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南海控股有限公司*
NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)



SINO-i TECHNOLOGY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 250)

JOINT ANNOUNCEMENT

Discloseable Transaction for Nan Hai Corporation Limited and Major and Connected Transaction in relation to the Disposal of Subsidiary for Sino-i Technology Limited

THE AGREEMENT AND THE LOAN AGREEMENT

On 16 March 2018 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase (or procure the purchase) and the Vendor has conditionally agreed to sell (or procure the sale) to the Purchaser the Sale Equity Interest, representing 92.36% of the equity interest of the Property holding Target, for the Consideration of HK\$520,600,000, which is to be satisfied in full in cash at Completion.

As at 31 January 2018, the net amount owed and payable to the Vendor and its subsidiaries by the Target is approximately HK\$347,522,971. Such amount is subject to adjustments at Completion. The amount owed and payable to the Vendor and its subsidiaries by the Target as at Completion will become a term loan repayable within three years from the date of the Loan Agreement which will be entered into between the Vendor and/or its subsidiaries and the Target on Completion of the Disposal. The share mortgage provided in respect of the loan agreement dated 29 May 2009 (entered into between the Vendor as lender and Nan Hai as borrower and as amended and supplemented by supplemental agreements as referred to in the announcement of the Vendor dated 2 May 2017) over the entire issued share capital of Nan Hai Development Limited (a wholly owned subsidiary of Nan Hai) will be expanded to cover the obligations under the Loan Agreement.

* For identification purpose only

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal and the Loan Agreement exceed 25% but below 75%, the Disposal and the Loan Agreement constitutes a major transaction of the Vendor under Chapter 14 of the Listing Rules. Further, given the Purchaser is the wholly owned subsidiary of Nan Hai and Nan Hai is the holding company of the Vendor, the Agreement and the Loan Agreement constitute a connected transaction for the Vendor under Chapter 14A of the Listing Rules. Accordingly, the Agreement and the Loan Agreement will be subject to the approval of the Independent Shareholders at the general meeting of the Vendor.

For Nan Hai, as one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal and the Loan Agreement exceed 5% but below 25%, the Disposal and the Loan Agreement constitute discloseable transaction of Nan Hai under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

Nan Hai and its associates shall abstain from voting on the ordinary resolution(s) to approve the Agreement and the Loan Agreement and the transactions contemplated thereunder at the general meeting of the Vendor.

Mr. Xiao Sui Ning, an independent non-executive Director, is also an independent non-executive director of Nan Hai. Thus, Prof. Jiang Ping and Mr. Fung Wing Lap, the remaining independent non-executive Directors, have been appointed to form the Independent Board Committee and to give recommendations to the Independent Shareholders in respect of the Agreement and the Loan Agreement and the transactions contemplated thereunder. An independent financial adviser will also be appointed to advise the Independent Board Committee.

A circular containing, amongst other things, details of the Agreement and the Loan Agreement, the recommendation of the Independent Board Committee, the advice of the independent financial adviser, together with a notice of the general meeting of the Vendor will be despatched to the Shareholders of the Vendor on or before 11 April 2018.

As the Disposal is subject to the fulfillment of various conditions precedent which may or may not be fulfilled, there is no assurance that the Disposal will be completed. Shareholders and potential investors should exercise caution when dealing in the securities of the Vendor and Nan Hai.

On 16 March 2018 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase (or procure the purchase) and the Vendor has conditionally agreed to sell (or procure the sale) to the Purchaser the Sale Equity Interest, representing 92.36% of the equity interest of the Target, for the Consideration of approximately HK\$520,600,000, which is to be satisfied in full in cash at Completion. Details of the Agreement are set out below.

THE AGREEMENT

Date

16 March 2018

Parties

- (1) Sino-i Technology Limited, a company incorporated in Hong Kong with limited liability, being the Vendor; and
- (2) Nan Hai Land (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Nan Hai, being the Purchaser.

