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## **HUIJING HOLDINGS COMPANY LIMITED**

**滙景控股有限公司**

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

**(Stock code: 9968)**

### **CLARIFICATION AND SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE DISCLOSEABLE TRANSACTION: INVESTMENT IN THE TARGET COMPANIES BY WAY OF CAPITAL INJECTION**

Reference is made to the announcement of Huijing Holdings Company Limited (the “**Company**”) dated 10 December 2020 in relation to the investment in the Target Companies by way of capital injection (the “**Announcement**”). Unless otherwise defined herein, capitalised terms shall have the same meanings as given to them in the Announcement.

#### **CLARIFICATION ABOUT THE INFORMATION OF TARGET COMPANY A AND TARGET COMPANY B**

The Board would like to clarify that there was inadvertent error regarding the unaudited total assets value and the net liabilities value of Target Company A and Target Company B as at 31 October 2020 on page 4 and page 6 of the Announcement respectively. As at 31 October 2020, the unaudited total assets value and the net liabilities value of Target Company A should be approximately RMB492 million and RMB69 million, and the unaudited total assets value and the net liabilities value of Target Company B should be approximately RMB1,729 million and RMB106 million respectively.

The Board would also like to clarify that there was an inadvertent omission regarding the address of Target Land B on page 6 and page 13 of the Announcement where “山” was omitted from the address and “Tianwang” should be “Tianwangshan”. Target Land B should therefore be located at Tianwangshan Boulevard, Western New District, Xichang City\* (西昌市西部新區天王山大道) in Sichuan Province, the PRC.

The Board also wishes to provide the shareholders and potential investors of the Company with supplemental information as follows:

## **SUPPLEMENTAL INFORMATION ABOUT THE COUNTERPARTIES OF THE CAPITAL INJECTION AGREEMENTS**

While Mr. Liang Shulong, Mr. Liang Shugao and Mr. Liang Shuqi (the “**Younger Mr. Liangs**”) are brothers, Mr. Liang Peiqiang and Mr. Liang (the “**Older Mr. Liangs**”, together with the younger Mr. Liangs, the “**Mr. Liangs**”) are also brothers as well as the younger cousins of the father of the younger Mr. Liangs. Save as disclosed herein, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, based on the information available to the Company, the counterparties of each of the Capital Injection Agreements and their ultimate beneficial owners are independent of each other.

Save as disclosed above, since (1) the counterparties of each of the Capital Injection Agreements are, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, not connected or associated with one another, save for Mr. Liang who is one of the parties to both Capital Injection Agreement I and Capital Injection Agreement II; (2) although Mr. Liang is one of the parties to both Capital Injection Agreement I and Capital Injection Agreement II, he only owns as to 1.002% equity interest in Target Company A in relation to Capital Injection Agreement I and as to 5% equity interest in Target Company B in relation to Capital Injection Agreement II, and thus holds no controlling interest in both Target Company A and Target Company B; (3) as at the date of the Capital Injection Agreements, though Mr. Liang Shugao and Mr. Liang Shuqi held controlling interest in Target Company B, Mr. Liang Shulong did not hold a controlling interest in Target Company A, he was only interested in 38.99% of Yibin Shugao Construction, which held only 10% of the interests in Target Company A; (4) the Older Mr. Liangs are the younger cousins of the father of the younger Mr. Liangs, such relationship does not fall within the definition of “relative” under the Listing Rules; and (5) the Target Lands held by the Target Companies are at different locations. Though Target Land A and Target Land B and both located in Sichuan Province, Target Land A locates in Zhongsuo Village, Gaojian Town, Xichang City\* (西昌市高枳鄉中所村), which is 13 km from Target Land B in Tianwangshan Boulevard, Western New District, Xichang City\* (西昌市西部新區天王山大道), while Target Land C locates in Hebei Province while Target Land A and Target Land B locate in Sichuan Province. In addition, each of Target Land A, Target Land B and Target Land C possesses separate title documents and not part of an asset or interest in one particular company or group of companies. The Board is therefore of the view that the counterparties of the Capital Injection Agreements should not be considered as the same party or parties connected or otherwise associated with one another.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the aforementioned Mr. Liangs are not acting in concert with each other on the following grounds: (1) the Older Mr. Liangs are the younger cousins of the father of the Younger Mr. Liangs, their family relationship is not direct nor close and should not be regarded as close family members acting in concert, there is also no evidence that the Older Mr. Liangs and the Younger Mr. Liangs are actively cooperating in the Capital Injection Agreements; (2) other than the family relationship disclosed herein, the aforesaid Mr. Liangs only participated in the discussion and negotiation of the terms of Capital Injection

