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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)**

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RESPECT OF ACQUISITION OF 59% OF THE EQUITY INTEREST IN GUANGZHOU XIANGJING CEMETERY COMPANY LIMITED\*;**  
**(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION; AND**  
**(3) DISCLOSEABLE AND CONNECTED TRANSACTION IN RESPECT OF THE ASSIGNMENT OF LOAN**

**Financial Adviser to the Company**



**Sole Sponsor to the new listing application of the Company**

**MESSIS 大有融資**

**Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders**



## **THE ACQUISITION**

The Board is pleased to announce that on 21 November 2023, the Company (as purchaser), the Vendor and the Guarantor entered into the Agreement, pursuant to which, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Interest, being 59% equity interest in the Target Company. The Consideration for the Acquisition is HK\$142,407,107, which shall be satisfied by the Company partly in cash and partly by the Assignment of Loan to the Vendor.

The Target Company is principally engaged in the provision of burial services in Guangzhou, the PRC. It operates Xiangjing Cemetery, which is located at the Xiangjing Cemetery Land in Huangpu, Guangzhou. During the Track Record Period, the Target Company recorded unaudited net profit after tax of approximately RMB36.9 million (equivalent to approximately HK\$39.9 million), RMB40.3 million (equivalent to approximately HK\$43.5 million), RMB35.3 million (equivalent to approximately HK\$38.1 million) and RMB39.0 million (equivalent to approximately HK\$42.1 million), respectively.

The corporate information, history and development, business, financial information and other material information relating to the Target Company are set out in the section headed “Information of the Target Company” in this announcement.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders’ approval requirements pursuant to the Listing Rules.

As the Vendor is ultimately and wholly-owned by the Guarantor indirectly, and the Guarantor is the Chairman of the Board and an executive Director, and the controlling Shareholder who is beneficially interested in 633,600,000 Shares in aggregate (of which 24,500,000 Shares are directly held by the Guarantor and 609,100,000 Shares are held by Prestige Rich, a company beneficially and wholly-owned by the Guarantor), representing approximately 64.9% of the total issued share capital of the Company as at the date of this announcement, the Vendor and the Guarantor are therefore connected persons of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval by the Independent Shareholders at the EGM by way of poll.

The Assignment of Loan is in effect a disposal of assets by the Company to the Vendor. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Assignment of Loan exceeds 5% but all are less than 25%, the Assignment of Loan constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Given the Vendor is a connected person of the Company, the Assignment of Loan also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As such, the Assignment of Loan is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Acquisition also constitutes a reverse takeover for the Company under Rule 14.06(6) of the Listing Rules. Accordingly, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules and the Acquisition is therefore subject to the approval by the Listing Committee of the New Listing Application to be made by the Company. The Target Company must meet the requirements of Rules 8.04 and 8.05 of the Listing Rules, and the Enlarged Group must meet all the new listing requirements set out in Chapter 8 of the Listing Rules. The New Listing Application is being finalised, and is expected to be submitted as soon as practicable with a target time frame in December 2023.

As the Guarantor is considered to have a material interest in the Acquisition, he has abstained from voting on the resolutions of the Board in relation to the Acquisition. Save as the Guarantor, no other Directors attended the Board meeting has a material interest in the Acquisition and is required to abstain from voting on the relevant resolutions.

#### **SOLE SPONSOR, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Messis Capital Limited has been appointed as the sole sponsor in relation to the New Listing Application.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder (including the Assignment of Loan). Zhongtai International Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **DESPATCH OF CIRCULAR**

The Circular containing, among other things, (i) details of the Acquisition (including the Assignment of Loan); (ii) financial information of the Group; (iii) information of the Target Company including but not limited to its history and development, business, financial and other material information; (iv) unaudited pro forma financial information of the Enlarged Group; (v) the notice of the EGM; (vi) a letter of advice from the Independent Board Committee to the Independent Shareholders; (vii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (viii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 15 March 2024, which has been determined after taking into account the estimated time required for the Company to prepare all relevant information for inclusion in the Circular. Further announcement will be made by the Company regarding the despatch of the Circular as and when appropriate.

## **EGM**

The EGM will be held for the Independent Shareholders to consider, and if thought fit, to approve the Agreement and the transactions contemplated thereunder (including the Assignment of Loan).

Save that the Vendor, the Guarantor and their respective associates shall abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder (including the Assignment of Loan), no other Shareholder has a material interest which is different to the other Shareholders and is required to abstain from voting at the EGM.

## **CONTINUED SUSPENSION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 13 May 2022 and will remain suspended until further notice.

## **WARNING**

**Shareholders and potential investors should note that Completion is subject to the satisfaction or waiver (as the case may be) of the conditions under the Agreement. In addition, the Listing Committee may or may not approve the New Listing Application to be made by the Company. In the event that approval of the New Listing Application of the Company is not granted, the Agreement will not become unconditional and the Acquisition will not proceed. As Completion may or may not take place, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.**

**The Company has a resumption deadline of 12 November 2023. If the Company fails to fulfil all the Resumption Guidance and resume trading in its shares by the resumption deadline, the Stock Exchange is entitled to delist the Company under Rule 6.01A.**

**The publication of this announcement does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the Resumption.**

## **INTRODUCTION**

The Board is pleased to announce that on 21 November 2023, the Company (as purchaser), the Vendor and the Guarantor entered into the Agreement, pursuant to which, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Interest, being 59% equity interest in the Target Company. The Consideration for the Acquisition is HK\$142,407,107, which shall be satisfied by the Company partly in cash and partly by the Assignment of Loan to the Vendor.

The Target Company is principally engaged in the provision of burial services in Guangzhou, the PRC. It operates Xiangjing Cemetery, which is located at the Xiangjing Cemetery Land in Huangpu, Guangzhou. During the Track Record Period, the Target Company recorded unaudited net profit after tax of approximately RMB36.9 million (equivalent to approximately HK\$39.9 million), RMB40.3 million (equivalent to approximately HK\$43.5 million), RMB35.3 million (equivalent to approximately HK\$38.1 million) and RMB39.0 million (equivalent to approximately HK\$42.1 million), respectively.

Details of the Agreement are summarised in the section headed “The Agreement” below. The corporate information, history and development, business, financial information and other material information relating to the Target Company are set out in the section headed “Information of the Target Company” below.

## **BACKGROUND OF THE ACQUISITION**

Reference is made to the announcement of the Company dated 2 June 2022 in relation to the Stock Exchange’s guidance for the Resumption (the “**Resumption Guidance**”), which sets out, among others, that the Company is required to comply with the requirements under Rule 14.54 of the Listing Rules. It also sets out that the Company is required to fulfil the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in the Shares by 12 November 2023. Pursuant to Rule 14.54 of the Listing Rules, among other things, the acquisition target for a reverse takeover will be treated as if it were a new listing applicant and it must meet Rules 8.04 and 8.05 of the Listing Rules. Since receiving the Resumption Guidance, the Company has been diligently and actively engaged in the search for a suitable acquisition target. The Company has dedicated its best efforts to identify potential targets that align with the requirements outlined in Rule 14.54 of the Listing Rules.

