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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE DISCLOSEABLE TRANSACTION: INVESTMENT IN THE TARGET COMPANIES BY WAY OF CAPITAL INCREASE

Reference is made to the announcement of Huijing Holdings Company Limited (the “**Company**”) dated 21 May 2021 in relation to the investment in the Target Companies by way of capital increase (the “**Announcement**”). Unless otherwise defined herein, capitalised terms shall have the same meanings as given to them in the Announcement.

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

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

(A) Basis of Capital Contribution

The determination of the Capital Contribution is based on the value of assets and projects of Target Company A and Target Company B as at 31 March 2021. According to the valuation result performed by the Company’s internal finance and investment teams, the value of the assets and projects of Target Company A and Target Company B were approximately RMB 41 million and RMB 22 million respectively, the total of which was RMB 63 million, having considered the current financial position and the expected total profits that would be recognised when the projects are completed and delivered. Since the Company will hold 51% of the equity interest of Target Company A and Target Company B respectively after the Capital Contribution, the amount of Capital Contribution will be RMB 63 million, having made reference to the value of the assets and projects of Target Company A and Target Company B before the Capital Contribution, which was at RMB 63 million.

Since Target Company C was held by Target Company A and Target Company B by 50% respectively before the Capital Contribution, the value of the assets and projects of Target Company C was included in the value of the assets and projects of Target Company A and Target Company B.

The Company's internal investment team and finance team are led by one of the executive Directors and the chief financial officer of the Company respectively, which include senior staff who had worked with listed property developers in the PRC and have rich experience in investment, valuation and accounting of real estate projects.

The Board had consulted with Dongguan Dongxin Asset Appraisal Firm (General Partnership), an independent valuer, on the valuation result performed by the Company's internal teams and considered that the valuation result was fair and reasonable.

(B) The Assessment of the Board

(1) Asset-based Approach and Major Assumptions of the Valuation

In respect of the asset-based approach adopted for the valuation of assets and projects of the Target Companies, having considered: (i) the Target Companies are property developers in PRC and property developers usually own massive amount of asset in forms of properties under development; (ii) their profitability is critically hinged on the asset value of the Company since the profit can only be realised after the delivery of the completed properties; (iii) reference is made to the sales price and market value of similar property projects in the same region of the target projects; (iv) the past experience on capital injection in real estate projects; and (v) the consultation with the independent valuer on the methodology of the valuation on property developers and real estate projects, the Board is of the view that the asset-based approach is appropriate and common for the valuation of companies engaged in property development industry.

The valuation was based on the following major assumptions, including: (i) the valued properties have been traded in the markets; (ii) the transactions of the valued properties are conducted in an open market where buyers and sellers are equal, voluntary, reasonable and they complete the transactions with sufficient information and time; (iii) the purpose and usage of the properties remain unchanged after the valuation date; and (iv) no materially adverse change of the economy and government policies. Having considered: (i) the target projects are already under pre-sale process; (ii) the property development industry is an open market; and (iii) the consultation with the independent valuer on the assumptions of the valuation on property developers and real estate projects, the Board is of the view that the major assumptions were appropriate and common for the valuation of companies engaged in property development industry.

(2) Financial Position

The Target Companies are property developers, the projects of which are under construction and pre-sale. Therefore, the assets and liabilities of the Target Companies are recorded at cost in accordance with the accounting standard adopted.

The major assets of the Target Companies were properties under development, which represent the land cost and the development cost of the property development projects, accounting for more than 60% of the total assets of the Target Companies as at both 31 December 2020 and 31 March 2021.

The major liabilities of the Target Companies were contractual liabilities, which represent the proceeds received from customers from pre-sale of properties, accounting for more than 90% of the total liabilities of the Target Companies as at both 31 December 2020 and 31 March 2021.

While Target Company A was in net liabilities position as at 31 December 2020, it is a norm in the real estate industry that the profitability will only be realised after the delivery of the properties to the customers. The relevant property projects are all under construction, hence, during the development and construction stage and before the revenue is recognised, Target Company A recorded a net loss and net liabilities due to the effect of factors such as preliminary operating expenses (including administrative and selling expenses, interest expenses and tax expenses). For the property development projects of the Target Companies, it is expected that the properties will be delivered to customers before the first half of 2022 and the revenue and profits will be recognised, and the net liabilities of Target Company A will turn into net assets position accordingly.

(3) Other Factors

The Board has also considered other factors, including but not limited to:

1. The Target Companies will become subsidiaries of the Company and their financial results, assets, liabilities and cash flows will be consolidated into the consolidated financial statements of the Group;
2. The acquisition of the Target Companies enables the Company to increase its land bank; and

3. The synergies of the Target Companies and the Company's existing projects in Sichuan province. The Capital Contribution to the Target Companies will bring more opportunities for the Company to develop in the southwest region of China, and Chengdu is a core city in the region with great market potential, the market presence in Chengdu will increase the brand influence and enable the Company to increase its market share in the southwest region of China.

Taking into account: (i) the result of the valuation of assets and projects of Target Company A and Target Company B; (ii) the reasonableness of the asset-based approach and major assumptions of the valuation; (iii) the financial position of the Target Companies and the expected profits brought to the Company when properties are completed and delivered; and (iv) the strategic benefits brought to the Company, the Board considered that the Capital Contribution is fair and reasonable.

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

Hong Kong, 9 June 2021

As at the date of this announcement, the Board comprises Mr Lun Zhao Ming, Mr Lu Peijun and Mr Luo Chengyu 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.