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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)**

**DISCLOSEABLE TRANSACTION  
AND CONNECTED TRANSACTION  
DISPOSAL OF SUBSIDIARY**

**THE DISPOSAL**

On 21 January 2021, the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser agreed to purchase the Sale Share for a consideration in the sum of HK\$113,169,081. The Consideration will be satisfied in full by setting off the Net Payables owing by the Company to the Purchaser in the sum of HK\$113,169,081 at Completion.

The Disposal Company, a direct wholly-owned subsidiary of the Company immediately prior to Completion, is an investment holding company and its principal operating subsidiaries are in the business of provision of concrete placing and other ancillary services as a subcontractor for both public and private sector projects, including building and infrastructure related projects in Hong Kong.

Completion has taken place immediately following the signing of the Share Purchase Agreement. The Disposal Company has ceased to be a subsidiary of the Company and the financial results of the Disposal Group will no longer be consolidated with the results of the Group.

## **LISTING RULES IMPLICATIONS**

Since the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Further, as at the date of the Sale and Purchase Agreement, the Purchaser is owned as to 70% by Mr. Cheung and 30% by Mr. Chan. Mr. Cheung, is a director of the Disposal Company and Mr. Chan is a director of Kam Fung, an indirect wholly-owned subsidiary of the Company, hence the Purchaser is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

## **THE DISPOSAL**

On 21 January 2021, the Company as vendor entered into the Sale and Purchase Agreement with the Purchaser as purchaser, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Disposal Company for a consideration of HK\$113,169,081.

## **THE SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are set out below:

Date: 21 January 2021

Parties: (1) the Company as vendor; and  
(2) the Purchaser as purchaser

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Purchaser is owned as to 70% by Mr. Cheung and 30% by Mr. Chan. As at the date of this announcement, Mr. Cheung is a director of each of the members of the Disposal Group including the Disposal Company and Mr. Chan is a director of Kam Fung, hence the Purchaser is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

## **Assets to be disposed of**

The Sale Share, representing the entire issued share capital of the Disposal Company legally and beneficially owned by the Company.

## **Consideration**

The Consideration for the Sale Share is in the sum of HK\$113,169,081. Immediately prior to Completion, the Disposal Company and Richway owed the Company a sum of HK\$29,854,992 and HK\$4,400, respectively (the “**Receivables**”); and that the Company owed Kam Fung a sum of HK\$143,028,473 (the “**Payables**”). At Completion, the Purchaser, the Company, the Disposal Company, Kam Fung and Richway entered into an agreement pursuant to which all repayment obligations with respect to the Receivables be novated from the Disposal Company and Richway to the Purchaser, and the rights to repayment in respect of the Payables be assigned by Kam Fung to the Purchaser, as result thereof, the net amount owed by the Company to the Purchaser had become HK\$113,169,081 (the “**Net Payables**”), which equals the Consideration and be set-off in full against the Net Payables.

The Consideration was determined upon arm’s length negotiations among the parties to the Sale and Purchase Agreement having taken into account: (a) the net asset value of the Disposal Group in the sum of approximately HK\$33,761,400 in its unaudited consolidated management account as at the Reference Date; (b) the aggregate contract sums of concrete placing contracts on hand as at the Reference Date, including contracts in progress and contracts which are yet to commence, with an estimated value of approximately HK\$72,000,000; and (c) the reasons set out in the section headed “Reasons for and Benefits of the Disposal” below.

## **Conditions Precedent**

Completion is conditional upon fulfilment of the following conditions precedent:

- (a) (if any) the necessary consents and approvals in relation to the Disposal having been obtained by the Company under the applicable law, regulation or rules (including the Listing Rules); and
- (b) the Board having approved the Sale and Purchase Agreement and the Disposal.

## **Completion**

As all of the conditions precedent have been fulfilled, Completion of the Disposal has taken place immediately following the signing of the Sale and Purchase Agreement.

The Disposal Company has ceased to be a subsidiary of the Company and the financial results of the Disposal Group will no longer be consolidated with the results of the Group.

## INFORMATION ON THE PARTIES AND THE DISPOSAL GROUP

### The Company

The Company is incorporated in the Cayman Islands with limited liability and the shares of which are listed in the Main Board of the Stock Exchange. As at the date of the announcement, the Company is principally engaged in: (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 in Hong Kong; (ii) provision of new energy vehicle and logistics related services including new energy vehicle sales and leasing, road freight transportation and the provision of finance leasing services in the PRC; (iii) provision of cross-border payment and money exchange services in the United Kingdom; and (iv) provision of money lending business in Hong Kong.

### The Purchaser

The Purchaser is a company incorporated in British Virgin Islands with limited liability and is principally engaged in investment holding. The Purchaser is a connected person of the Company at the subsidiary level.

