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Ye Xing Group Holdings Limited
燁星集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1941)

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE
ACQUISITION OF RIGHT-OF-USE OF OFFICE BUILDING**

Independent Financial Adviser



OFFICE BUILDING RIGHT-OF-USE TRANSFER AGREEMENT

The Board is pleased to announce that, on 26 September 2023, Hongkun Ruibang (an indirect wholly-owned subsidiary of the Company) (as transferee) entered into the Transfer Agreement with Beijing Ruihongda (as transferor), pursuant to which Beijing Ruihongda agreed to transfer and Hongkun Ruibang agreed to acquire the right-of-use of the Property for a term commencing from the date of approval of the Transfer Agreement and the Acquisition contemplated thereunder by the Shareholders in accordance with the Listing Rules to 30 June 2041 at a consideration of RMB36,846,854, which will be settled in full by way of set-off against (i) the total amount of outstanding Refundable Deposits owed by Wuxi Yongqing to Hongkun Ruibang Wuxi as at the date of the Transfer Agreement; and (ii) the total amount of outstanding trade receivables owed by Wuxi Yongqing to the Group as at the date of the Transfer Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) stipulated under the Listing Rules in respect of the Acquisition exceed 25% but all of the applicable percentage ratios are less than 100%, the Acquisition contemplated under the Transfer Agreement constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, shareholders' approval and circular requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Beijing Ruihongda is ultimately wholly beneficially owned/controlled by Mr. Zhao Weihao and his associates. Mr. Zhao Weihao is an executive Director and a controlling shareholder of the Company, and therefore Beijing Ruihongda is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the requirements of reporting, announcement, circular and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

Mr. Zhao Weihao, an executive Director and a controlling shareholder of the Company, had abstained from voting on the relevant Board resolutions approving the entering into of the Transfer Agreement and the Acquisition in accordance with the Listing Rules, the applicable laws in the Cayman Islands and the articles of association of the Company. Save as disclosed above, none of the Directors has or is deemed to have a material interest in the Acquisition contemplated under the Transfer Agreement and/or is required to abstain from voting on the relevant Board resolutions.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with the Listing Rules, the Independent Board Committee, comprising Mr. Chan Cheong Tat, Mr. Cheung Wai Hung, Ms. Chen Weijie and Mr. Leung Ka Wo, all being independent non-executive Directors, has been established to advise the Independent Shareholders on the Transfer Agreement and the Acquisition.

Under Rule 14A.44 of the Listing Rules, Maxa Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Transfer Agreement and the Acquisition and as to how the Independent Shareholders should vote.

EGM

The Company will convene an EGM for the Independent Shareholders to consider and approve, among other things, the Transfer Agreement and the Acquisition.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder or their associates who have a material interest in the transactions shall abstain from voting at the EGM on the resolution approving the Transfer Agreement and the Acquisition. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, apart from Mr. Zhao Weihao and his associates, no other Shareholder is required to abstain from voting on the resolution approving the Transfer Agreement and the Acquisition at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Transfer Agreement and the Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Transfer Agreement and the Acquisition and its voting recommendations; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders regarding the Transfer Agreement and the Acquisition and its voting recommendations; and (iv) a notice of the EGM will be despatched by the Company as required by the Listing Rules where practicable. The circular is expected to be despatched to the Shareholders on or before 17 October 2023.

INTRODUCTION

The Board is pleased to announce that, on 26 September 2023, Hongkun Ruibang (an indirect wholly-owned subsidiary of the Company) (as transferee) entered into the Transfer Agreement with Beijing Ruihongda (as transferor), pursuant to which Beijing Ruihongda agreed to transfer and Hongkun Ruibang agreed to acquire the right-of-use of the Property for a term commencing from the date of approval of the Transfer Agreement and the Acquisition contemplated thereunder by the Shareholders in accordance with the Listing Rules to 30 June 2041 at a consideration of RMB36,846,854, which will be settled in full by way of set-off against (i) the total amount of outstanding Refundable Deposits owed by Wuxi Yongqing to Hongkun Ruibang Wuxi as at the date of the Transfer Agreement; and (ii) the total amount of outstanding trade receivables owed by Wuxi Yongqing to the Group as at the date of the Transfer Agreement.