Starting from 1 January 2022, the minimum profit requirement under Rule 8.05(1)(a) has been increased such that a new applicant's profit attributable to shareholders must, in respect of the most recent year, be not less than HK\$35,000,000 and, in respect of the two preceding years, be in aggregate not less than HK\$45,000,000 (the “**Profit Requirement**”). The Company has faced considerable challenges in identifying suitable acquisition targets that meet the new Profit Requirement. These challenges have been exacerbated by the economic slowdown experienced in the PRC and Hong Kong, which can be attributed to a combination of factors such as the ongoing impact of the COVID-19 pandemic and the liquidity crisis affecting the PRC's property sector. Despite these difficulties, the Company remains committed to its objective of identifying suitable targets and continues to navigate the complex market conditions to achieve its resumption plan.

In December 2022, the Company took a significant step by appointing a sponsor to commence due diligence on a potential acquisition target which appeared to meet the Profit Requirement. However, the Company was unable to reach an agreement with the potential vendor regarding the terms of the sale and purchase of the equity interest in the target company. Consequently, the Company had to abandon the acquisition, even though more than five months had been dedicated to the endeavour. It was a challenging and time-consuming process that ultimately did not yield the desired outcome.

Although the Company faced challenges in consummating the aforesaid acquisition and submitting an A1 application as soon as possible, it remains committed to acting in the best interest of its shareholders. Recognizing the importance of fulfilling the Resumption Guidance, the Company persisted in its efforts to identify suitable acquisition targets that would satisfy the Profit Requirement.

In June 2023, the Company identified a suitable acquisition target (i.e. the Target Company) and conducted initial assessment to determine whether the Target Company could meet the Profit Requirement. Subsequently, in August 2023, the Company promptly appointed another sponsor (i.e. Messis Capital Limited) and other professional parties to carry out due diligence on the Target Company.

As further discussed in the sub-section headed “Information of the Target Company – History and development” below, Guangzhou Haotai, which was an Independent Third Party and the previous owner of the Sale Interest, faced financial difficulties and entered into administration subsequent to a winding-up petition by a creditor. As a result, the Sale Interest was put to the Auction held by Guangzhou Association of Insolvency Administrators (廣州市破產管理人協會) on Alibaba Judicial Auction Online Platform\* (阿里巴巴司法拍賣平台). The Company faced certain constraints that prevented it from participating in the Auction and placing a bid for the Sale Interest. One of the key reasons was the short timeframe within which the transaction needed to be completed. Additionally, the acquisition by the Company would be subject to several conditions, including the requirement for a satisfactory outcome of due diligence. This due diligence process was crucial to ensure that the Target Company would meet the necessary criteria outlined in Rules 8.04 and 8.05 of the Listing Rules. Given these factors, the Company was unable to proceed with bidding at the Auction independently.

In the circumstances, the Vendor took the initiative to acquire the Sale Interest at the Auction on 28 September 2023 with the intention to facilitate the subsequent acquisition of the Sale Interest by the Company itself. By doing so, the Vendor aimed to support the Company's resumption plan and contribute to its overall objectives. The Vendor's action played a crucial role in ensuring that the Sale Interest would eventually be obtained by the Company, thereby enabling the implementation of its resumption plan.

Taking into account the due diligence results up to the date of this announcement, the Company is of the view that the Target Company would be able to meet the requirements under Rules 8.04 and 8.05 of the Listing Rules. Therefore, the Company entered into the Agreement to proceed with the Acquisition, with a view to enabling the Group to fulfil the Resumption Guidance. While additional time is required for finalising the New Listing Application, it is expected that the New Listing Application will be submitted as soon as practicable with a target time frame in December 2023. It is considered that the information to be submitted to the Stock Exchange in support of the New Listing Application will be substantially complete except in relation to information that by its nature can only be finalised and incorporated at a later date.

## **THE AGREEMENT**

### **Date**

21 November 2023

### **Parties**

- (i) The Company, as purchaser;
- (ii) the Vendor; and
- (iii) the Guarantor guaranteeing the performance of the obligations of the Vendor under the Agreement.

The Vendor is an investment holding company and is ultimately and wholly-owned by the Guarantor indirectly. The Guarantor is the Chairman of the Board and an executive Director, and the controlling Shareholder who is beneficially interested in 633,600,000 Shares in aggregate (of which 24,500,000 Shares are directly held by the Guarantor and 609,100,000 Shares are held by Prestige Rich, a company beneficially and wholly-owned by the Guarantor), representing approximately 64.9% of the total issued share capital of the Company as at the date of this announcement. Accordingly, the Vendor and the Guarantor are connected persons of the Company.

## Assets to be acquired

Pursuant to the Agreement, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Interest, being 59% equity interest in the Target Company.

The Sale Interest shall be acquired free of liens, encumbrances and other claims and together with all rights attaching thereto as at the date of the Agreement, including the right to receive dividends and distributions declared, made or paid after the date of the Agreement.

## Consideration

The Consideration for the Acquisition is HK\$142,407,107, which shall be satisfied by the Company in the following manner:

- (i) a refundable deposit of HK\$14,241,000 (the “**Deposit**”) shall be paid by the Company to the Vendor in cash within five Business Days from the date of the Agreement;
- (ii) as to HK\$109,804,839 as part payment and further payment by way of assignment and transfer of the Loan Receivables by the Company to the Vendor at Completion; and
- (iii) the remaining balance of HK\$18,361,268 shall be payable by the Company to the Vendor in cash upon Completion.

The Loan Receivables refer to two loans granted by the Group to two Independent Third Parties in its ordinary and usual course of business. The outstanding principal amount of the first loan together with unpaid interest accrued up to the date of this announcement is HK\$67,200,000. It is secured by several industrial units located at Yale Industrial Centre, Shatin, Hong Kong and has already been due on 16 March 2022. For the second loan, the outstanding principal amount together with unpaid interest accrued up to the date of this announcement is HK\$42,604,839. It is unsecured and has already been due on 1 July 2023.

The Consideration was determined after arm’s length negotiations between the Company and the Vendor based on the purchase price of RMB131,072,000 (equivalent to approximately HK\$141,557,760) paid by the Vendor for acquiring the Sale Interest at the Auction on 28 September 2023, the direct cost of RMB786,432 (equivalent to approximately HK\$849,347) relating to the completion of the Auction and the exchange rate of RMB1 for HK\$1.08. As mentioned above, the intention of the Vendor to acquire the Sale Interest at the Auction was to facilitate the Company’s acquisition of the same, the Consideration was thus the same as the concluded price at the Auction.

In assessing the fairness and reasonableness of the Consideration, the Directors have taken into consideration (i) the financial performance of the Target Company during the Track Record Period and the business development and prospects of the Target Company; and (ii) the preliminary valuation conducted by an independent valuer in respect of the Target Company by market approach as at 30 September 2023 (the “**BV Valuation Date**”).