The Purchaser is an investment holding company, an indirect wholly-owned subsidiary of Nan Hai and thus a connected person under Chapter 14A of the Listing Rules.

Assets to be disposed of

The subject matter of the Disposal are the Sale Equity Interest.

The Sale Equity Interest represents 92.36% equity interest in the Target. Details of the Target are set out in the section headed “Information of the Target” below.

Consideration

The Consideration attributable to the Sale Equity Interest shall be approximately HK\$520,600,000, which shall be satisfied by the Purchaser to the Vendor in full in cash at Completion.

The Consideration attributable to the Sale Equity Interest was determined after arm’s length negotiations between the Vendor and the Purchaser with reference to, among others:

- (i) the increase in valuation of the Property by approximately HK\$306,787,000 as compared with its unaudited book value as at 31 January 2018 of approximately HK\$608,741,000. Such increase in valuation was arrived at based on the indicative valuation of the Property of approximately HK\$915,528,000 (as at 31 January 2018) conducted by an independent property valuer; and
- (ii) the unaudited net asset value of the Target as at 31 January 2018 in an amount of approximately HK\$256,887,000.

The Consideration is derived at by multiplying 92.36% of the increase in valuation of the Property of approximately HK\$306,787,000 mentioned in (i) above and the unaudited net asset value of the Target as mentioned in (ii) above.

Conditions Precedent

Completion is conditional upon the satisfaction of the following conditions:

- (i) all warranties remaining true and accurate as at Completion, and the Vendor shall have performed or complied with its covenants, agreements and obligations contained in the Agreement and required to be performed or complied with by the Vendor at or prior to Completion;
- (ii) all necessary actions, consents, permissions, approvals and authorisations having been taken or obtained in connection with the transactions contemplated under the Agreement; and
- (iii) the issue of a circular by the Vendor to the Shareholders, and the approval by the necessary Shareholders of the Vendor at a general meeting of the Agreement, the Loan Agreement and the transactions contemplated thereunder in compliance with the Listing Rules.

If the conditions set out above shall not have been fulfilled or (where applicable) waived by 5 p.m. (Hong Kong time) on the date falling 180 days after the date of the Agreement or such other date as the parties may agree, the Agreement shall, subject to the liability of any party to the other in respect of any antecedent breaches of the terms thereof, be null and void and of no effect.

Completion

Completion shall take place by no later than 180 days from the date of the Agreement provided that all the conditions precedent under the Agreement are being fulfilled or otherwise waived (or such other date as may be agreed by the parties to the Agreement).

Upon Completion of the Disposal, the Target will be deconsolidated from the consolidated financial statements of the Sino-i Group effective from the date of Completion.

LOAN AGREEMENT

As at 31 January 2018, the net amount owed and payable to the Vendor and its subsidiaries by the Target is approximately HK\$347,522,971. Such amount is subject to adjustments at Completion. The amount owed and payable to the Vendor and its subsidiaries by the Target as at Completion will become a term loan repayable within three years from the date of the Loan Agreement which will be entered into between the Vendor and/or its subsidiaries and the Target on Completion of the Disposal. The share mortgage provided in respect of the loan agreement dated 29 May 2009 (entered into between the Vendor as lender and Nan Hai as borrower and as amended and supplemented by supplemental agreements as referred to in the announcement of the Vendor dated 2 May 2017) over the entire issued share capital of Nan Hai Development Limited (a wholly owned subsidiary of Nan Hai) will be expanded to cover the obligations under the Loan Agreement. The material terms and conditions of the Loan Agreement are set out below:

Parties

- (1) Lender: Vendor and/or its subsidiaries
- (2) Borrower: Target

Outstanding Principal

Approximately HK\$347,522,971 as at 31 January 2018 which is subject to adjustments as at Completion

Term

Three years from the date of the Loan Agreement

Interest Rate

8% per annum which shall accrue from day to day, be calculated on the basis of the actual number of days lapsed and a 365-day year, and be paid in arrears when the outstanding principal (or the relevant part thereof) shall be repaid/prepaid. The interest rate of 8% per annum was set with reference to the prevailing prime lending rates in Hong Kong and the average cost of finance of the Vendor at approximately 5.2% per annum as at 31 December 2017.