TRANSFER AGREEMENT

The major terms of the Transfer Agreement are as follows:

Date: 26 September 2023

Parties: (i) Hongkun Ruibang (as transferee); and
(ii) Beijing Ruihongda (as transferor).

Assets to be acquired: The right-of-use of the Property for a term commencing from the date of approval of the Transfer Agreement and the Acquisition contemplated thereunder by the Shareholders in accordance with the Listing Rules to 30 June 2041.

Based on the information provided by Beijing Ruihongda, the original acquisition cost of the right-of-use of the Property for a term of 21 years was RMB23,000,000.

Consideration: RMB36,846,854 (i.e. approximately RMB7,395/square meter)

Settlement: On 20 May 2020, Hongkun Ruibang Wuxi entered into the Sole Agency Agreement 1 with Wuxi Yongqing, a former fellow subsidiary of the Company which was ultimately wholly beneficially owned/controlled by Mr. Zhao Weihao and his associates at the material time, pursuant to which Hongkun Ruibang Wuxi should provide agency services for the lease/right-of-use transfer of 488 car parking spaces developed by Wuxi Yongqing and was required to pay the Refundable Deposits 1 to Wuxi Yongqing to ensure provision of agency services. Further, on 30 December 2020, Hongkun Ruibang Wuxi entered into the Sole Agency Agreement 2 with Wuxi Yongqing, pursuant to which Hongkun Ruibang Wuxi should provide agency services for the lease/right-of-use transfer of 643 car parking spaces and the sale of 2 shops all developed by Wuxi Yongqing and was required to pay the Refundable Deposits 2 to Wuxi Yongqing to ensure provision of agency services.

As at the date of the Transfer Agreement, (i) the total amount of outstanding Refundable Deposits owed by Wuxi Yongqing to Hongkun Ruibang Wuxi was RMB30,566,475; and (ii) the total amount of outstanding trade receivables owed by Wuxi Yongqing to the Group was RMB6,280,379.

The Consideration shall be settled in full by way of set-off against (i) the total amount of outstanding Refundable Deposits owed by Wuxi Yongqing to Hongkun Ruibang Wuxi as at the date of the Transfer Agreement; and (ii) the total amount of outstanding trade receivables owed by Wuxi Yongqing to the Group as at the date of the Transfer Agreement.

Beijing Ruihongda agreed that, upon expiry of the term for the right-of-use of the Property, it shall unconditionally assist Hongkun Ruibang in the procedures of extending such right-of-use.

Basis of Determination of the Consideration

The Consideration was determined by Hongkun Ruibang and Beijing Ruihongda after arm's length negotiations with reference to, among other things: (i) the market value of the right-of-use of the Property for a term of 17 years and 10 months of approximately RMB38,000,000 as at the Basis Date, according to the preliminary valuation results prepared by the Independent Valuer based on the income approach; (ii) application of a discount rate of 3.03% on the aforesaid market value factoring in the time required for renovation of the Property by Hongkun Ruibang; and (iii) the reasons for and benefits of the Acquisition as stated in the section headed "Reasons for and Benefits of the Acquisition" below.

As the Property has been used by Beijing Ruihongda for its own use, no profit was attributable to the Property for the years ended 31 December 2021 and 31 December 2022.

REASONS FOR AND BENEFITS OF THE ACQUISITION OF THE RIGHT-OF-USE OF THE PROPERTY

With regard to the Group's commitments to improving its administration and operation functions, and in view of the steady growth of its businesses, the Group is in need for new and additional office spaces. For instance, the Group intends to establish an information technology centre that is more professional and well equipped so as to improve its information technology systems. To ensure the security, efficiency and stability of the Group's information technology, the Board is of the view that such information technology centre is more suitably located at a property with exclusive right-of-use and should be sizable. The Property is intended to be held by Hongkun Ruibang for general office, administrative and operational uses, including but not limited to providing sufficient space for the establishment of the information technology centre of the Group. In addition, the Consideration will be settled in full by way of set-off against various outstanding receivables of the Group, and the Acquisition will therefore be conducive to the debt collection progress of the Group.