The Company has engaged an independent valuer to perform a business valuation in respect of the Target Company. Taking into consideration that the Target Company is expected to sustain its existing business operations in the foreseeable future, the valuer adopted the market approach in the valuation, and applied the trading multiple of enterprise value to the trailing twelve months recurring earnings before interest and tax multiple (“**EV/EBIT Ratio**”) of an exhaustive list of comparable companies listed on the Stock Exchange which are engaged in similar business as the Target Company (the “**Comparable Companies**”) to arrive at the valuation of the Target Company. Details of the Comparable Companies are set out as follows:

Stock Code	Comparable Companies	Principal business	Enterprise value <i>HK\$ million</i>	Trailing twelve months recurring earnings before interest and tax (“EBIT”) <i>HK\$ million</i>	EV/EBIT Ratio <i>Times</i>	Market capitalisation <i>HK\$ million</i>	Adopted size premium <i>%</i>	Adjusted EV/EBIT Ratio <i>Times</i>
922	Anxian Yuan China Holdings Limited	Provision of burial services and maintenance services	131.46	123.71	1.06	389.5	0.00	1.06
1448	Fu Shou Yuan International Group Limited	Provision of burial services, funeral services and other related services	10,020.75	1,559.45	6.43	12,351.1	1.84	5.75
6966	China Wan Tong Yuan (Holdings) Limited	Sale of burial plots, provision of other burial-related services, cemetery maintenance services and funeral services	152.72	24.83	6.15	398.4	0.00	6.15
							Average	4.32

The enterprise value and the trailing twelve months recurring EBIT of each of the Comparable Companies are extracted from S&P Capital IQ as at the BV Valuation Date. By dividing the enterprise value by the EBIT, the valuer obtains the EV/EBIT Ratio for each of the Comparable Companies. Since the Comparable Companies may have different size from the Target Company, a size premium is adopted for adjusting the EV/EBIT Ratio and arrives at the adjusted EV/EBIT Ratio of each of the Comparable Companies.

Based on the unaudited financial information, the trailing twelve months EBIT of the Target Company amounted to approximately RMB78.55 million. By multiplying the EBIT of the Target Company by the average adjusted EV/EBIT Ratio of the Comparable Companies, the implied enterprise value (the “**Implied EV**”) of the Target Company would be approximately RMB339.3 million. The valuer then adjusted the Implied EV with (i) a discount for lack of marketability; (ii) cash and debts of the Target Company, including the Land Premium

estimated by an independent valuer of RMB139.2 million (the “**Estimated Land Premium**”) as further discussed in the sub-section headed “The Land Premium and the Vendor’s Facility – The Estimated Land Premium” below; (iii) other non-operating assets and liabilities of the Target Company; and (iv) a control premium, and arrived at the valuation of 100% of the equity interest in the Target Company to be approximately RMB224.1 million as at the BV Valuation Date, and 59% of which is approximately RMB132.2 million. Further details in respect of the methodology, basis and assumptions underlying the valuation will be included in the Circular to be despatched to the Shareholders.

Taking into consideration the financial performance and the financial position of the Target Company as further disclosed in the sub-section headed “Information of the Target Company – Financial information” below, as well as the preliminary valuation of 59% of the equity interest in the Target Company of approximately RMB132.2 million which has already considered the impact of the Estimated Land Premium, the Directors are of the view that the Consideration is fair and reasonable.

The cash portion of the Consideration will be settled by the Group’s internal resources.

### **Conditions precedent to the Agreement**

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) the Company having completed and is satisfied in their absolute discretion with the results of the due diligence investigation on the Target Company;
- (ii) all necessary consents, licenses and approvals required to be obtained on the part of the Vendor and the Target Company from any government authority or other third party in relation to the Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iii) all necessary consents, licenses and approvals required to be obtained on the part of the Company from any government authority or other third party in relation to the Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (iv) the warranties stipulated in the Agreement remain true and correct in all material respect and not misleading as if it is repeated at all times from the date of the Agreement to the Completion;
- (v) the passing of the necessary resolutions by the Independent Shareholders (other than those Shareholders who are required to abstain from voting on all or any of the resolutions under the Listing Rules at the EGM to be convened and held to approve the Agreement and the transactions contemplated thereunder);

- (vi) the application for the Resumption having been submitted to the Stock Exchange and the approval having been received from the Stock Exchange and such approval not having been subsequently revoked or withdrawn;
- (vii) the New Listing Application having been submitted to the Stock Exchange and the approval-in-principle for the New Listing Application having been granted by the Listing Committee and such approval not having been subsequently revoked or withdrawn;
- (viii) the Company having received the PRC legal opinions in form and substance satisfactory to the Company as to the legal establishment and valid existence of the Target Company;
- (ix) there having occurred since the date of the Agreement (a) no material adverse effect with respect of the Target Company; and (b) there having been promulgated, put into effect, commenced, granted or issued since the date of the Agreement and subsisting or pending as of the date of Completion, no statute, regulation, proceeding, or order pertaining to the Target Company which would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Agreement;
- (x) the Land Premium shall not be more than RMB140 million and having been paid by the Target Company;
- (xi) the relevant land use right certificate\* (國有土地使用權證) in respect of the Xiangjing Cemetery Land having been obtained by the Target Company; and
- (xii) the articles of association of the Target Company having been amended such that more than half of the directors of the Target Company shall be appointed by the Company.

In respect of condition (iii) above, other than the approvals to be obtained from the Stock Exchange as particularly set out in conditions (vi) and (vii) above and the Independent Shareholders as referred to in condition (v) above, there shall be no other consent, license and approval expected to be required to be obtained on the part of the Company in relation to the Agreement and the transactions contemplated thereunder. Save for conditions (i), (iv), (viii), (ix) and (x) which are capable of being waived by the Company, all other conditions are not waivable.

If all the above conditions have not been satisfied or waived by 5:00 p.m. on the Long Stop Date, i.e. 30 June 2024, the Agreement (other than the clauses specified therein) shall lapse and have no further effect, and the Vendor shall return the Deposit to the Company within three (3) Business Days and that save for any antecedent breaches, the parties shall otherwise be released from all obligations under it other than obligations under the clauses specified therein.

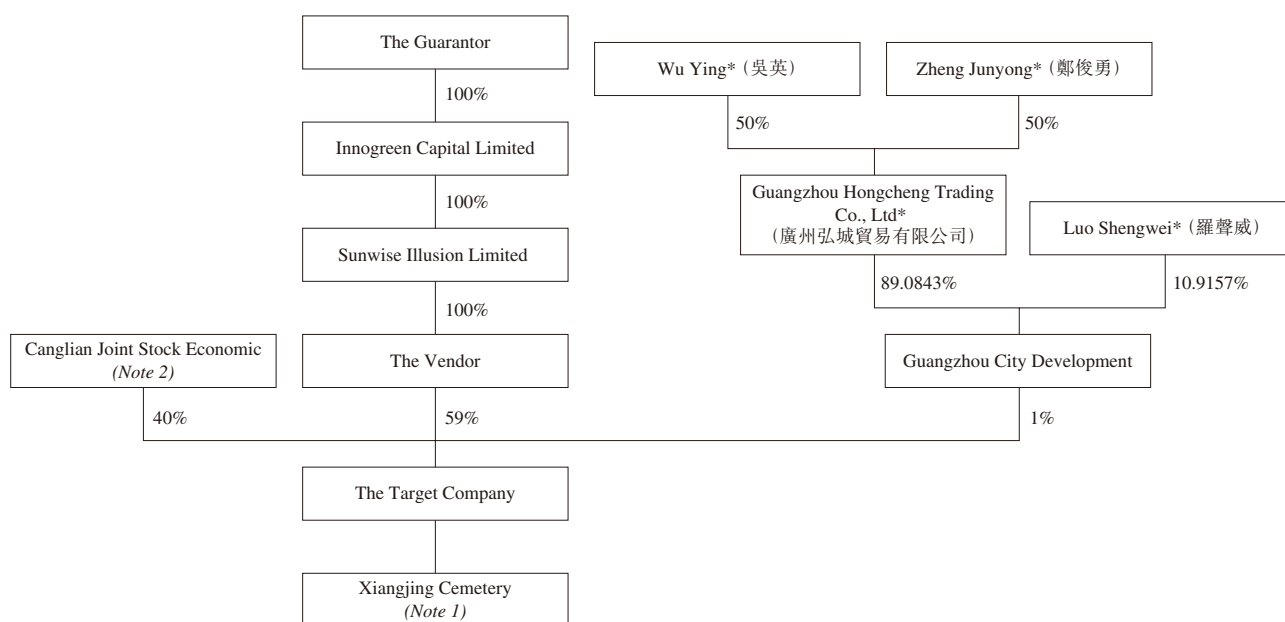
## Completion

Completion shall take place on the fifth (5th) Business Day after the satisfaction or waiver (as the case may be) of all conditions precedent set out in the Agreement, or such other date as the parties to the Agreement may agree in writing.

