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CHEN XING

Chen Xing Development Holdings Limited

辰興發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2286)

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF 51% EQUITY INTEREST IN INDIRECT NON-WHOLLY OWNED SUBSIDIARY

BACKGROUND

The Vendor, an indirect wholly-owned subsidiary of the Company, proposed to sell the Equity Interest in Jinzhong Development to the Purchaser. Since the Equity Interest is regarded as state-owned assets under the relevant PRC rules, the transfer of Equity Interest is subject to Public Tender and Public Display. During the Public Tender Period, the Purchaser had participated in the Public Tender through Jinzhong Asset Exchange to purchase the Equity Interest in Jinzhong Development from the Vendor. The Board wishes to announce that, on 29 December 2023, the Purchaser was confirmed by Jinzhong Asset Exchange as the successful bidder of the Equity Interest.

EQUITY TRANSFER AGREEMENT REGARDING THE DISPOSAL OF 51% EQUITY INTEREST IN JINZHONG DEVELOPMENT

On 29 December 2023 (after trading hours), the Vendor entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Equity Interest in Jinzhong Development, which in turn owns and controls approximately 67% of the equity interest in Jinzhong Xiya.

The total consideration for the Disposal is RMB100,600,000 (equivalent to approximately HK\$110,549,451). After setting off the Payments due from and to the Vendor and the Purchaser, the remaining sum of RMB34,789,345.33 (equivalent to approximately HK\$38,230,049.81) shall be payable by the Purchaser to the Vendor at Completion in cash. Completion is subject to (1) the Purchaser being the successful bidder of the Equity Interest during the Public Tender Period; (2) the Shareholders having passed a resolution at a general meeting or by way of written approval from Shareholder(s) who hold more than 50% of the voting rights in lieu of holding a general meeting (if applicable) to approve the Equity Transfer Agreement and the Disposal, and the satisfaction of any other requirements under the Listing Rules by the Company; and (3) the Purchaser receiving no objection for the acquisition of the Equity Interest during the Public Display Period.

LISTING RULES IMPLICATION

The Purchaser is a substantial shareholder of Jinzhong Development which holds 49% equity interest in Jinzhong Development as of the date of this announcement. As Jinzhong Development is an indirect non-wholly owned subsidiary of the Company, the Purchaser is therefore a connected person of the Company at the subsidiary level. Accordingly, the Disposal constitutes a connected transaction of the Company.

Given that (i) the Purchaser is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Equity Transfer Agreement and the Disposal; and (iii) the independent non-executive Directors have confirmed that (1) the terms of the transactions are fair and reasonable, (2) the transactions are on normal commercial terms or better and (3) in the interests of the Company and the Shareholders as a whole, the Disposal is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Nonetheless, as one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but all of them are less than 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.

White Dynasty BVI, being the controlling Shareholder directly holding 346,944,000 Shares (representing approximately 57.82% of the total number of issued Shares as at the date of this announcement), has given its written approval for the Equity Transfer Agreement and the Disposal. To the best knowledge, information and belief of the Directors, as at the date of this announcement, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Equity Transfer Agreement and the Disposal. As such, no Shareholder is required to abstain from voting on the resolution approving the Equity Transfer Agreement and the Disposal if the Company is to convene a general meeting. Accordingly, such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

None of the Directors had material interests in the transactions or was required to abstain from voting on the relevant resolutions of the Board.

A circular containing, amongst others, further information of the Equity Transfer Agreement and the Disposal is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement, that is, on or before 22 January 2024. In the event that the Company is not able to despatch the circular within such period due to the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and make further announcement(s) of the expected despatch date of the circular in due course.

BACKGROUND

The Vendor, an indirect wholly-owned subsidiary of the Company, proposed to sell the Equity Interest in Jinzhong Development to the Purchaser. Since the Equity Interest is regarded as state-owned assets under the relevant PRC rules, the transfer of Equity Interest is subject to Public Tender and Public Display. During the Public Tender Period, the Purchaser had participated in the Public Tender through Jinzhong Asset Exchange to purchase the Equity Interest in Jinzhong Development from the Vendor. The Board wishes to announce that, on 29 December 2023, the Purchaser was confirmed by Jinzhong Asset Exchange as the successful bidder of the Equity Interest.