In view of the above, the Directors (except the members of the Independent Board Committee whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the Transfer Agreement and the Acquisition are conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Company

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 26 March 2019. The Company is principally engaged in the provision of property management services in respect of properties in the PRC.

Hongkun Ruibang

Hongkun Ruibang is a limited liability company established in the PRC on 18 June 2003, and its principal businesses include property management, operation and management of public car parks for motor vehicles and real estate brokerage services. As at the date of this announcement, Hongkun Ruibang is wholly owned by Ye Xing (HK) Holdings Limited, which is wholly owned by Ye Xing Holdings Limited. Ye Xing Holdings Limited is a wholly-owned subsidiary of the Company. Therefore, Hongkun Ruibang is an indirect wholly-owned subsidiary of the Company.

Beijing Ruihongda

Beijing Ruihongda is a limited liability company established in the PRC on 29 April 2015, and its principal businesses include telecommunication consulting services, corporate management consulting services, corporate image consulting services, market research, real estate consulting services and technology promotion services. As at the date of this announcement, it is ultimately wholly beneficially owned/controlled by Mr. Zhao Weihao and his associates.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) stipulated under the Listing Rules in respect of the Acquisition exceed 25% but all of the applicable percentage ratios are less than 100%, the Acquisition contemplated under the Transfer Agreement constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, shareholders' approval and circular requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Beijing Ruihongda is ultimately wholly beneficially owned/controlled by Mr. Zhao Weihao and his associates. Mr. Zhao Weihao is an executive Director and a controlling shareholder of the Company, and therefore Beijing Ruihongda is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the requirements of reporting, announcement, circular and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

Mr. Zhao Weihao, an executive Director and a controlling shareholder of the Company, had abstained from voting on the relevant Board resolutions approving the entering into of the Transfer Agreement and the Acquisition in accordance with the Listing Rules, the applicable laws in the Cayman Islands and the articles of association of the Company. Save as disclosed above, none of the Directors has or is deemed to have a material interest in the Acquisition contemplated under the Transfer Agreement and/or is required to abstain from voting on the relevant Board resolutions.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with the Listing Rules, the Independent Board Committee, comprising Mr. Chan Cheong Tat, Mr. Cheung Wai Hung, Ms. Chen Weijie and Mr. Leung Ka Wo, all being independent non-executive Directors, has been established to advise the Independent Shareholders on the Transfer Agreement and the Acquisition.

Under Rule 14A.44 of the Listing Rules, Maxa Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Transfer Agreement and the Acquisition and as to how the Independent Shareholders should vote.

EGM

The Company will convene an EGM for the Independent Shareholders to consider and approve, among other things, the Transfer Agreement and the Acquisition.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder or their associates who have a material interest in the transactions shall abstain from voting at the EGM on the resolution approving the Transfer Agreement and the Acquisition. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, apart from Mr. Zhao Weihao and his associates, no other Shareholder is required to abstain from voting on the resolution approving the Transfer Agreement and the Acquisition at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Transfer Agreement and the Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Transfer Agreement and the Acquisition and its voting recommendations; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders regarding the Transfer Agreement and the Acquisition and its voting recommendations; and (iv) a notice of the EGM will be despatched by the Company as required by the Listing Rules where practicable. The circular is expected to be despatched to the Shareholders on or before 17 October 2023.