## INFORMATION OF THE TARGET COMPANY

### Corporate structure

Set out below is the corporate structure of the Target Company as at the date of this announcement:



#### Notes:

1. The Target Company only operates Xiangjing Cemetery and has no shareholding relationship.
2. Canglian Joint Stock Economic is a rural collective economic organisations\* (村級集體經濟組織) representing the villagers of five villages in the Canglian Community.

### Corporate information

The Target Company was established in the PRC on 22 December 2005 with limited liability and is owned as to 59% by the Vendor, 40% by Canglian Joint Stock Economic and 1% by Guangzhou City Development as at the date of this announcement. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, both Canglian Joint Stock Economic and Guangzhou City Development and their respective ultimate beneficial owners are Independent Third Parties.

The Target Company is principally engaged in the provision of burial services in Guangzhou, the PRC and is the operator of Xiangjing Cemetery. It has no other subsidiary.

## History and development

The history of the Target Company can be traced back to 1984 when Guangzhou Huangpu Overseas Chinese Permanent Cemetery\* (廣州市黃埔華僑永久墓園) (“**Guangzhou Overseas Chinese Permanent Cemetery**”) was established as a Sino-foreign joint venture in August 1984 between Guangzhou City Development as domestic party and Hong Kong Fook Shau Land as foreign party for an initial term of 15 years for the purpose of setting up a commercial cemetery\* (經營性公墓) in Guangzhou, the PRC.

In July 1986, a parcel of land (i.e. the Xiangjing Cemetery Land) located at Huangpu Nangang Commune Canglian Brigade, Guangzhou, the PRC measured 181.3 mu was expropriated and allotted for use by Guangzhou City Development by competent government authorities in the PRC. Guangzhou City Development had injected the right to use of the Xiangjing Cemetery Land into Guangzhou Overseas Chinese Permanent Cemetery for use as cemetery in accordance with its agreement with Hong Kong Fook Shau Land.

In June 1990, the right of Guangzhou City Development in Guangzhou Overseas Chinese Permanent Cemetery was transferred to Guangzhou Huangpu District Civil Affairs Industrial Company\* (廣州市黃埔區民政工業公司) as domestic party and the right of Hong Kong Fook Shau Land in Guangzhou Overseas Chinese Permanent Cemetery was transferred to Hong Kong Overseas Chinese Cemetery Investment Limited as foreign party. In October 1996, the term of Guangzhou Overseas Chinese Permanent Cemetery had been extended to 20 years.

On 9 May 2000, Guangzhou Overseas Chinese Permanent Cemetery was handed over to Guangzhou Yifeng, a state-owned enterprise in the PRC, according to an approval by the government authority.

In August 2004, Guangzhou Fengyu succeeded all the assets, the unsold burial plots and a parcel of unused land being part of the Xiangjing Cemetery Land measured approximately 64 mu from Guangzhou Overseas Chinese Permanent Cemetery.

In December 2005, the Target Company was established by Guangzhou Fengyu and Guangzhou Fengze, state-owned enterprises and wholly-owned subsidiaries of Guangzhou Yifeng. Guangzhou Fengyu contributed RMB2.9 million and Guangzhou Fengze contributed RMB0.1 million by way of injecting to the Target Company of all the assets Guangzhou Fengyu succeeded from Guangzhou Overseas Chinese Permanent Cemetery. The Target Company was established as a descendent of Guangzhou Overseas China Permanent Cemetery and operated burial services at the Xiangjing Cemetery Land.

On 28 January 2009, the equity interest of the Target Company was transferred to Canglian Joint Stock Economic as to 40% with registered capital of RMB1.2 million, Guangzhou Fengyu as to 30% with registered capital of RMB0.9 million and Guangzhou City Development as to 30% with registered capital of RMB0.9 million pursuant to an equity entrustment agreement executed in 2006 among Guangzhou Fengyu, Guangzhou Fengze, Canglian Joint Stock Economic and Guangzhou City Development and an equity transfer agreement dated 8 January 2009 entered into among those parties.

On 2 April 2013, Guangzhou Haotai first became an equity holder of the Target Company holding 29% of its equity interest pursuant to an equity transfer agreement dated 28 March 2013 entered into between Guangzhou Haotai as transferee and Guangzhou City Development as transferor at a consideration of RMB16.14 million. Guangzhou Haotai is an Independent Third Party.

On 26 August 2015, Guangzhou Haotai acquired further 30% of its equity interest in the Target Company from Guangzhou Fengyu at a consideration of RMB20.54 million. Then Guangzhou Haotai held 59% of the equity interest in the Target Company on 25 September 2015.

In December 2015, Guangzhou Haotai and Guangzhou City Development respectively pledged all its 59% and 1% equity interest in the Target Company, to Guangdong Yuehe Investment Company Limited\* (廣東粵合投資控股有限公司), an Independent Third Party.

On 22 June 2022, Guangzhou Haotai went into administration following a petition for winding up by a creditor.

On 19 April 2023, 59% of the equity interest in the Target Company held by Guangzhou Haotai was put to the Auction on Alibaba Judicial Auction Online Platform by the insolvency administrator of Guangzhou Haotai.

On 28 September 2023, the Vendor acquired 59% of the equity interest in the Target Company at the Auction at the purchase price of RMB131,072,000 (equivalent to approximately HK\$141,557,760).

## **Business**

The Target Company is a burial service provider in Guangzhou, the PRC and operates with Guangdong Province Commercial Cemetery Annual Inspection Certificate\* (廣東省經營性公墓年檢合格證) (the “**Cemetery Operating License**”) granted by Guangzhou Municipal Civil Affairs Bureau\* (廣州市民政局). The Target Company operates Xiangjing Cemetery, which was established by Guangzhou Overseas China Permanent Cemetery, the predecessor of Xiangjing Cemetery, in 1984. With almost 20 years of experience in the burial service industry, the Target Company has provided comprehensive offerings of burial service options, enhanced its quality of service, refined the landscape of Xiangjing Cemetery to become a leading burial service provider in Guangzhou, the PRC. The Target Company believes that the comprehensive offerings of burial service options and the beautifully landscaped Xiangjing Cemetery allow it to serve a diversified customer base.