### The Disposal Company

Immediately prior to Completion, the Disposal Company is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, its principal business is investment holding. The Disposal Group is engaged in provision of concrete placing and other ancillary services as a subcontractor for both public and private sector projects, including building and infrastructure related projects in Hong Kong.

The audited consolidated financial information of the Disposal Group prepared in accordance with Hong Kong Financial Reporting Standards for the two financial years ended 31 March 2019 and 31 March 2020 are set out below:

	<b>Year ended 31 March 2019 HK\$'000</b>	<b>Year ended 31 March 2020 HK\$'000</b>
Net (loss) before tax and extraordinary items	(4,820)	(52,594)
Net (loss) after tax and extraordinary items	(4,755)	(54,768)

The unaudited net asset value of the Disposal Group as at 30 November 2020 was approximately HK\$31,075,898.

## **FINANCIAL EFFECT OF THE DISPOSAL**

The estimated gain arising from the Disposal is expected to be approximately HK\$81,893,183, which is determined with reference to the difference between the Consideration and the aggregate of (a) the unaudited net asset value of the Disposal Company as at 30 November 2020; and (b) the estimated expenses in connection with the Disposal.

Subject to audit, the actual gain on the Disposal to be recognised by the Group will depend on the identifiable net asset value of the Disposal Group at the Completion Date and therefore may be different from the amount set out above.

## **THE PROCEEDS**

As the Consideration in the sum of HK\$113,169,081 is payable in full by setting off the Net Payables owing by the Company to the Purchaser, no net proceeds has been received by the Company from the Disposal at Completion.

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

Since the financial results of the Disposal Group has been at a net loss since 2019, the Disposal allows the Company to devote more resources and efforts to focus on other core business segments for future development. The Company believes that the Disposal is one of the Company's restructuring strategies.

The Directors (including the independent non-executive Directors) therefore consider that the Disposal is conducted through arm's length negotiation between the parties on normal commercial terms, and the terms of the Sale and Purchase Agreement (including the Consideration) are fair and reasonable and is in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but less than 25%, the entering into of the Sale and Purchase Agreement and the Disposal contemplated thereunder constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements but are exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Further, as at the date of the Sale and Purchase Agreement, the Purchaser is owned as to 70% by Mr. Cheung and 30% by Mr. Chan, Mr. Cheung is a director of the Disposal Company and Mr. Chan is a director of Kam Fung, hence the Purchaser is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

## **DEFINITIONS**

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

“Board”	board of Directors of the Company
“BVI”	British Virgin Islands
“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”	completion of the Disposal
“Completion Date”	the date of the Share Purchase Agreement
“connected persons”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration in the sum of HK\$113,169,081 to be paid by the Purchaser to the Company pursuant to the term of the Share Purchase Agreement
“Directors”	the directors of the Company
“Disposal”	the sale of the entire issued share capital of the Disposal Company by the Company to the Purchaser
“Disposal Company”	Chong Kin Group Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this announcement

“Disposal Group”	the Disposal Company together with its direct wholly-owned subsidiaries namely Fung Sang Investment Limited, Trade Achiever Investment Limited, Chong Fung Investment Limited and Richway Investment Limited which are limited liability companies incorporated under the laws of BVI; and indirect wholly-owned subsidiaries namely Kam Fung Engineering Limited, Sang Fu Engineering Limited, Global Sunny Engineering Limited and Richway Mechanical Engineering Co., Limited, which are companies incorporated under the laws of Hong Kong with limited liability
“Group”	the Company and its subsidiaries
“Kam Fung”	Kam Fung Engineering Limited, an indirect wholly-owned subsidiary of the Company immediately prior to Completion
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Yiu Hung, a director of Kam Fung
“Mr. Cheung”	Mr. Cheung Yuk Kei, a director of each of the members of the Disposal Group and a connected person of the Company at the subsidiary level
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China
“Purchaser”	Pioneer Investment Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owed as to 70% by Mr. Cheung and as to 30% by Mr. Chan
“Reference Date”	30 September 2020
“Richway”	Richway Mechanical Engineering Co., Limited, an indirect wholly-owned subsidiary of the Company immediately prior to Completion

“Sale and Purchase Agreement”	The sale and purchase agreement dated 21 January 2021 entered into between the Company and the Purchaser in relation to the Disposal
“Sale Share”	one share in the Disposal Company, representing the entire issued share capital of the Disposal Company as at the date of the Sale and Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“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, 21 January 2021

*As at the date hereof, the Honorary Chairman of the Company is Mr. Lyu Changsheng; the Board comprises two executive Directors, namely Mr. Zhang Jinbing (Chairman) and Mr. Ma Chao (co-Chairman and Chief Executive Officer); and three independent non-executive Directors, namely Mr. Tam Ping Kuen Daniel, Dr. Li Yifei and Mr. Yan Haiting.*