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FOREBASE INTERNATIONAL HOLDINGS LIMITED

申基國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2310)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARES OF CHERISH POSSESSION LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 10 April 2019 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors in relation to the Acquisition of the Sale Shares at the Consideration of HK\$21,070,000, which shall be satisfied by the Purchaser procuring the allotment and issue of the Consideration Shares at the Issue Price by the Company to the Vendors (or their respective nominee(s)).

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

As Completion is subject to and conditional upon fulfilment or waiver (where applicable) of the conditions precedent set out in the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder may or may not be materialised. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

The Board is pleased to announce that on 10 April 2019 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors in relation to the Acquisition of the Sale Shares at the Consideration of HK\$21,070,000.

Principal terms of the Sale and Purchase Agreement are set out as follows:

Date

10 April 2019

Parties

- (1) The Purchaser;
- (2) Vendor A; and
- (3) Vendor B.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, each of the Vendors is an Independent Third Party.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and each of the Vendors has conditionally agreed to sell 50% of the issued share capital of the Target Company.

The Sale Shares represent in aggregate 100% of the issued share capital of the Target Company, which shall be sold to the Purchaser free from all encumbrances and third party rights. Upon Completion, the Target Company will be wholly-owned by the Purchaser, while the Property Company will be accounted for as an associate of the Company in the Group's consolidated financial statements.

Consideration and payment terms

The total Consideration for the Acquisition is HK\$21,070,000, which shall be satisfied by the Purchaser procuring the allotment and issue of the Consideration Shares at the Issue Price by the Company to the Vendors (or their respective nominees) in the following manner:

- 29,263,888 Consideration Shares, representing 50% of the total number of Consideration Shares shall be issued and allotted to the Vendor A at the Issue Price upon Completion; and
- 29,263,888 Consideration Shares, representing 50% of the total number of Consideration Shares shall be issued and allotted to the Vendor B at the Issue Price upon Completion.

Upon allotment and issue of the Consideration Shares, the payment obligations of the Purchaser under the Sale and Purchase Agreement shall be fully discharged.

The Consideration was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement with reference to (i) the market value of the Properties as determined by reference to a valuation report prepared by an independent valuer appointed by the Purchaser; (ii) the attributable interest in the Properties enjoyed by the Target Company; and (iii) a discount to the market value in light of the fact that the Properties are under construction as at the date of the Sale and Purchase Agreement. The Directors consider the Consideration to be fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Acquisition is subject to and conditional upon, the fulfilment or waiver of, the following conditions precedent:

- (i) the Purchaser is satisfied with the results of the due diligence exercise conducted on the Target Company and the Property Company;
- (ii) the Purchaser obtaining the approval of its board of directors and its shareholders in general meeting for the purchase of the Sale Shares, if required;
- (iii) the Company obtaining the approval of its' Board and/or its' shareholders in general meeting for the purchase of the Sale Shares, if so required;
- (iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal, in the Consideration Shares;
- (v) the obtaining of a legal opinion (in the form and substance to the satisfaction of the Purchaser) from a qualified Malaysian legal adviser appointed by the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated under the Sale and Purchase Agreement, including, but not limited to, the due incorporation and subsistence of the Property Company, the beneficial ownership of the Property Company, and the legality and validity of the Properties in Melaka, Malaysia;
- (vi) the obtaining of a valuation report (in the form and substance satisfactory to the Purchaser) from a firm of independent professional valuer appointed by the Purchaser showing the valuation of the Properties to be not less than HK\$43,000,000;
- (vii) the warranties given by the Vendors under the Sale and Purchase Agreement remaining true, accurate and complete in all respects; and
- (viii) the parties obtaining the approval or consent of any other relevant authority(ies) or person(s) for the sale and purchase of the Sale Shares, if required.

Save for conditions (i) and (vii) above could be waived by the Purchaser at its absolute discretion, all the conditions precedent could not be waived. In the event that the conditions precedent are not fulfilled (or waived, as the case may be) within a period of three months from the date of the Sale and Purchase Agreement or such extension as may be mutually agreed by the parties thereto, then upon expiration of such extension, the Sale and Purchase Agreement shall determine and cease to have any further force and effect (save for any surviving provisions) with neither party having any rights and obligations against the other (save or any antecedent breach thereunder).