Xiangjing Cemetery is designed to resemble a park and be in harmony with the nature. It is centred on Changsheng Lake\* (長生湖) surrounded by Furen Mountain\* (福人山), Fushou Mountain\* (福壽山), Fukang Mountain\* (福康山) and Funing Mountain\* (福寧山). Xiangjing Cemetery is beautifully landscaped with lawns and groves of trees to provide comfort, tranquillity and a relaxing environment for customers and visitors to pay their respects to

family or friends who have passed away. The Target Company strives to ensure that Xiangjing Cemetery remains a lush, landscaped and well-maintained park in harmony with its natural surroundings to provide the best experience and tranquillity to the customers, friends and family. The developed areas of Xiangjing Cemetery comprise 1 eco-burial area and 4 sectioned burial areas for traditional burial plots of different orientation, sizes, and prices. Xiangjing Cemetery has a total site area of approximately 181.3 mu, approximately 59.68 mu of which remained undeveloped or available for future sale as at the date of this announcement. The Target Company has developed burial plots in Xiangjing Cemetery to maintain a certain level of burial plots inventory. Based on the annual sale of burial plots during the Track Record Period and the expected annual sale of burial plots, the Target Company estimates that Xiangjing Cemetery is able to sustain stable operations of approximately 20 years in the future.

The Target Company provides burial service to its customers including traditional burial service, eco-burial service and columbarium service. Traditional burial service involves the use of burial plots with uniform design, landscaping and standardised memorials engraved with customised inscriptions and ceramic photographs of the deceased. The cemetery administration team of the Target Company maintains the lawns and landscaping of Xiangjing Cemetery. The Target Company believes that the beautifully landscaped cemetery allows the Target Company to offer premium services to its customers. The Target Company also provides other types of burial service, including eco-burial service and columbarium service to its customers. Eco-burial service is an environmentally-friendly and space-saving means of burial, whereby cremains are buried under natural grave markers, usually trees and flower beds in Xiangjing Cemetery. Eco-burial grounds at Xiangjing Cemetery can be reused, unlike traditional burial plots. Customers who demand environmentally-friendly burial service, may opt for the eco-burial service. For customers who choose for their family members not to be buried in a burial plot, cremains are stored in the cremation niches in the Fushou Columbarium\* (福壽樓) in Xiangjing Cemetery. The Target Company also provides management service and conducts periodic checks and repairment of the memorials and the landscaping of Xiangjing Cemetery.

The Target Company attracts customers in Guangdong Province and from surrounding areas and neighbouring cities through word-of-mouth referrals and its marketing efforts. The Target Company cooperates with a network of funeral service providers in Guangzhou and elderly homes which refer customers to the Target Company. As Xiangjing Cemetery is strategically located in Huangpu, Guangzhou, near transportation network comprising Guangzhou-Shenzhen Expressway\* (深廣高速公路), Beijing-Hong Kong-Macau Expressway\* (京港澳高速公路) and Guangyuan Expressway\* (廣園快速路), the Target Company believes that it is a sought-after cemetery for local residents as well as customers from neighbouring cities given its convenient locations.

## Financial information

Set out below is the key unaudited financial information of the Target Company for the Track Record Period, which is prepared in accordance with HKFRS:

	For the year ended 31 December						For the six months ended 30 June	
	2020		2021		2022		2023	
	RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000
Revenue	60,906	65,778	68,305	73,769	60,666	65,519	59,917	64,710
Profit before tax	49,146	53,078	53,855	58,163	47,088	50,855	52,026	56,188
Profit after tax	36,860	39,809	40,340	43,567	35,269	38,091	39,018	42,139

	As at 31 December						As at 30 June	
	2020		2021		2022		2023	
	RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000
Total assets	117,958	127,395	114,763	123,944	113,767	122,868	122,196	131,972
Total liabilities	160,253	173,073	161,218	174,115	162,023	174,985	167,655	181,067
Total deficit	(42,295)	(45,679)	(46,455)	(50,171)	(48,256)	(52,116)	(45,459)	(49,096)

In arriving at the unaudited financial information of the Target Company, accounting adjustment has been made in accordance with HKFRS for the amortisation of the Estimated Land Premium of RMB139.2 million (equivalent to approximately HK\$150.3 million) in respect of the Xiangjing Cemetery Land. Further details of the Estimated Land Premium are disclosed in the sub-section headed “The Land Premium and the Vendor’s Facility – The Estimated Land Premium” below. During the Track Record Period, the amortisation of the Estimated Land Premium as expenses amounted to approximately RMB2.5 million (equivalent to approximately HK\$2.7 million), RMB2.6 million (equivalent to approximately HK\$2.8 million), RMB2.0 million (equivalent to approximately HK\$2.2 million) and RMB1.9 million (equivalent to approximately HK\$2.1 million), respectively. During the Track Record Period, the Target Company achieved net profit margins of approximately 60.5%, 59.1%, 58.1% and 65.1%, respectively. It also generated net unaudited operating cash inflow of approximately RMB47.8 million (equivalent to approximately HK\$51.6 million), RMB42.4 million (equivalent to approximately HK\$45.8 million), RMB39.9 million (equivalent to approximately HK\$43.1 million) and RMB46.9 million (equivalent to approximately HK\$50.7 million), respectively.

As at 30 June 2023, the Target Company recorded unaudited deficit of approximately RMB45.5 million (equivalent to approximately HK\$49.1 million). The deficit was mainly due to the accounting adjustment made in accordance with HKFRS for the amortisation of the Estimated Land Premium to previous years. Due to historical reasons, the Target Company had yet to pay the Land Premium in respect of the Xiangjing Cemetery Land, and therefore no Land Premium had been amortised as expense in the accounts of the Target Company in previous years, while the net profits generated by the Target Company had been distributed



as dividend to the then shareholders. As a result, upon the accounting adjustment was made in accordance with HKFRS and amortising the Land Premium as expense in previous years, negative reserves were recorded, which resulted in the unaudited deficit.

As advised by the PRC legal advisers, the unaudited deficit of the Target Company resulted from the accounting adjustment made in accordance with HKFRS would not render a non-compliance on the distribution of dividend in previous years. The absence of payment of the Land Premium by the Target Company in the past has all along been acknowledged by the relevant government authority and the operation of Xiangjing Cemetery has never been interrupted and that the Target Company has been able to obtain the Cemetery Operating License following annual inspection by the government authority in Guangzhou, the PRC on a yearly basis. The distribution of dividends in previous years had been made in accordance with the relevant laws and regulations. As such, the PRC legal advisers are of the view that there would not be any penalty imposed on the Target Company in this regard. However, after having made such accounting adjustment, future distribution of the dividend by the Target Company could only be made upon the Target Company turns over from the deficit position to a surplus position.

Having considered the financial performance of the Target Company, the Directors are of the view that the unaudited deficit was not an operational defect. Given the amount of net profit generated by the Target Company, the Directors consider that the deficit position of the Target Company could be overturned in less than two years. Further, in the event that the actual amount of the Land Premium is lower than the Estimated Land Premium adopted in the preparation of the unaudited financial information of the Target Company, the profit and loss position and net asset position of the Target Company would be improved. Accordingly, taking into account the valuation of 59% of the equity interest in the Target Company of approximately RMB132.2 million, despite the unaudited deficit recorded by the Target Company at 30 June 2023, the Directors consider the Acquisition would be beneficial to and in the interests of the Company and its Shareholders.

A full set of the audited financial information relating to the Target Company prepared by the joint auditors and reporting accountants under HKFRS will be included in the Circular to be despatched by the Company to the Shareholders. Shareholders should note that the financial information of the Target Company is being audited and there may be differences between the unaudited financial information relating to the Target Company as presented in this announcement and the audited financial information to be presented in the Circular.

