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## **CHONG KIN GROUP HOLDINGS LIMITED**

**創建集團（控股）有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1609)**

### **MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE NEVS AND LOGISTICS BUSINESS AND THE FINANCE LEASING BUSINESS**

#### **THE SHARE PURCHASE AGREEMENT**

On 22 October 2021, after trading hours of the Stock Exchange, the Company entered into the Share Purchase Agreement with the Purchaser, pursuant to which (i) the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Stand East Sale Shares and the Stand East Shareholder's Loan; and (ii) the Company conditionally agreed to procure China Golden, its direct wholly-owned subsidiary, to sell and the Purchaser conditionally agreed to purchase the Hua Yao Sale Shares and the Hua Yao Shareholder's Loan, at a total Consideration of HK\$180,000,000.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 25% but all are below 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, a written Shareholders' approval may be accepted in lieu of holding a general meeting to approve the Share Purchase Agreement and the transactions contemplated thereunder on the conditions that (i) no Shareholder is required to abstain from voting if a general meeting of the Company is held to approve the Share Purchase Agreement and the transactions contemplated thereunder; and (ii) approval has been given by a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the Shares in issue giving the right to vote at general meetings to approve the Share Purchase Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its associates have any material interest in the Share Purchase Agreement and the transactions contemplated thereunder and thus none of the Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Share Purchase Agreement and the transactions contemplated thereunder.

On 22 October 2021, Mr. Zhang Jinbing by himself and through Prestige Rich Holdings Limited holds an aggregate of 633,600,000 Shares, representing 57.84% of the issued share capital of the Company, has given the written Shareholders' approval for the Share Purchase Agreement and the Disposal pursuant to Rule 14.44 of the Listing Rules and such written approval is accepted in lieu of holding a general meeting. As a result, no extraordinary general meeting will be convened for the Company for the purpose of approving the Share Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the Share Purchase Agreement, the Disposal, and other information as required under the Listing Rules, is expected to be despatched to Shareholders on or before 12 November 2021.

**AS COMPLETION IS SUBJECT TO THE SATISFACTION (OR WAIVER, AS THE CASE MAY BE) OF THE CONDITIONS, THE DISPOSAL MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD EXERCISE CAUTION WHEN DEALING IN THE SHARES.**

## **INTRODUCTION**

On 22 October 2021, after trading hours, the Company entered into the Share Purchase Agreement with the Purchaser, pursuant to which (i) the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Stand East Sale Shares and the Stand East Shareholder's Loan; and (ii) the Company conditionally agreed to procure China Golden, its direct wholly-owned subsidiary to sell, and the Purchaser conditionally agreed to purchase the Hua Yao Sale Shares and the Hua Yao Shareholder's Loan, at a total Consideration of HK\$180,000,000.

A summary of the major terms of the Share Purchase Agreement is set out below.

## **THE SHARE PURCHASE AGREEMENT**

### **Date**

22 October 2021

### **Parties**

- (1) The Company; and
- (2) the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) the ultimate beneficial owner of the Purchaser is Mr. Zhang Yuwen; and (ii) the Purchaser and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

### **Interests to be disposed of**

- (1) The Stand East Sale Shares (effectively hold 90% of the equity interest in Zhong Jun) and the Stand East Shareholder's Loan; and
- (2) the Hua Yao Sale Shares (effectively hold approximately 95% of the equity interest in Hua Yao Finance Lease) and the Hua Yao Shareholder's Loan.

### **Consideration**

The Consideration is in the sum of HK\$180,000,000 payable by the Purchaser to the Company by way of cash in the following manner:

- (1) HK\$20,000,000 being the non-refundable deposit to the Company on or before 29 October 2021; and
- (2) HK\$160,000,000 to the Company upon Completion, subject to the fulfillment (or waiver, as the case may be) of the Conditions, expected to take place on or before 19 November 2021.

### **Basis of consideration**

The Consideration is determined after arm's length negotiations between the Company and the Purchaser with reference to (i) the unaudited net asset value of the Stand East Group adjusted by the market value of the NEVs as appraised by an independent valuer as at 31 August 2021; (ii) the unaudited net asset value of the Hua Yao Group as at 31 August 2021; and (iii) the amounts of the Stand East Shareholder's Loan and the Hua Yao Shareholder's Loan as at 31 August 2021.