Default Interest Rate

10% per annum on the default amount, which shall accrue from day to day on the basis of a 365-day year commencing from and including the due date of payment to the date of actual payment.

Security

The share mortgage provided in respect of the loan agreement dated 29 May 2009 (as amended and supplemented by supplemental agreements as referred in the announcement of the Vendor dated 2 May 2017) over the entire issued share capital of Nan Hai Development Limited (a wholly owned subsidiary of Nan Hai) will be expanded to cover the obligations under the Loan Agreement.

INFORMATION OF THE TARGET

The Target is a company incorporated in the PRC. Other than the Sale Equity Interests, the remaining equity interests of the Target are owned by independent third parties. Its principal business is the holding of Property. A portion of the Property is currently being leased out and the Target will be sold to the Purchaser subject to existing tenancies of the Property.

Set out below are the unaudited consolidated financial information of the Target prepared under Hong Kong Financial Reporting Standards and extracted from the audited consolidated financial statements of the Sino-i Group for FY2015, FY2016 and the unaudited consolidated financial statements of the Sino-i Group for FY2017 respectively:

	FY2017 <i>HK\$'000</i>	FY2016 <i>HK\$'000</i>	FY2015 <i>HK\$'000</i>
Net loss before tax	9,082	33,277	25,296
Net loss after tax	1,839	33,277	25,296

The unaudited consolidated net assets value of the Target as at 31 January 2018 was approximately HK\$256,887,000.

The Property is a 5-storey office development with a 3-storey basement completed in about 2013. Details of the Property as at the date of this announcement is set out below:

Name:	Sino-i Campus
Location:	No. 1 Disheng West Road, Beijing Economic-Technological Development Area, Yi Zhuang Town, Daxing District, Beijing, PRC
Gross Site Area:	approximately 49,616.50 square meters
Gross Floor Area:	approximately 88,445.10 square meters

Property Leasing Framework Agreement

Upon Completion, the Target (as landlord) will enter into a property leasing framework agreement with the Vendor (as tenant) which will constitute continuing connected transaction. The terms of which will be in line with the principles as set out in the announcement of the Vendor dated 1 August 2016. Further details of the leasing arrangement will be announced upon Completion.

REASONS AND BENEFITS OF THE DISPOSAL

The Vendor is an investment holding company whose securities are listed and traded on the Main Board of the Stock Exchange. The Sino-i Group is principally engaged in the provision of enterprise cloud services. The Board considers that in order to streamline the business of the Sino-i Group and to focus the Sino-i Group's resources on enterprise cloud services, the Vendor has decided to dispose the Target that principally hold the Property. Upon Completion, the Target will cease to be a subsidiary of the Vendor and the financial results of the Target will no longer be consolidated into the Sino-i Group's financial statements. The estimated net gain arising from the Disposal is expected to be approximately HK\$387,600,000, such gain has been determined by reference to (i) the unaudited net asset value of the Target of approximately HK\$256,887,000 as at 31 January 2018; (ii) the Consideration attributable to the Sale Equity Interest and (iii) the release of various reserves upon the Disposal and taking into account the estimated tax payable;. The actual gain to be recorded by Vendor can only be ascertained when the consolidated net asset value of the Target and the incidental transaction costs are determined upon Completion. The Directors currently intend to apply the net proceeds from the Disposal (after deducting relevant costs and expenses in connection with the Disposal) as general working capital.

Regarding the Loan Agreement, comparing with the prevailing interest rate for time deposits being offered by banks to the public, the interest rate under the Loan Agreement remains attractive. The Vendor considers that the Loan Agreement will generate a stable interest income and offer a higher return to the Sino-i Group when comparing with the interest to be earned by making a Hong Kong dollar time deposit with financial institutions in Hong Kong.