EQUITY TRANSFER AGREEMENT

The Board wishes to announce that on 29 December 2023 (after trading hours), the Vendor entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Equity Interest in Jinzhong Development, which in turn owns and controls approximately 67% of the equity interest in Jinzhong Xiya, in accordance with the terms and conditions of the Equity Transfer Agreement.

The principal terms of the Equity Transfer Agreement are set out below:

Date: 29 December 2023

Parties: Chenxing Real Estate Development Co., Ltd.* (辰興房地產發展有限公司) (as the Vendor)

Jinzhong Development Zone Development and Construction Group Co., Ltd.* (晉中開發區開發建設集團有限公司) (as the Purchaser)

- Subject matter: The Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Equity Interest of Jinzhong Development.
- Consideration and payment term: The total consideration for the Disposal is RMB100,600,000 (equivalent to approximately HK\$110,549,451). An actual sum of RMB34,789,345.33 (equivalent to approximately HK\$38,230,049.81) shall be payable by the Purchaser to the Vendor at Completion in cash, as the following payments shall be set off from the total consideration for the Disposal:
- (i) an outstanding dividend of RMB36,702,300 (equivalent to approximately HK\$40,332,197.8) payable from Jinzhong Development to the Vendor;
 - (ii) an outstanding sum of RMB100,953,018.16 (equivalent to approximately HK\$110,937,382.59) payable from Vendor and its related companies to Jinzhong Development; and
 - (iii) a transition cost of RMB1,559,936.51 (equivalent to approximately HK\$1,714,215.95) payable by the Vendor to Jinzhong Development for the Disposal.
- Conditions precedent: Completion is subject to (1) the Purchaser being the successful bidder of the Equity Interest during the Public Tender Period; (2) the Shareholders having passed a resolution at a general meeting or by way of written approval from Shareholder(s) who hold more than 50% of the voting rights in lieu of holding a general meeting (if applicable) to approve the Equity Transfer Agreement and the Disposal, and the satisfaction of any other requirements under the Listing Rules by the Company; and (3) the Purchaser receiving no objection for the acquisition of the Equity Interest during the Public Display Period.

The consideration in respect of the Disposal is determined with reference to the proportionate appraised asset value of the entire equity interest of Jinzhong Development.

According to the Valuation Report, the appraised consolidated net assets of Jinzhong Development Group as of 30 September 2023 was approximately RMB196,284,700 (equivalent to approximately HK\$215,697,473), which was arrived at using the asset-based approach, which was considered the most appropriate approach for the valuation of Jinzhong Development Group.

Having considered the Valuation Report, and taking into account (i) the fact that the Valuation Report has been prepared in compliance with PRC valuation procedures, standards, laws and regulations by the Independent Valuer; (ii) that the Independent Valuer had reviewed relevant financial information, operational information and other relevant data concerning Jinzhong Development Group; and (iii) the reasons for the adoption of the asset-based approach for the valuation, the methodologies and assumptions adopted by the Independent Valuer, the scope of the valuation and the valuation results, the Directors consider that the appraisal results reflected the value of Jinzhong Development Group and are fair and reasonable.

Procedures for Public Tender and Public Display

The Equity Interest is regarded as state-owned assets under the relevant PRC rules. Therefore, the transfer of the Equity Interest is subject to Public Tender during the Public Tender Period and Public Display during the Public Display Period. The Vendor and the Purchaser had jointly appointed Jinzhong Asset Exchange to facilitate the procedures for Public Tender and Public Display.

INFORMATION ON JINZHONG DEVELOPMENT GROUP

Jinzhong Development is a limited liability company established in the PRC and is principally engaged in sales and development of real estate properties.

Jinzhong Xiya is a limited liability company established in the PRC and is principally engaged in sales and development of real estate properties. Jinzhong Xiya is owned as to approximately 67% by Jinzhong Development, and approximately 33% by Xi'an Yajule Enterprise Management Consulting Co., Ltd.* (西安雅居樂企業管理諮詢有限公司).