### **The Land Premium and the Vendor's Facility**

#### ***The historical background in respect of the absence of the land use right certificate in respect to the Xiangjing Cemetery Land***

In 1986, without violating the then PRC applicable laws and regulations and having obtained competent governmental approvals and permits in the PRC, Guangzhou City Development obtained the right to use of the 181.3 mu of allocated land obtained by expropriation and used

it for Guangzhou Overseas Chinese Permanent Cemetery, predecessor of Xiangjing Cemetery. In 2005, upon expiry of the operation period of the Guangzhou Overseas Chinese Permanent Cemetery, its remaining assets including the right to use of the Xiangjing Cemetery Land, were taken over by Guangzhou Fengyu with the approval of the competent government authorities. Guangzhou Fengyu injected the right to use of the Xiangjing Cemetery Land into the Target Company when it was established in December 2005. Due to this unique historical background, the Target Company has yet to obtain the land use right certificate for the Xiangjing Cemetery Land.

As advised by the PRC legal advisers, given the historical background, and that the relevant government authorities have all along acknowledged this issue of lack of land use right certificate of the Xiangjing Cemetery Land but continued to issue the Cemetery Operating License to the Target Company which allows the Target Company to carry out its business of provision of burial services on the Xiangjing Cemetery Land, the risk of having a materially adverse legal consequence is low. As at the date of this announcement, the Target Company is in discussion with Guangzhou Municipal Planning and Natural Resources Bureau for the acquisition of the land use right and settlement of the Land Premium for the Xiangjing Cemetery Land. The land use right certificate for the Xiangjing Cemetery Land, upon granted, shall have a term of 50 years. It is expected that the actual amount of the Land Premium will be confirmed by Guangzhou Municipal Planning and Natural Resources Bureau in December 2023. Following which, the Target Company would obtain the relevant land use right certificate and comply with regulatory requirement.

### *The Estimated Land Premium*

In order to assess the potential financial impact of the Land Premium to the Target Company, the Company has appointed an independent valuer to estimate the amount of the Land Premium that might be required to be payable by the Target Company. Based on the valuer's assessment, the Estimated Land Premium amounts to RMB139.2 million (equivalent to approximately HK\$150.3 million).

In arriving at the Estimated Land Premium, the valuer has estimated the potential land premium for transferring the nature of the Xiangjing Cemetery Land from allocated land to granted land as of a current date in accordance with the relevant practice notes "Technical Specifications for Land Price Assessment of State-Owned Land Use Rights Grant\* (國有建設用地使用權出讓地價評估技術規範)" issued by Ministry of Natural Resources\* (自然資源部) (the "**Practice Notes**"). In accordance with the Practice Notes, the evaluation of the land premium for the Xiangjing Cemetery Land should be conducted using two suitable approaches, namely the market approach and the benchmark land price approach, as determined by the valuer.

In the market approach, the valuer has considered and analysed the land sales in the vicinity. A total of six land sale comparables for cemetery uses situated in Guangdong Province and dated within five years from 30 September 2023 (the "**LP Valuation Date**") are selected on an exhaustive basis. These land sale comparables are adopted as they are considered relevant

to the Xiangjing Cemetery Land in terms of time, location and land use. The unit rates of the adopted comparables are ranging from RMB697 to RMB2,410 per sq. m. on the basis of site area. Adjustments of the relevant comparables have been made in terms of time, location, accessibility and size to adjust the difference between the Xiangjing Cemetery Land and the adopted comparables.

In terms of time adjustment, the differences in market sentiments between the LP Valuation Date and the transaction dates of the adopted comparables have been adjusted by making reference to the index known as the national average land transaction price (monthly value)\* (全國土地成交平均價(當月值)). The transaction dates of five comparables have recorded lower indices compared to that as of the LP Valuation Date and thus their unit rates have been adjusted upward.

In terms of location adjustment, the difference in tiers of city and proximities to the district hub between the location of the Xiangjing Cemetery Land and the comparables' locations have been adjusted. Four of the comparables are considered as inferior to the Xiangjing Cemetery Land in terms of location since they are located in lower-tier cities than the Xiangjing Cemetery Land. The other two comparables are both within the same city as the Xiangjing Cemetery Land but one of them is situated nearby the hub within Conghua District while the other is located far from the core location of Zengcheng District, hence they have been downward and upward adjusted respectively.

In terms of accessibility adjustment, the road networks supporting the adopted comparables have been considered. Similar to the Xiangjing Cemetery Land, four of the comparables are well connected to the main roads or highways which enhance their accessibilities. However, the other two comparables are situated far from the main roads and they are considered inferior to the Xiangjing Cemetery Land. Hence, upward adjustments have been made to these two comparables.

In terms of size adjustment, it is based on the principle that a property transaction with a smaller size will be subject to a higher unit price and thus the valuer has made the size adjustment by referring to the differences in site areas between the Xiangjing Cemetery Land and the comparables. Five of the comparables are of smaller site areas than the Xiangjing Cemetery Land and downward adjustments have been made to the comparables. On the other hand, the site area of the other comparable is larger than the Xiangjing Cemetery Land and thus upward adjustment has been applied.

Upon relevant adjustments, the adjusted unit rates of the adopted comparables are ranging from RMB605 per sq. m. to RMB2,015 per sq. m. on site area. The weighted average unit rate of RMB1,220 per sq. m. on site area is adopted to derive a land premium of circa RMB147,500,000 by market approach.

In the benchmark land price approach, the valuer has referred to Guangzhou City Public Land Price Release Platform\* (廣州市公示地價發佈平台) published by Guangzhou Municipal Planning and Natural Resources Bureau\* (廣州市規劃及自然資源局) to obtain the appropriate benchmark land price for assessing the land premium of the Xiangjing Cemetery

Land. Since cemetery uses are categorised as commercial uses under the Urban Planning Construction Land Standard\* (城市用地分類與規劃建設用地標準) published by Ministry of Housing and Urban-Rural Development\* (住房和城鄉建設部), the benchmark land price covering the subject area for commercial uses of RMB7,220 per sq. m. on permissible gross floor area in 2021, which is the latest year of publishing the relevant benchmark land price, is adopted.

As at the LP Valuation Date and the date of this announcement, the Xiangjing Cemetery Land is yet to be granted with a permissible plot ratio to determine the permissible gross floor area. Based on the valuer's relevant understanding and local knowledge, the land and planning authorities normally consider the locality, site attributes and market sentiments when defining various development parameters including permissible plot ratio of a site, and they may also take into account the development parameters of same kind of site granted in the recent years within the city to maintain a consistent planning regime. Therefore, in order to derive the permissible gross floor area of the Xiangjing Cemetery Land, the valuer has made reference to the land parcels granted for cemetery uses in the recent five years within Guangzhou. The permissible plot ratios of such land parcels range from 0.085 to 0.2, implying a mean of circa 0.15. The valuer considers that it is reasonable to assume a plot ratio of 0.15 after considering the relevant land grants in the subject city. The assumed plot ratio of 0.15 is also considered as sufficient to cover the used plot ratio of 0.03 and the remaining development potential of the Xiangjing Cemetery Land. With the adopted benchmark land price and the permissible gross floor area based on the assumed plot ratio, the valuer has derived a land premium of circa RMB130,900,000 by the benchmark land price approach.

By reconciling the results from the two approaches, the valuer has derived the Estimated Land Premium of circa RMB139,200,000 as at the LP Valuation Date.