Consideration Shares

Pursuant to the Sale and Purchase Agreement, as aggregate of 58,527,776 Consideration Shares will be allotted and issued by the Company to the Vendors (or their respective nominees) on Completion, representing (a) approximately 8.73% of the existing issued share capital of the Company as at the date of this announcement; and (b) approximately 8.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue, including the rights to vote and the rights to all dividends, distributions and other payments made or to be made for which the record date falls on or after the date of such allotment and issue.

The Consideration Shares will be allotted and issued under the General Mandate. The maximum number of Shares that may be issued under the General Mandate is 109,281,668 new Shares, being 20% of the then total issued Shares as at the date of the annual general meeting of the Company held on 29 May 2018. As at the date of this announcement, the General Mandate has not been utilised. Accordingly, no further approval is required to be obtained from the Shareholders for the allotment and issue of the Consideration Shares.

An application will be made to the Stock Exchange for the listing of, and the permission to deal in, the Consideration Shares.

Issue Price

The Issue Price of HK\$0.36 was arrived at after arm's length negotiations between the Purchaser and the Vendors, which represents:

- (i) a premium of approximately 20% to the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the date of signing of the Sale and Purchase Agreement; and
- (ii) a premium of approximately 8.76% to the average closing price of approximately HK\$0.331 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the Sale and Purchase Agreement.

The Issue Price was arrived at after arm's length negotiations between the Vendors and the Company with reference to (i) the prevailing market price of the Shares; and (ii) no cash element is involved in the Consideration and the settlement of the Consideration by the allotment and issue of the Consideration Shares helps to maintain the cash level and reduce the finance costs of the Group in relation to the Acquisition. The Directors consider the Issue Price is fair and reasonable.

Completion

The Completion shall take place on the third business day upon the fulfillment (or waiver, as the case may be) of the conditions precedent of the Sale and Purchase Agreement (or such later date as the Vendors and the Purchaser may agree in writing).

INFORMATION OF THE TARGETS AND THE PROPERTIES

The Target Company is a company incorporated in British Virgin Islands with limited liability and is principally engaged in investment holding. It holds 49% of the legal and beneficial interest in the issued share capital of the Property Company. The remaining 51% of the issued shares capital of the Property Company is held by a Malaysia national, which is an Independent Third Party.

The Property Company is a company incorporated in Malaysia with limited liability and is principally engaged in property investment, and holds 49% of the issued Share Capital of the Property Company. The principal asset of the Property Company are the Properties. The Properties comprise of 22 units located in the building called “The Apple” located in Melaka, Malaysia, which is a multi-storey building consisting of 361 units in total, all of which will be used as serviced apartments. The building is located in the city centre of the city of Melaka and is a prime commercial area and tourist attraction. As at the date of this announcement, the building is under construction and completion thereof is expected to take place in around the third quarter of 2019. The aggregate gross floor area of the 22 units is approximately 22,726 square feet.

Upon Completion of the construction, the 22 units will be rented to residents as serviced apartments and generate rental income to the Property Company.

The Target Company was newly incorporated to hold the Property Company and the Properties and has no profit or loss during the year ended 31 December 2017 and 2018 and no net asset as at 31 December 2018. The market value of the Properties as at 15 March 2019 was HK\$43,000,000 pursuant to a preliminary valuation prepared by an independent valuer which resulted in an investment in associate (49% interest) held by the Target Company of HK\$21,070,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in hotel operation, properties development and provision of property management services.

It has been the Company’s objective to explore other investment opportunities in hotel operation, property investment and development in Hong Kong, the PRC and other overseas countries, with an aim to deliver substantial returns for shareholders of the Company through a series of acquisitions and proposed cooperation. The Company considers that the Acquisition is in line with the overall business direction of the Group and is a good investment opportunity to step into the property investment industry in the Malaysia property market. The Group currently intends to, through the Property Company, hold the Properties for investment purpose to receive rental income and will engage a local professional property manager to manage the Properties and the leases upon the completion of construction of the Properties. Taking into account the prime location of the Properties located in the city centre of the city of Melaka, the Group believes that the Acquisition could generate stable cashflow and income to the Group and may enjoy potential capital appreciation in the future.