Agreement II, while those of Capital Injection Agreement I were undertaken by the controlling shareholder of the Target Company A while was Independent Third Party, and Mr. Liangs have no role or influence in the discussion and negotiation of Capital Injection Agreement I at all; (3) the overlapping shareholdings held by Mr. Liangs are in respect of Yibin Shugao Construction in Capital Injection Agreement I and Yibin Shugao Property in Capital Injection Agreement II, yet Target Company A is only held as to 10% by Yibin Shugao Construction, as such, it would not be possible for Mr. Liang Peiqiang, Liang Shulong and Mr. Liang to have actively collaborated with Yibin Shugao Property; (4) in addition, except Mr. Liang Shugao is a director of Target Company B, none of the Mr. Liangs is a director of Target Company A or Target Company B; (5) the Group came across the business opportunities to enter into the Capital Injection Agreements at different times and occasions and through different counterparties; in addition, the counterparties of Capital Injection Agreement III do not overlap with those in Capital Injection Agreement I and Capital Injection Agreement II, and the counterparties in Capital Injection Agreement III are different and entirely independent from those in Capital Injection Agreement I and Capital Injection Agreement II; and (6) the Capital Injection Agreements have been independently negotiated at different times and are not inter-conditional to each other, there is no arrangement, understanding or undertaking among the relevant parties that the transactions under the Capital Injection Agreements must take place together, completion of each of the Capital Injection Agreement I, Capital Injection Agreement II and Capital Injection Agreement III is not inter-conditional to each other. Given the minimal linkage between the ultimate beneficial owners of the counterparties of Capital Injection Agreement I and Capital Injection Agreement II as disclosed herein, the Directors are of the view that Capital Injection Agreement I, Capital Injection Agreement II and Capital Injection Agreement III should not be aggregated under Rules 14.22 and 14.23 of the Listing Rules.

## **SUPPLEMENTAL INFORMATION ABOUT THE TARGET LANDS**

Set out below are the further details of the Target Lands:

Development status:

*Target Company A:* As at the date of this announcement, the construction on Target Land A and its pre-sale were under in progress.

*Target Company B:* As at the date of this announcement, construction Target Land B was partly completed and remaining construction work on Target Land B as well as the pre-sale of the properties were ongoing.

*Target Company C:* As at the date of this announcement, construction Target Land C was partly completed and remaining construction work on Target Land C as well as the pre-sale of the properties were ongoing.

Expected completion date:

*Target Company A:* The development of the real estate project of Target Company A is expected to be completed within 2021.

*Target Company B:* The development of the remaining part of the real estate project of Target Company B is expected to be completed within 2022.

*Target Company C:* The development of the remaining part of the real estate project of Target Company C is expected to be completed within 2023.

## SUPPLEMENTAL INFORMATION ABOUT THE AMOUNT OF CAPITAL CONTRIBUTION TO BE MADE BY THE COMPANY (THE “CONTRIBUTIONS”)

Set out below are the nature and the breakdown of the major assets and liabilities of the Target Companies as at 31 October 2020:

	Target Company A		Target Company B		Target Company C	
	Amount (RMB million)	Percentage (%)	Amount (RMB million)	Percentage (%)	Amount (RMB million)	Percentage (%)
<b>Major assets (Note 1)</b>						
Prepayment for construction cost	—	—	593	36.2	14	2.7
Monetary fund	58	12.8	—	—	32	6.2
Inventory	396	87.2	699	42.6	474	91.1
Other receivables	—	—	348	21.2	—	—
<b>Total</b>	<b>454</b>	<b>100.0</b>	<b>1,640</b>	<b>100.0</b>	<b>520</b>	<b>100.0</b>
<b>Major liabilities</b>						
Advances from customers (Note 2)	440	88.4	1,636	89.7	543	100.0
Accounts payable	58	11.6	—	—	—	—
Other payable	—	—	187	10.3	—	—
<b>Total</b>	<b>498</b>	<b>100.0</b>	<b>1,832</b>	<b>100.0</b>	<b>543</b>	<b>100.0</b>

Notes:

- (1) The major assets and liabilities presented are directly extracted from the financial statements of the Target Companies in accordance with the PRC accounting standards, where the Target Lands were classified as inventory and the prepayment for construction cost, i.e. including land cost and development cost, which forms part of the major assets set out in the table above. As at 31 October 2020, the carrying values of the Target Lands held by Target Company A, the Target Company B and the Target Company C were RMB396 million, RMB1,292 million and RMB488 million, respectively, while the estimated fair values based on valuation reports were RMB532 million, RMB1,413 million and RMB541 million, respectively. The amount of inventory and prepayment for construction cost should have been classified as “properties under development” in accordance with the accounting policies adopted by the Company.