### ***The Vendor's Facility***

It is currently planned that the Target Company shall settle the Land Premium with its internal resources and by a facility granted by the Vendor.

To facilitate the Target Company to pay the Land Premium and to obtain the relevant land use right certificate in respect of the Xiangjing Cemetery Land, the Vendor has granted a facility up to RMB140 million to the Target Company on the same date of the Agreement (i.e. 21 November 2023) (the "**Vendor's Facility**"), if necessary funding is required by the Target Company at the time of paying the Land Premium.

The Vendor's Facility can only be drawn down for the sole purpose of paying the Land Premium and it shall be available for drawdown until the full settlement of the Land Premium. The Vendor's Facility shall carry an interest rate of 2.8% per annum and shall be repayable within two years upon drawdown. The interest rate of the Vendor's Facility has been determined based on normal commercial terms with reference to the interest rate generally offered by commercial banks in the PRC that would be available to the Target Company. As such, it is considered to be fair and reasonable. In the event that the Target Company has utilised the Vendor's Facility, it shall fully repay the outstanding principal amount and the

interest accrued thereof to the Vendor by its operating profit before it can distribute dividend to its shareholders. It is expected that the Target Company shall repay the Vendor's Facility (if utilised) by its operating income to be generated in its ordinary course of business.

Further information in respect of the business model, competitive strength, customers and suppliers profile, financial information, and other aspects in relation to the Target Company will be included in the Circular to be despatched to the Shareholders.

## **INFORMATION OF THE GROUP**

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in (i) the provision of concrete placing and other ancillary services as a subcontractor for both public and private sector projects, including building and infrastructure related projects; and (ii) the provision of loan finance business in Hong Kong.

During the two years ended 31 March 2022 and 2023, the Group recorded net loss after tax of approximately HK\$22.7 million and net profit after tax of approximately HK\$21.1 million for its continuing business. Since the adoption of the streamlined mode in June 2021, the concrete placing business of the Group has been operating satisfactorily, which has generated segment profits of approximately HK\$27.6 million and HK\$32.9 million for the two years ended 31 March 2022 and 2023, respectively. During the period from 1 April 2023 up to the date of this announcement, 32 contracts have been awarded to the Group with total contract sum of approximately HK\$1,384 million. Out of these 32 contracts, 14 are contracts from the public sector, with total contract sum of more than HK\$991 million. The Group has also submitted 9 tenders for concrete placing contracts with total contract sum of approximately HK\$742 million. The results of these tenders will be announced in December 2023 and January 2024, respectively.

For the loan finance business, as at the date of this announcement, the Group has advanced 3 loans to 3 borrowers, with total gross amount of loan and interest receivables amounted to approximately HK\$114.0 million.

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

### **Proven track record and promising prospects of the Target Company**

The Target Company has been providing burial service in Guangzhou since 2005. During the Track Record Period, the revenue of the Target Company ranged from approximately RMB59.9 million to RMB68.3 million. The Board is of the view that the Target Company has demonstrated a proven track record over years. Considering (i) new cemetery land supply in the PRC is limited due to regulatory complexities and zoning restrictions; (ii) Xiangjing Cemetery still has the capacity for continuous development for 20 years in the future; and (iii) the aging population coupled with the increasing households income of households in the PRC continuously driving the demand for quality burial plots and services, the Board is optimistic on the future prospects of the Target Company.

### **Widen the revenue sources and diversify the business of the Group**

To provide investors with long-term and stable returns and to enhance the Group's intrinsic value, the Group has been continuously exploring different business opportunities in the market. While the Company has currently no intention to dispose or downsize its existing businesses, the Board believes the Acquisition represents a good opportunity for the Group to diversify its portfolio and tap into a revenue-generating business with high entry barrier. Upon Completion, the Target Company will become a 59%-owned subsidiary of the Company and the accounts of the Target Company will be consolidated into the financial statements of the Group. It is expected that the Acquisition would enable the Group to enhance the profitability in the future given the proven track record of the Target Company. Further details of the financial impact of the Acquisition will be disclosed in the Circular to be despatched to the Shareholders.

### **Remedial action to satisfy the Resumption Guidance**

Based on the results of due diligence, the Board considers that the Target Company would be able to meet the requirements under Rules 8.04 and 8.05 of the Listing Rules. Taking into account the financial performance of the existing businesses of the Group, it is also expected that, upon Completion, the Enlarged Group would also be able to meet all the new listing requirements set out in Chapter 8 of the Listing Rules. As a result, the Board considers that the Acquisition, upon Completion, is therefore a remedial action which would enable the Company to comply with Rule 14.54 of the Listing Rules and fulfil the Resumption Guidance, and thereby facilitate the Resumption.

### **The Assignment of Loan could resolve the long outstanding receivables and reduce the cash outlay of the Group**

The Loan Receivables have been due in March 2022 and July 2023, respectively. While the Group is of the view that the respective borrower would repay the outstanding amount of the Loan Receivables, it might take time for the recovering of the entire amount of the Loan Receivables. The Vendor's acceptance of the Assignment of Loan as part payment of the Consideration would eliminate the risk associated with the recovering the outstanding Loan Receivables. Further, the Group could reduce cash outlay and could retain more cash as working capital for the Group's business operation and development.

Having considered the above, the Board considers that the terms and conditions of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and its Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements pursuant to the Listing Rules.

As the Vendor is ultimately and wholly-owned by the Guarantor indirectly, and the Guarantor is the Chairman of the Board and an executive Director, and the controlling Shareholder who is beneficially interested in 633,600,000 Shares in aggregate (of which 24,500,000 Shares are directly held by the Guarantor and 609,100,000 Shares are held by Prestige Rich, a company beneficially and wholly-owned by the Guarantor), representing approximately 64.9% of the total issued share capital of the Company as at the date of this announcement, the Vendor and the Guarantor are therefore connected persons of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval by the Independent Shareholders at the EGM by way of poll.

The Assignment of Loan is in effect a disposal of assets by the Company to the Vendor. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Assignment of Loan exceeds 5% but all are less than 25%, the Assignment of Loan constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Given the Vendor is a connected person of the Company, the Assignment of Loan also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As such, the Assignment of Loan is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Acquisition also constitutes a reverse takeover for the Company under Rule 14.06(6) of the Listing Rules. Accordingly, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules and the Acquisition is therefore subject to the approval by the Listing Committee of the New Listing Application to be made by the Company. The Target Company must meet the requirements of Rules 8.04 and 8.05 of the Listing Rules, and the Enlarged Group must meet all the new listing requirements set out in Chapter 8 of the Listing Rules. The New Listing Application is being finalised, and is expected to be submitted as soon as practicable with a target time frame in December 2023.

As the Guarantor is considered to have a material interest in the Acquisition, he has abstained from voting on the resolutions of the Board in relation the Acquisition. Save as the Guarantor, no other Directors attended the Board meeting has a material interest in the Acquisition and is required to abstain from voting on the relevant resolutions.

## **SOLE SPONSOR, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Messis Capital Limited has been appointed as the sole sponsor in relation to the New Listing Application.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder (including the Assignment of Loan). Zhongtai International Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **DESPATCH OF CIRCULAR**

The Circular containing, among other things, (i) details of the Acquisition (including the Assignment of Loan); (ii) financial information of the Group; (iii) information of the Target Company including but not limited to its history and development, business, financial and other material information; (iv) unaudited pro forma financial information of the Enlarged Group; (v) the notice of the EGM; (vi) a letter of advice from the Independent Board Committee to the Independent Shareholders; (vii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (viii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 15 March 2024, which has been determined after taking into account the estimated time required for the Company to prepare all relevant information for inclusion in the Circular. Further announcement will be made by the Company regarding the despatch of the Circular as and when appropriate.