The Consideration represents a discount of approximately 20.8% to the aggregate amount of the net asset value of the Stand East Group and the Hua Yao Group and the Stand East Shareholder's Loan and the Hua Yao Shareholder's Loan of approximately HK\$227.3 million as mentioned above. The Directors considered that the NEVs and Logistics Business and the Finance Leasing Business had been loss making and the prospects of the NEVs and Logistics Business and the Finance Leasing Business to turnaround for profit in the near future may not be promising, which is further discussed in the section headed "Reasons for and benefits of the Disposal" below. Accordingly, the Directors consider that the Disposal represents an opportunity for the Group to realise its loss making investment despite that the Group may recognise a loss on disposal of approximately HK\$72.4 million as discussed in the section headed "Financial impact of the Disposal" below. Having considered the Group would be able to receive net cash proceed of approximately HK\$175 million for the continued development of the Group's business, in particular the existing concrete placing business, the Directors are of the view that, on balance, the consideration for the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions**

Completion of the Disposal is conditional upon the following Conditions being fulfilled and remaining satisfied as at Completion:

- (i) all approvals, consents, authorisations and licences (so far as are necessary) in relation to the transactions contemplated under the Share Purchase Agreement having been obtained from the relevant governmental and regulatory authorities;
- (ii) the necessary approval by the Shareholders for the Share Purchase Agreement and the transactions contemplated thereunder in compliance with the Listing Rules having been obtained;
- (iii) the Purchaser being satisfied, from the date of the Share Purchase Agreement to Completion, there has not been any material adverse change in respect of the Stand East Group and the Hua Yao Group; and
- (iv) the representation, warranties and/or undertakings given by the Company under the Share Purchase Agreement remaining true, accurate and not misleading.

Save and except for Conditions (i) and (ii) which are not waivable, the Purchaser may at its absolute discretion at any time waive in writing any of the Conditions specified.

If all the Conditions have not been satisfied or waived (as the case may be) by 5:00 p.m. on the Long Stop Date, the Share Purchase Agreement shall be terminated and the Company shall be entitled to keep the non-refundable deposit in the sum of HK\$20,000,000 paid by the Purchaser, upon which all obligations of the parties shall cease and determine and none of the parties shall have any claim against the other save for any antecedent breach of any obligation under the Share Purchase Agreement.

As at the date of this announcement, as the Company has obtained the written Shareholder's approval from Mr. Zhang Jinbing and Prestige Rich Holdings Limited as further detailed in the section headed "Listing Rules implications" below, Condition (ii) has been fulfilled.

## **Completion**

Completion shall take place on the fifth business day after the date of the fulfilment (or waiver, as the case may be) of the last of the Conditions set out in the section headed "Conditions" above, or on such other date as may be agreed between the Company and the Purchaser.

The Company and the Purchaser expect that the Completion shall take place on or before 19 November 2021.

## **FINANCIAL IMPACT OF THE DISPOSAL**

With reference to (i) the net liabilities attributable to shareholder of the Stand East Group of approximately HK\$7,828,000 and the Stand East Shareholder's Loan of approximately HK\$166,135,000 as at 31 August 2021; (ii) the carrying amount of the goodwill arose from the acquisition of the Stand East Group of approximately HK\$20,112,000; and (iii) the net assets attributable to shareholders of the Hua Yao Group of approximately HK\$10,509,000 and the Hua Yao Shareholder's Loan of approximately HK\$58,494,000 as at 31 August 2021, the estimated net loss from the Disposal would be approximately HK\$72,426,000 after deducting expenses in relation to the Disposal. The actual gain or loss on the Disposal may be different from the above and subject to the review and final audit by the Company's auditor. In any event, the Board does not envisage that the Disposal will create any significant adverse impact on the Group's financial position.

Upon Completion, the Company shall cease to have any interest in the Stand East Group and the Hua Yao Group, and the Stand East Group and the Hua Yao Group shall cease to be consolidated in the accounts of the Group.

The net proceeds after deducting the expenses in relation to the Disposal are estimated to be HK\$175,000,000. The Company intends that (i) HK\$100,000,000 representing approximately 57.1% of the net proceeds from the Disposal will be used for development and expansion of the Group's concrete placing business; (ii) HK\$45,000,000 representing approximately 25.7% of the net proceeds from the Disposal will be used for potential investment and future opportunities; and (iii) HK\$30,000,000 representing approximately 17.2% of the net proceeds from the Disposal will be used as general working capital of the Group.

## INFORMATION ON THE COMPANY AND THE PURCHASER

### The Company

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in operating segments of (i) provision of concrete placing and other ancillary services as a subcontractor for both public and private sector projects, including building and infrastructure related projects; (ii) provision of the NEVs and Logistics Business; (iii) provision of the Finance Leasing Business; (iv) provision of loan finance business in Hong Kong; and (v) real estate development in Grenada.

Following the Completion, the Group shall cease to be engaged in the provision of the NEVs and Logistics Business and the Finance Leasing Business.

