relating to the above appointment that is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or any matter that needs to be brought to the attention of the shareholders of the Company.

The Board would like to express its warm welcome to Professor Lee on his appointment to the Board.

(2) CHANGE IN USE OF IPO PROCEEDS

Reference is made to the prospectus of the Company dated 27 January 2017 (the “**Prospectus**”), the annual report of the Group for the year ended 31 March 2017 (the “**2017 Annual Report**”), the interim report of the Group for the six months ended 30 September 2017 (the “**2017 Interim Report**”) and the annual report of the Group for the year ended 31 March 2018 (the “**2018 Annual Report**”) in relation to the use of the net proceeds from the initial public offering (the “**IPO**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Prospectus.

The net proceeds from the Share Offer after deducting underwriting fees, commissions and other expenses in connection with the Listing (the “**Net Proceeds**”) amounted to approximately HK\$109.4 million. As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Net Proceeds were intended to be applied in the following manner:

	<i>HK\$ million</i> (approximately)
(a) approximately 63.5% of the Net Proceeds for acquisition of machinery in order to expand the Group’s leasing business scale and capabilities, i.e. expansion of our leasing fleet	69.5
(b) approximately 35.3% of the Net Proceeds for acquisition of machinery in order to expand the Group’s transportation business scale and capabilities, i.e. expansion of our transportation fleet	38.6
(c) approximately 1.2% of the Net Proceeds for the funding of the Group’s general working capital and other corporate uses	<u>1.3</u>
Total	<u><u>109.4</u></u>

As at the date of this announcement, the Company has utilized approximately HK\$74.5 million of the Net Proceeds. The amount of Net Proceeds which remains unutilized (the “**Unutilised Net Proceeds**”) up to the date of this announcement amounted to approximately HK\$34.9 million. The Board has resolved to change the use of the Unutilised Net Proceeds (the “**Reallocation**”). The proposed allocation of the Net

Proceeds in accordance with the Prospectus (the “**Planned Use of Net Proceeds**”), the actual usage of the Net Proceeds up to the date of this announcement and the proposed application of the Unutilised Net Proceeds after the Reallocation are set out below:

	Planned Use of Net Proceeds <i>HK\$ million</i> (approximately)	Utilised amount of Net Proceeds up to the date of this announcement <i>HK\$ million</i> (approximately)	Unutilised amount of Net Proceeds up to the date of this announcement <i>HK\$ million</i> (approximately)	Proposed application of the Unutilised Net Proceeds after the Reallocation <i>HK\$ million</i> (approximately)
Expansion of our leasing fleet	69.5	69.5	–	32.9
Expansion of our transportation fleet	38.6	3.7	34.9	–
General working capital	1.3	1.3	–	2.0
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Total	109.4	74.5	34.9	34.9
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REASONS FOR THE PROPOSED CHANGE

The Group had Unutilised Net Proceeds of approximately HK\$34.9 million as at 31 March 2018 in the transportation business as the Group awaits better business opportunities. The Group’s transportation fleet consists of crane lorries which are generally used for transportation of construction machinery or construction materials for our customers in a construction site, or to their designated locations in Hong Kong. As stated in the Prospectus, the Group intended to convert the transportation charges in the leasing segment into our revenue, and further strengthen our market position by providing one-stop services to our leasing customers.

However, after a recent review of the performance of the Group’s transportation segment, the Directors noted that the profit margin continues to be very low, and a further review of the market situation revealed that the profitability of the crane lorry market may continue to be impacted by higher fuel cost and staff cost in Hong Kong. On the other hand, the Directors noted that the Group’s leasing segment continues to grow in revenue and profit, and a further review of the market situation revealed that the demand for leasing for construction machinery will be relatively more robust.

Having considered the above, the Directors are of the view that the Unutilised Net Proceeds originally allocated to expand our transportation fleet can now be better utilized by applying the same to the expansion of our leasing fleet, so as to boost the overall revenue and profitability of the Group. The Directors have also re-allocated HK\$2.0 million of the Unutilised Net Proceeds to general working capital in order to cater for on-going expenses incurred by the Group. The Board is of the view that the Reallocation is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group and is in the best interest of the Company and the Shareholders as a whole.

The Board considers that the economic condition of China and Hong Kong as a whole has deteriorated in the third quarter of this year following intensifying disputes from the trade war between United States and China. The outlook of the construction market in Hong Kong will continue to be challenging after interest rate increase in a slowing economic growth environment. As a result, the financial performance of the Company in the coming year may be adversely impacted. The Board will closely monitor the market situation and will issue further announcement(s) to update the shareholders and potential investors of the Company if and when required in accordance with the Listing Rules.

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

Hong Kong, 22 October 2018

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Xu Chujia, Mr. Wu Hanyu, Mr. Xu Weizhen and Mr. Kwan Kin Man Keith; two non-executive Directors, namely, Ms. Zhan Meiqing and Professor Lee Chack Fan, G.B.S., S.B.S., J.P.; and five independent non-executive Directors, namely, Mr. Cheug Yiu Tong G.B.M., G.B.S., J.P., Mr. Hui Chin Tong Godfrey, Mr. Sze-to Kin Keung, Mr. Wong Chun Man and Mr. Ye Longfei.