Given that the Consideration attributable to the Sale Equity Interest was determined based after arm's length negotiations between the Vendor and the Purchaser with reference to the increase in valuation of the Property by approximately HK\$306,787,000 as compared with its unaudited book value as at 31 January 2018 of approximately HK\$608,741,000 and the unaudited net asset value of the Target of approximately HK\$256,887,000 as at 31 January 2018 and other reasons mentioned above, the Board of the Vendor (excluding (i) members of the Independent Board Committee whose views will be subject to the opinion of an independent financial adviser to be appointed in connection with the Agreement and Loan Agreement; and (ii) Mr. Yu Pun Hoi who is deemed to be interested in Nan Hai and has abstained from voting on the relevant resolution at the board meeting) considers that the Agreement and the Loan Agreement and the transactions contemplated therein are on normal commercial terms and the terms and conditions of the Agreement and the Loan Agreement are fair and reasonable and in the interests of the Vendor and Shareholders as a whole.

Given that the Disposal is in line with the strategy of the Nan Hai Group as it also engages in property development, accordingly, the directors of Nan Hai believe that the Disposal will be beneficial to the Nan Hai Group. The board of directors of Nan Hai (excluding Mr. Yu Pun Hoi who is deemed to be interested in the Vendor and has abstained from voting on the relevant resolution at the board meeting) consider that the Disposal, the Loan Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of Nan Hai and its shareholders as a whole.

Information on Purchaser

The Purchaser is an investment holding company incorporated in Hong Kong with limited liability, which principally engage in property development. The Purchaser is an indirect wholly owned subsidiary of Nan Hai.

Information on Nan Hai

Nan Hai is an investing holding company whose securities are listed and traded on the Main Board of the Stock Exchange. The Nan Hai Group is principally engaged in (i) culture and media services (mainly in cinema business on a nationwide basis in the PRC in addition to film distribution and other media related businesses); (ii) property development; and (iii) enterprise cloud services (through the Sino-i Group) as at the date of the announcement. In the meantime, the Nan Hai Group has achieved steady growth in new media and innovative business, the new business sectors which the Nan Hai Group tapped into. As at the date of this announcement, Nan Hai, through a number of wholly owned subsidiaries, holds approximately 64.45% of the issued share capital of the Vendor.

Information on the Vendor

The Vendor is an investment holding company whose securities are listed and traded on the Main Board of the Stock Exchange. The Sino-i Group is principally engaged in the provision of enterprise cloud services.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal and the Loan Agreement exceed 25% but below 75%, the Disposal and the Loan Agreement constitutes a major transaction of the Vendor under Chapter 14 of the Listing Rules. Further, given the Purchaser is the wholly owned subsidiary of Nan Hai and Nan Hai is the holding company of the Vendor, the Agreement and the Loan Agreement constitute a connected transaction for the Vendor under Chapter 14A of the Listing Rules. Accordingly, the Agreement and the Loan Agreement will be subject to the approval of the Independent Shareholders at the general meeting of the Vendor.

For Nan Hai, as one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal and the Loan Agreement exceed 5% but below 25%, the Disposal and the Loan Agreement constitute discloseable transaction of Nan Hai under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

Nan Hai and its associates shall abstain from voting on the resolution(s) to approve the Agreement and the Loan Agreement and the transactions contemplated thereunder at the general meeting of the Vendor.

As Mr. Xiao Sui Ning, an independent non-executive Director, is also an independent non-executive director of Nan Hai, he is not considered sufficiently independent to give advice or recommendation to the Independent Shareholders in relation to the Agreement and the Loan Agreement. Accordingly, Prof. Jiang Ping and Mr. Fung Wing Lap, the remaining independent non-executive Directors, have been appointed to form the Independent Board Committee to advise the Independent Shareholders, and an independent financial adviser will be appointed to advise the Independent Board Committee in relation to the Agreement and the Loan Agreement.