### China Golden

China Golden is a limited company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company. It holds a money lender licence issued under Money Lender Ordinance (Cap. 163), laws of Hong Kong and carries out the business of money lending in Hong Kong.

### The Purchaser

The Purchaser is an investment holding company incorporated under the laws of BVI. The ultimate beneficial owner of the Purchaser has extensive experience in investment and business management in the PRC.

## INFORMATION ON THE STAND EAST GROUP

The Stand East Group is principally engaged in the NEVS and Logistics Business which comprises (i) sale of NEVs; (ii) leasing of NEVs; and (iii) provision of logistics related services.

A summary of the unaudited consolidated financial information of the Stand East Group prepared in accordance with HKFRS for the two years ended 31 March 2020 and 31 March 2021 is set out below:

	<b>For the year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss)/profit before taxation	<b>(98,278)</b>	23,812
(Loss)/profit after taxation	<b>(95,153)</b>	17,858

During the years ended 31 March 2020 and 2021, the Group recorded impairment loss on goodwill arose from the acquisition of the Stand East Group of approximately HK\$254.6 million and HK\$119.5 million respectively.

As at 31 August 2021, the unaudited consolidated net liabilities attributable to shareholders of the Stand East Group were approximately HK\$7,827,000, and the Stand East Shareholder's Loan was in the approximate sum of HK\$166,135,000.

## **INFORMATION OF THE HUA YAO GROUP**

The Hua Yao Group is principally engaged in the Finance Leasing Business which involves the provision of finance leasing services in the PRC for customers of NEVs from the Stand East Group and other third parties.

A summary of the unaudited combined financial information of the Hua Yao Group prepared in accordance with HKFRS for the two years ended 31 March 2020 and 31 March 2021 is set out below:

	<b>For the year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
(Loss)/profit before taxation	<b>(22,859)</b>	1,511
(Loss)/profit after taxation	<b>(22,912)</b>	1,482

As at 31 August 2021, the unaudited combined net assets attributable to shareholders of the Hua Yao Group were approximately HK\$10,511,000, and the Hua Yao Shareholder's Loan was in the approximate sum of HK\$58,495,000.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

Due to the adverse effect brought by the changes in government policies in 2019 and 2020 whereby government subsidies on NEVs purchase was reduced, resulting in an increase in purchase price of NEVs in 2018, the Company has made a prudent move to downsize the NEVs sales business by running off the then existing inventory on hand and not stocking up new supplies, to await the business environment of the NEVs market more settled in for the new government policies.

The Finance Leasing Business has commenced its business since April 2019. Due to delay and certain default in the repayment of interests from the lessees, the revenue of the Finance Leasing Business was affected.



During the financial year ended 31 March 2021, the aggregate revenue generated by the Stand East Group and the Hua Yao Group decreased significantly by approximately 84.8% from HK\$379.4 million to HK\$57.7 million, which was primarily attributable to the significant drop of revenue from sales of NEVs. In the financial years ended 31 March 2019, 31 March 2020 and 31 March 2021, the NEVs and Logistics Business and the Finance Leasing Business had recorded segment losses which comprised the operating results and the impairment loss on goodwill.

The Directors anticipate that the financial performance of the NEVs and Logistics Business and the Finance Leasing Business will remain difficult in the near future amid the macro-economic business situations, accordingly, the prospect of the NEVs and Logistics Business and the Finance Leasing Business to turnaround for profit in the near future may not be promising. In view of these, the Directors consider that it is in the interests of the Company and the Shareholders to dispose of the loss-making businesses. Following the Completion, the Company will allocate resources on the continuous development of the Company's existing principal business, in particular the concrete placing business.

The Directors are of the view that the terms of the Share Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and the Disposal is in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 25% but all are below 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, a written Shareholders' approval may be accepted in lieu of holding a general meeting to approve the Share Purchase Agreement and the transactions contemplated thereunder on the conditions that (i) no Shareholder is required to abstain from voting if a general meeting of the Company is held to approve the Share Purchase Agreement and the transactions contemplated thereunder; and (ii) approval has been given by a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the Shares in issue giving the right to vote at general meetings to approve the Share Purchase Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its associates have any material interest in the Share Purchase Agreement and the transactions contemplated thereunder and thus none of the Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Share Purchase Agreement and the transactions contemplated thereunder.



On 22 October 2021, Mr. Zhang Jinbing by himself and through Prestige Rich Holdings Limited holds an aggregate of 633,600,000 Shares, representing 57.84% of the issued share capital of the Company, has given the written Shareholders' approval for the Share Purchase Agreement and the Disposal pursuant to Rule 14.44 of the Listing Rules and such written approval is accepted in lieu of holding a general meeting. As a result, no extraordinary general meeting will be convened for the Company for the purpose of approving the Share Purchase Agreement and the transactions contemplated thereunder.