DEFINITIONS

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

“Acquisition”	pursuant to the Transfer Agreement, Beijing Ruihongda agreed to transfer and Hongkun Ruibang agreed to acquire the right-of-use of the Property for a term commencing from the date of approval of the Transfer Agreement and the Acquisition contemplated thereunder by the Shareholders in accordance with the Listing Rules to 30 June 2041 at a consideration of RMB36,846,854
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Basis Date”	31 August 2023
“Beijing Ruihongda”	Beijing Ruihongda Enterprise Consulting Co., Ltd.* (北京銳鴻達企業諮詢有限公司), a company established in the PRC with limited liability and, as at the date of this announcement, it is ultimately wholly beneficially owned/controlled by Mr. Zhao Weihao and his associates
“Board”	the board of Directors
“Company”	Ye Xing Group Holdings Limited (燁星集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 26 March 2019
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for transferring the right-of-use of the Property for a term, being RMB36,846,854 (i.e. approximately RMB7,395/square meter)
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company, to be convened for the Independent Shareholders to, among other things, consider and, if thought fit, approve the Transfer Agreement and the Acquisition
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongkun Ruibang”	Beijing Hongkun Ruibang Property Management Company Limited* (北京鴻坤瑞邦物業管理有限公司), a limited liability company established under the laws of the PRC on 18 June 2003 and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Hongkun Ruibang Wuxi”	Beijing Hongkun Ruibang Property Management Company Limited Wuxi Branch* (北京鴻坤瑞邦物業管理有限公司無錫分公司), the Wuxi branch of Hongkun Ruibang
“Independent Board Committee”	an independent board committee of the Board established by the Board, comprising all the independent non-executive Directors, namely Mr. Chan Cheong Tat, Mr. Cheung Wai Hung, Ms. Chen Weijie and Mr. Leung Ka Wo, to advise the Independent Shareholders with respect to the Transfer Agreement and the Acquisition
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transfer Agreement and the Acquisition
“Independent Shareholders”	independent Shareholders, other than Mr. Zhao Weihao who is required to abstain from voting at the EGM pursuant to the Listing Rules
“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a qualified independent valuer in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Property”	the office building located at Block D, Hongkun Xinduhui, No. 8 Hong Fu Lu, Daxing Qu, Beijing, the PRC* (中國北京市大興區西紅門鎮宏福路8號鴻坤新都薈D座) with a total gross floor area of 10,769.02 square meters
“Refundable Deposits”	the Refundable Deposits 1 and the Refundable Deposits 2
“Refundable Deposits 1”	the amount of approximately RMB19.52 million paid by Hongkun Ruibang Wuxi to Wuxi Yongqing which is equivalent to the total base price of all the car parking spaces under the Sole Agency Agreement 1
“Refundable Deposits 2”	the amount of approximately RMB31.56 million paid by Hongkun Ruibang Wuxi to Wuxi Yongqing which is equivalent to the total base price of all the car parking spaces and shops under the Sole Agency Agreement 2
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Agency Agreement 1”	the sole agency services agreement entered into between Hongkun Ruibang Wuxi and Wuxi Yongqing on 20 May 2020
“Sole Agency Agreement 2”	the sole agency services agreement entered into between Hongkun Ruibang Wuxi and Wuxi Yongqing on 30 December 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer Agreement”	the Property right-of-use transfer agreement entered into between Beijing Ruihongda and Hongkun Ruibang regarding the Property on 26 September 2023

“Wuxi Yongqing”

Wuxi Yongqing Real Estate Company Limited* (無錫永慶房地產有限公司), a limited liability company established under the laws of the PRC on 27 January 2011

“%”

percent

By order of the Board
Ye Xing Group Holdings Limited
Wu Guoqing
Chairman and executive Director

Hong Kong, 26 September 2023

As at the date of this announcement, the Board comprises Ms. Wu Guoqing, Mr. Zhao Weihao, Ms. Li Yin Ping and Ms. Zhang Chunying as executive Directors; Mr. Li Yifan as non-executive Director; and Mr. Cheung Wai Hung, Mr. Chan Cheong Tat, Ms. Chen Weijie and Mr. Leung Ka Wo as independent non-executive Directors.

* *for identification purposes only*