GENERAL

A circular containing, amongst other things, details of the Agreement and the Loan Agreement, the recommendation of the Independent Board Committee, the advice of the independent financial adviser, together with a notice of the general meeting of the Vendor will be despatched to the Shareholders on or before 11 April 2018.

As the Disposal is subject to the fulfillment of various conditions precedent which may or may not be fulfilled, there is no assurance that the Disposal will be completed. Shareholders and potential investors should exercise caution when dealing in the securities of the Vendor and Nan Hai.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Agreement”	the agreement dated 16 March 2018 entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Equity Interest
“associate”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“Completion”	completion of the sale and purchase of the Sale Equity Interest pursuant to the Agreement
“Consideration”	consideration for the Sale Equity Interest
“Director(s)”	the director(s) of the Vendor
“Disposal”	the proposed disposal of the Sale Equity Interest by the Vendor to the Purchaser pursuant to the terms of the Agreement
“FY2015”	the financial year ended 31 December 2015

“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ended 31 December 2017
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Prof. Jiang Ping and Mr. Fung Wing Lap, the independent non-executive Directors, established for the purpose of making recommendations to the Independent Shareholders in respect of the Agreement, the Loan Agreement and the transactions contemplated thereunder
“independent third party(ies)”	any person(s) or companies and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of the Vendor and connected persons (as defined under the Listing Rules) of the Vendor
“Independent Shareholders”	Shareholder(s) other than Nan Hai and those required to abstain from voting of the resolution(s) at the general meeting of the Vendor under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement to be entered into between the Vendor and/or its subsidiaries as lender and the Target as borrower upon Completion
“Nan Hai”	Nan Hai Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Stock Exchange (stock code: 680), the holding company and a connected person of the Vendor as defined under the Listing Rules
“Nan Hai Group”	Nan Hai and its subsidiaries
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Property”	the Sino-i Campus situated at No.1 Disheng West Road, Beijing Economic Technological Development Area, Yi Zhuang Town, Da Xing District, Beijing, PRC held by the Target

“Purchaser”	Nan Hai Land (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of Nan Hai
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity Interest”	92.36% equity interest in the Target
“Share”	ordinary shares of the Vendor
“Shareholder(s)”	the holder of the Shares
“Sino-i Group”	the Vendor and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	數碼慧谷置業管理股份有限公司 (Digital HUIGU Real Estate Management Co.,Ltd.*), a company incorporated in the PRC with limited liability and a subsidiary of the Vendor
“Vendor” or “Sino-i”	Sino-i Technology Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the Stock Exchange (stock code:250) and a subsidiary of Nan Hai

For the purposes of this announcement, unless otherwise indicated, the exchange rate of HK\$1 to RMB0.8050 has been used for currency translation, where applicable. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB has been, could have been or may be converted at such or any other rates.

By Order of the Board of
Nan Hai Corporation Limited
Lung King Cheong
Executive Director

By Order of the Board of
Sino-i Technology Limited
Liu Rong
Chairlady

Hong Kong, 16 March 2018

As at the date of this announcement, the directors of Nan Hai are:

<i>Executive Directors:</i>	<i>Non-executive Director:</i>	<i>Independent non-executive Directors:</i>
Mr. Yu Pun Hoi	Mr. Lam Bing Kwan	Mr. Lau Yip Leung
Ms. Liu Rong		Mr. Xiao Sui Ning
Mr. Lung King Cheong		Mr. Ho Yeung Nang

At the date of this announcement, the directors of Sino-i are:

<i>Executive directors:</i>	<i>Non-executive director:</i>	<i>Independent non-executive directors:</i>
Ms. Liu Rong	Mr. Lam Bing Kwan	Prof. Jiang Ping
Mr. Yu Pun Hoi		Mr. Fung Wing Lap
Mr. Chen Ming Fei		Mr. Xiao Sui Ning

* *For identification purpose only*