## **EGM**

The EGM will be held for the Independent Shareholders to consider, and if thought fit, to approve the Agreement and the transactions contemplated thereunder (including the Assignment of Loan).

Save that the Vendor, the Guarantor and their respective associates shall abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder (including the Assignment of Loan), no other Shareholder has a material interest which is different to the other Shareholders and is required to abstain from voting at the EGM.

## **CONTINUED SUSPENSION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 13 May 2022 and will remain suspended until further notice.



## **WARNING**

**Shareholders and potential investors should note that Completion is subject to the satisfaction or waiver (as the case may be) of the conditions under the Agreement. In addition, the Listing Committee may or may not approve the New Listing Application to be made by the Company. In the event that approval of the New Listing Application of the Company is not granted, the Agreement will not become unconditional and the Acquisition will not proceed. As Completion may or may not take place, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.**

**The Company has a resumption deadline of 12 November 2023. If the Company fails to fulfil all the Resumption Guidance and resume trading in its shares by the resumption deadline, the Stock Exchange is entitled to delist the Company under Rule 6.01A.**

**The publication of this announcement does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the Resumption.**

## **DEFINITIONS**

In this announcement, save as the context otherwise requires, the defined terms have the following meanings:

“Acquisition”	the acquisition of the Sale Interest by the Company pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement entered into among the Company, the Vendor and the Guarantor dated 21 November 2023 in respect of the Acquisition
“Assignment of Loan”	the assignment of all rights and benefits under the Loan Receivables by the Company to the Vendor as part payment of the Consideration
“Auction”	an auction held by Guangzhou Association of Insolvency Administrators on Alibaba Judicial Auction Online Platform from 27 to 28 September 2023 in respect of the sale of the Sale Interest
“Board”	the board of Directors

“Business Day”	a day (other than a Saturday, a Sunday or a public holiday or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.), on which banks are open for general banking business in Hong Kong
“BVI”	the British Virgin Islands
“Canglian Joint Stock Economic”	Guangzhou Huangpu Lilian Street Canglian Joint Stock Economic Federation* (廣州市黃埔區荔聯街倉聯股份經濟聯合社), a joint stock economic federation established under the laws of the PRC, an Independent Third Party and the owner of 40% equity interest in the Target Company as at the date of this announcement
“Circular”	the circular relating to, among others, the Agreement and the transactions contemplated thereunder to be despatched by the Company
“Company”	Chong Kin Group Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1609)
“Completion”	completion of the Acquisition
“Consideration”	the consideration of HK\$142,407,107 paid/payable by the Company to the Vendor for the Acquisition
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider, and if thought fit, to approve the Agreement and the transactions contemplated thereunder (including the Assignment of Loan)
“Enlarged Group”	the Group as enlarged by the Acquisition
“Group”	the Company together with its subsidiaries
“Guangzhou City Development”	Guangzhou Huangpu City Development Company Limited* (廣州市黃埔區城市建設開發有限公司), a domestic company established under the laws of the PRC, an Independent Third Party and the owner of 1% equity interest in the Target Company as at the date of this announcement

“Guangzhou Fengyu”	Guangzhou Huangpu Fengyu Company Limited* (廣州市黃埔區豐域有限公司), a state-owned enterprise established in the PRC and a wholly-owned subsidiary of Guangzhou Yifeng at all the material times
“Guangzhou Fengze”	Guangzhou Huangpu Fengze Company Limited* (廣州市黃埔區豐澤有限公司), a state-owned enterprise established in the PRC and a wholly-owned subsidiary of Guangzhou Yifeng at all the material times
“Guangzhou Haotai”	Guangzhou Haotai Investment Company Limited* (廣州灝泰投資有限公司), a domestic company incorporated under the laws of the PRC and an Independent Third Party
“Guangzhou Yifeng”	Guangzhou Huangpu Yifeng Investment Company Limited* (廣州市黃埔乙豐投資經營有限公司), a state-owned enterprise established in the PRC and an Independent Third Party
“Guarantor”	Mr. Zhang Jinbing, the Chairman of the Board and an executive Director, and the controlling Shareholder who is beneficially interested in 633,600,000 Shares, representing approximately 64.9% of the total issued share capital of the Company as at the date of this announcement
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Fook Shau Land”	Fook Shau Land Investment Limited (福壽地產有限公司) (dissolved), a limited company incorporated under the laws of Hong Kong on 9 July 1982 and dissolved on 11 May 2001
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the Agreement and the transactions contemplated thereunder (including the Assignment of Loan)
“Independent Shareholder(s)”	the Shareholders, other than the Guarantor and his associates and other persons with material interests in the Acquisition who are required to abstain from voting at the EGM to approve the Agreement and the transactions contemplated thereunder

“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons as defined under the Listing Rules and is/are not connected person(s) of the Company
“Land Premium”	the land premium payable to the relevant government authority for obtaining the relevant land use right certificate in respect of the Xiangjing Cemetery Land
“Last Trading Date”	12 May 2022, being the last trading day of the Shares on the Stock Exchange prior to the suspension of trading in the Shares
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Receivables”	the outstanding amount of two loans advanced by the Group to Independent Third Parties in its ordinary and usual course of business together with the accrued interest thereof
“Long Stop Date”	30 June 2024 or such later date as the Company and the Vendor may agree in writing
“New Listing Application”	the new listing application as contemplated under the Acquisition
“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
“Prestige Rich”	Prestige Rich Holdings Limited, the controlling Shareholder which is interested in 609,100,000 Shares, representing approximately 62.4% of the total issued share capital of the Company as at the date of this announcement, and is wholly-owned by the Guarantor
“Resumption”	the resumption of trading in the Shares on the Stock Exchange
“Sale Interest”	59% equity interest in the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangzhou Xiangjing Cemetery Company Limited* (廣州市祥景陵園有限公司), a domestic company established under the laws of the PRC, which is held as to 59% by the Vendor, 40% by Canglian Joint Stock Economic and 1% by Guangzhou City Development as at the date of this announcement
“Track Record Period”	the three financial years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023
“Vendor”	Guangzhou Liancheng Culture and Technology Limited* (廣州聯成文化科技有限公司), a wholly foreign owned enterprise established under the laws of the PRC and is indirectly wholly-owned by the Guarantor
“Xiangjing Cemetery”	the cemetery operated by the Target Company in Huangpu, Guangzhou, Guangdong Province, the PRC
“Xiangjing Cemetery Land”	the land occupied by Xiangjing Cemetery
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“mu”	mu (畝), a Chinese unit of measurement, equivalent to 666 $\frac{2}{3}$ sq. m.
“sq. m.”	square metres
“%”	per cent.

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

Hong Kong, 21 November 2023

*For illustration purpose only, amounts in RMB in this announcement have been converted into HK\$ at the rate of RMB1 = HK\$1.08.*

*As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Zhang Jinbing and Mr. Leung Chi Kwong Joe; and three independent non-executive Directors, namely Mr. Tam Ping Kuen Daniel, Ms. Chen Weijie and Mr. Zhao Hangen.*

*\* For identification purpose only*