Taking into account the above factors, the Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Company also intends that, after Completion and depending on the performance of the Properties and the business of the Target Company, as well as the investment property market of Malaysia, and subject to compliance with the laws of Malaysia, the Company may (through the Target Company) consider to acquire the remaining interest in the Property Company. In such event, the Company will make further announcement and comply with the relevant requirements of the Listing Rules, as and when necessary.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Consideration Shares (assuming there is no other change in the shareholding structure of the Company from the date of this announcement up to the date of completion):

	As at the date of this announcement		Immediately after allotment and issue of Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Ultra Harvest Limited (<i>Note 1</i>)	205,962,125	30.74	205,962,125	28.27
Magic Blazes Limited (<i>Note 2</i>)	68,229,512	10.18	68,229,512	9.36
Middle Spring Limited (<i>Note 3</i>)	123,648,678	18.46	123,648,678	16.97
Mr. Shen Yong (<i>Note 4</i>)	6,520,000	0.97	6,520,000	0.89
Mr. Shen Ke (<i>Note 5</i>)	5,510,000	0.82	5,510,000	0.76
Ms. Meng Qing (<i>Note 6</i>)	5,500,000	0.82	5,500,000	0.75
Sincere King Limited	85,500,000	12.76	85,500,000	11.74
Vendor A	—	—	29,263,888	4.02
Vendor B	—	—	29,263,888	4.02
Public Shareholders	169,186,706	25.25	169,186,706	23.22
Total	<u>670,057,021</u>	<u>100.00</u>	<u>728,584,797</u>	<u>100.00</u>

Note(s):

1. Ultra Harvest Limited is owned as to 99% by Mr. Shen Yong and 0.20% by Mr. Shen Ke.
2. Magic Blazes Limited is a wholly-owned subsidiary of Ultra Harvest Limited.
3. Middle Spring Limited is owned by Mr. Shen.
4. Mr. Shen Yong is the chairman of the Company and an executive Director.
5. Mr. Shen Ke the son of Mr. Shen Yong.
6. Ms. Meng Qing is the spouse of Mr. Shen Yong.

LISTING RULES IMPLICATIONS

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

As Completion is subject to and conditional upon fulfilment or waiver (where applicable) of the conditions precedent set out in the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder may or may not be materialised. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the terms of Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	Forebase International Holdings Limited (申基國際控股有限公司) (stock code: 2310), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Sale and Purchase Agreement
“Consideration”	the total consideration of the Acquisition in the amount of HK\$21,070,000
“Consideration Shares”	an aggregate of 58,527,776 new Shares to be allotted and issued by the Company at the Issue Price to the Vendors (or their respective nominee(s)) to satisfy the Consideration
“Directors”	the directors of the Company
“General Mandate”	the general unconditional mandate granted by the Shareholders to the Board at the annual general meeting of the Company held on 29 May 2018 to allot, issue and deal with up to 109,281,668 new Shares by the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	an independent third party not connected with the Company or its connected persons (as defined in the Listing Rules)
“Issue Price”	the issue price of HK\$0.36 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Properties”	a total of 22 units situated in the building called “The Apple” located in Melaka, Malaysia
“Property Company”	Total Blossom Sdn Bhd, a private limited company incorporated in Malaysia
“Purchaser”	Freemaster Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 10 April 2019 and entered into between the Purchaser and the Vendors in respect of the Acquisition
“Sale Shares”	an aggregate of 10,000 ordinary shares in the capital of the Target Company representing the entire issued share capital of the Target Company
“Shareholders”	holders of the Shares from time to time
“Shares”	ordinary share(s) in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Cherish Possession Limited, a company incorporated in British Virgin Island with limited liability
“Vendor A”	Mr. Yu Kin Wai Perway, an Independent Third Party
“Vendor B”	Mr. Chu Hin Ming Alfonso, an Independent Third Party

“Vendors”	together, Vendor A and Vendor B
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

On behalf of the Board
Forebase International Holdings Limited
SHEN Yong
Chairman

Hong Kong, 10 April 2019

As at the date hereof, the executive Directors of the Company are Mr. SHEN Yong and Mr. GAN Lin; the non-executive Director of the Company is Mr. HUANG Xiang Yang and the independent non-executive Directors of the Company are Dr. LOKE Yu (alias Loke Hoi Lam), Mr. YU Lei and Mr. Ernst Rudolf ZIMMERMANN.