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## **DEFINITIONS**

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Blossom Field”	Blossom Field Trading Develop Limited (茂田貿易拓展有限公司), a limited company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“Blossom Field Sale Shares”	10,000 shares of Blossom Field representing its entire issued share capital
“Board”	board of Directors
“BVI”	the British Virgin Islands
“China Golden”	China Golden Holdings Limited (中光集團有限公司), a limited company incorporated under the law of Hong Kong and a direct wholly-owned subsidiary of the Company
“Company”	Chong Kin Group Holdings Limited, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange (stock code: 1609)
“Completion”	the completion of the Disposal pursuant to the terms and conditions of the Share Purchase Agreement

“Conditions”	the conditions to Completion under the Share Purchase Agreement
“Consideration”	the consideration payable by the Purchaser for the Stand East Sale Shares, the Stand East Shareholder’s Loan, the Hua Yao Sale Shares and the Hua Yao Shareholder’s Loan under the Share Purchase Agreement
“Directors”	the directors of the Company
“Disposal”	disposal of the Stand East Sale Shares and Hua Yao Sale Shares and assignment of the Stand East Shareholder’s Loan and the Hua Yao Shareholder’s Loan on and subject to the terms and conditions set out in the Share Purchase Agreement
“Finance Leasing Business”	the provision of finance leasing services by the Group in the PRC
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hua Yao Finance Lease”	華耀融資租賃（深圳）有限公司 (for identification purpose only, in English, Hua Yao Finance Lease (Shenzhen) Limited), a sino-foreign joint venture incorporated and existed under the laws of the PRC for which the Company effectively holds approximately 95% of its equity interest
“Hua Yao Group”	the group of companies comprising Blossom Field, Hua Yao Shenzhen and Hua Yao Finance Lease whose principal business is the Finance Leasing Business
“Hua Yao Sale Shares”	Blossom Field Sale Shares and Hua Yao Shenzhen Sale Interest
“Hua Yao Shareholder’s Loan”	amounts due from the Hua Yao Group to China Golden

“Hua Yao Shenzhen”	華耀實業(深圳)有限公司 (for identification purpose only, in English, Hua Yao Industrial (Shenzhen) Limited), a sino-foreign joint venture incorporated and existed under the laws of the PRC for which the Company indirectly holds 93.34% of its equity interest
“Hua Yao Shenzhen Sale Interest”	93.34% of the equity interest in Hua Yao Shenzhen
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2021 or any other dates as agreed between the Company and the Purchaser
“Mr. Zhang”	Zhang Yuwen (張瑜文), a natural person and the ultimate beneficial owner of the Purchaser
“NEVs”	new energy vehicles
“NEVs and Logistics Business”	the business involving sale of NEVs, leasing of NEVs and provision of logistics related services of the Group in the PRC
“PRC”	the People’s Republic of China
“Profit Empire”	Profit Empire Investment Limited (君澤投資有限公司), a limited company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“Purchaser”	TRIUMPH SYSTEM INCORPORATED, a company incorporated under BVI laws, which is wholly-owned by Mr. Zhang
“Share Purchase Agreement”	a share purchase agreement dated 22 October 2021 entered into between the Company and the Purchaser in relation to the Disposal
“Share(s)”	ordinary share(s) of HK\$0.01 each of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stand East”	Stand East Investment Limited, a limited liability company incorporated under the BVI laws and a direct wholly-owned subsidiary of the Company

“Stand East Group”	the group of companies comprising Stand East, Profit Empire, Zhong Jun and its subsidiaries whose principal business is NEVs and Logistics Business
“Stand East Sale Shares”	two shares of Stand East representing its entire issued share capital
“Stand East Shareholder’s Loan”	amounts due from the Stand East Group to the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhong Jun”	中軍凱旋汽車租賃公司 (for identification purpose only, in English, Zhong Jun Kai Xuan Automotive Leasing Company), a wholly foreign-owned enterprise incorporated and existed under the laws of the PRC and an indirect non wholly-owned subsidiary of the Company for which the Company effectively holds 90% of its equity interest
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By Order of the Board  
**Chong Kin Group Holdings Limited**  
**Zhang Jinbing**  
*Chairman*

Hong Kong, 22 October 2021

*As at the date of this announcement, the Board comprises, four executive Directors, namely, Mr. Zhang Jinbing, Mr. Ma Chao, Mr. Qiu Peiyuan and Mr. Leung Chi Kwong, Joe; and three independent non-executive Directors, namely, Mr. Tam Ping Kuen, Daniel, Dr. Li Yifei and Ms. Chen Weijie.*