The underlying assets of Jinzhong Development Group comprising mainly the residential properties from Yijun Community (頤郡小區) project and Xiyuan (熙苑) project.

Set out below is certain unaudited consolidated financial information of Jinzhong Development Group for the two financial years ended 31 December 2021 and 31 December 2022:

	For the nine months ended 30 September 2023	For the year ended 31 December 2022	2021
		<i>RMB'000</i>	
Net assets	115,396	118,319	84,339
Profit before tax	6,597	46,461	146,474
Profit after tax	6,563	46,461	117,192

REASONS FOR AND BENEFIT OF THE DISPOSAL

The Board considers that the Disposal is a strategic move to capitalise on the value of the underlying assets of Jinzhong Development Group, comprising mainly the residential properties from Phase I of Yijun Community (頤郡小區) project and Xiyuan (熙苑) project, at a favorable price. The proceeds from the Disposal, a majority of which will be utilised for the purpose of repayment of existing bank loans of the Group, will improve the liquidity position of the Company and reduce its debt burden, thereby strengthening the financial stability.

The Board is also of the view that the Disposal will position the Group more favorably for future opportunities, allowing for the potential acquisition or investment in other land parcels or property projects with a healthier balance sheet.

Accordingly, the Directors (including all the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are fair and reasonable, and that the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Upon completion of the Disposal, Jinzhong Development and Jinzhong Xiya will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the financial statements of the Group.

It is estimated that an unaudited gain of approximately RMB87.5 million (equivalent to approximately HK\$96.2 million), which represents:

- (i) the Consideration for the Disposal; less
- (ii) all relevant expenses (including estimated taxation) of approximately RMB13.8 million (equivalent to approximately HK\$15.2 million) incidental to the Disposal,

will arise from the Disposal.

The expected net proceeds (after deducting the relevant expenses incidental to the Disposal) of approximately RMB87.5 million (equivalent to approximately HK\$96.2 million) to be received by the Company from the Disposal will be used for repayment of bank loans and replenishment of general working capital of the Group. Subject to actual circumstances, the Group intends to apply (i) approximately RMB10 million (equivalent to approximately HK\$10.99 million) for repayment of bank loans; and (ii) the remaining proceeds of approximately RMB77.5 million (equivalent to approximately HK\$85.2 million) for general working capital.

INFORMATION ABOUT THE GROUP AND THE PURCHASER

The Company is an investment holding company and its subsidiaries are principally engaged in property development with focus on development projects of residential and commercial properties. The Vendor is an indirect wholly-owned subsidiary of the Company.

The Purchaser is a limited liability company established in the PRC which is principally engaged in the investment and management urban infrastructure and sales and development of land and real estate property in the PRC. The Purchaser is owned as to 65% by Jinzhong Management Committee and 35% by Jinzhong Public Utilities Infrastructure Holding Group Co., Ltd. (晉中市公用基礎設施投資控股(集團)有限公司), both of which being ultimately controlled by Jinzhong City People's Government (晉中市人民政府).

LISTING RULES IMPLICATION

The Purchaser is a substantial shareholder of Jinzhong Development which holds 49% equity interest in Jinzhong Development as of the date of this announcement. As Jinzhong Development is an indirect non-wholly owned subsidiary of the Company, the Purchaser is therefore a connected person of the Company at the subsidiary level. Accordingly, the Disposal constitutes a connected transaction of the Company.

Given that (i) the Purchaser is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Equity Transfer Agreement and the Disposal; and (iii) the independent non-executive Directors have confirmed that (1) the terms of the transactions are fair and reasonable, (2) the transactions are on normal commercial terms or better and (3) in the interests of the Company and the Shareholders as a whole, the Disposal is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

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As Completion is conditional upon fulfilment of the conditions precedent set out in the Equity Transfer Agreement, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

DEFINITION

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

“Board”	the board of Directors
“Company”	Chen Xing Development Holdings Limited (辰興發展控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on Main Board of the Stock Exchange
“Completion”	the completion of the Disposal pursuant to the terms of the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the Disposal of the Equity Interest in Jinzhong Development, which in turn owns and controlled approximately 67% of the equity interest in Jinzhong Xiya
“Equity Interest”	the entire 51% of the equity interest in Jinzhong Development, being the subject matter of the Disposal
“Equity Transfer Agreement”	the equity transfer agreement dated 29 December 2023 entered into between the Vendor and the Purchaser in respect of the Disposal