- (2) Advances from customers represent proceeds received from customers from pre-sale of properties, which cannot be recognised as revenue until the relevant properties are delivered to the customers, such amount should have been presented under contract liabilities in accordance with the accounting policies adopted by the Company.

As stated in the Announcement, the amount of Contributions were determined based on the financial condition and business prospect of each of the Target Companies and 40% of their respective equity interest value. While the three projects proposed to be invested in under the respective Target Companies are in net liabilities position as at 31 October 2020, it is a norm in the real estate industry that during the development and construction stage of the real estate projects and before the sales revenue is recognised, the Target Companies' net assets, and net profit would be negative due to the effect of factors such as preliminary operating expenses (including administrative and selling expenses, interest expenses and tax expenses). With the development of real estate projects, when the properties are delivered to customers and contracted liabilities are recognised as revenue, the net assets and net profit of the Target Companies will turn from negative into positive. Therefore, the Directors believe that the net assets of the Target Companies will turn from negative into positive when the revenue is recognised.

In determining the amount of Contributions, reference has been made to the valuation reports of the respective appraised values of Target Companies prepared by the independent valuers with the valuation date of 31 October 2020. In respect of the valuation reports, the independent valuers have adopted asset-based approach for the valuation of net asset values of the Target Companies. As at 31 October 2020, the appraised value of the net assets for the Target Company A, Target Company B and Target Company C were approximately RMB22.44 million, RMB13.22 million and RMB32.31 million, respectively. Based on the review of the valuation reports by the management of the Company and the discussion with the valuers that (i) the Target Companies are all holding the assets of projects to be developed, which are the major asset and primary source of profit of the Company and (ii) the valuers are of the opinions that the asset-based approach is appropriate and commonly used in the industry for evaluation of real estate project acquisition transactions, therefore the Directors consider that the valuation approach adopted is fair and reasonable. In addition to the independent valuation reports, the Directors also consider (1) the shareholding of the Target Companies upon completion of the Capital Injection; (2) the business due diligence conducted by the Company's internal team and the legal due diligence conducted by a law firm engaged by the Company, in which no significant risks were identified or existed in the Target Companies; and (3) the synergies brought by the acquisition of Target Companies to the Group's business when determining the amount of Contributions. Further, the Target Companies proposed to be invested in will bring more business opportunities for the Group to develop in new regions, i.e. Sichuan and Hebei provinces. The new regions to be developed by the Company will be more diversified, and there will be mature partners to cooperate with when entering the new regions. Since the Target Companies will become the subsidiaries of the Company upon completion of capital injection, the financial results of the three projects will be consolidated into the Group. Taking into account the development status of the three projects, it is expected that the revenue and profits will be recognised by the Group upon the relevant properties being delivered to the ultimate customers.

Based on the above, the Board considers the basis of determination of the amount of Contributions is reasonable and fair and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

In respect of the sharing mechanism between the Company and the other shareholders of the Target Companies on the profits or loss generated by the Target Companies, the Target Companies shall distribute profits in accordance with the proportion of the amount of registered capital contributed, provided that (1) there is no outstanding liabilities or share capital not being fully paid up during that financial year; and (2) relevant taxes are fully paid and there is a sufficient level of reserves. Further, the loss accumulated by the respective Target Companies shall be borne by their respective shareholders in accordance with their capital contributions. The profit distribution or loss recovery plan of the respective Target Companies shall be formulated by the Board and implemented upon approval by the shareholders' meeting of the respective Target Companies.

**SUPPLEMENTAL INFORMATION ON WHETHER THE COMPANY HAS ANY FURTHER CAPITAL COMMITMENT ON THE TARGET COMPANIES AND HOW THE CONTRIBUTIONS WILL BE FINANCED**

Based on the current development progress of the Target Companies, as the portion under development of the three projects under the respective Target Companies can be funded by the additional capital contributed by the capital injection made by the Group as disclosed in the Announcement, the sales of the unsold properties and pre-sale proceeds as the three projects progress, the Company does not expect to contribute further capital commitment on the Target Companies.

The Company does not intend to finance the Contributions by using its IPO proceeds.

By order of the Board  
**Huijing Holdings Company Limited**  
**Lun Zhao Ming**  
*Executive Director*

Hong Kong, 11 February 2021

*As at the date of this announcement, the Board comprises Mr. Lun Zhao Ming, Mr. Lau Kam Kwok Dickson and Mr. Lu Peijun as executive Directors, Mr. Lun Ruixiang as a non-executive Director, and Ms. Chiu Lai Kuen Susanna, Mr. Hung Wan Shun Stephen and Ms. Lin Yanna as independent non-executive Directors.*

\* *For identification purpose only*