“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	Shanxi Jiahao Real Estate Asset Appraisal Co., Ltd* (山西家豪房地產資產評估有限公司), an independent PRC asset valuer
“Jinzhong Asset Exchange”	Jinzhong City Asset and Equity Exchange* (晉中市產權交易中心)
“Jinzhong Development”	Jinzhong Development Zone Real Estate Development Co., Ltd.* (晉中開發區房地產開發有限公司), a limited liability company established in the PRC in February 2013 and an indirect non-wholly owned subsidiary of the Company, which is owned as to 51% by the Vendor, and 49% by the Purchaser
“Jinzhong Development Group”	Jinzhong Development and Jinzhong Xiya
“Jinzhong Management Committee”	the Management Committee of Shanxi Transformation Comprehensive Reform Demonstration Zone Jinzhong Development Zone* (山西轉型綜合改革示範區晉中開發區), formerly known as the management committee of Economic Technology Development District, Jinzhong (晉中經濟技術開發區管委會), and is ultimately controlled by Jinzhong City People’s Government (晉中市人民政府)
“Jinzhong Xiya”	Jinzhong Xiya Real Estate Development Co., Ltd.* (晉中熙雅房地產開發有限公司), a limited liability company established in the PRC in April 2018 and an indirect non-wholly owned subsidiary of the Company, which is owned as to approximately 67% by Jinzhong Development, and approximately 33% by Xi’an Yajule Enterprise Management Consulting Co., Ltd.* (西安雅居樂企業管理諮詢有限公司)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
“Public Display”	the public display for the proposed acquisition and disposal of the Equity Interest through Jinzhong Asset Exchange, which shall take place during the Public Display Period
“Public Display Period”	five natural day period commencing from 29 December 2023 (being the execution date of the Equity Transfer Agreement) and ending on 2 January 2024, with the Disposal being displayed on the website of Jinzhong Asset Exchange
“Public Tender”	the public tender for the proposed acquisition and disposal of the Equity Interest through Jinzhong Asset Exchange, which shall take place during the Public Tender Period
“Public Tender Period”	five natural day period commencing from 25 December 2023 and ending on 29 December 2023
“Purchaser”	Jinzhong Development Zone Development and Construction Group Co., Ltd.* (晉中開發區開發建設集團有限公司), a limited liability company established in the PRC which is owned as to 65% by Jinzhong Management Committee and 35% by Jinzhong Public Utilities Infrastructure Holding Group Co., Ltd. (晉中市公用基礎設施投資控股(集團)有限公司), both of which being ultimately controlled by Jinzhong City People’s Government (晉中市人民政府)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holder(s) of the Shares
“Share(s)”	ordinary shares with a nominal value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Valuation Report”	the valuation report in respect Jinzhong Development prepared by the Independent Valuer, using the asset-based approach with 30 September 2023 as the appraisal reference date
“Vendor”	Chenxing Real Estate Development Co., Ltd.* (辰興房地產發展有限公司), an indirect wholly-owned subsidiary of the Company
“White Dynasty BVI”	White Dynasty Global Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by White Empire (PTC) Limited (白氏帝國(私人信託)有限公司), a company incorporated in the British Virgin Islands with limited liability and which was wholly-owned by Mr. Bai Xuankui (白選奎), the chairman and executive Director of the Board and a controlling Shareholder
“%”	per cent.

* *English name for identification purpose only*

English names of the PRC established companies/entities in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.91 = HK\$1.00 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

By order of the Board
Chen Xing Development Holdings Limited
Bai Xuankui
Chairman

Shanxi, the People’s Republic of China, 29 December 2023

As at the date of this announcement, the executive directors of the Company are Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Bai Guohua and Mr. Dong Shiguang and the independent non-executive directors of the Company are Mr. Tian Hua, Mr. Qiu Yongqing and Ms. Gao Jianhua.