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SHINSUN 祥生

Shinsun Holdings (Group) Co., Ltd.

祥生控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 02599)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF 50% EQUITY INTERESTS IN THE TARGET COMPANY
AND DEBT ASSIGNMENT**

THE DISPOSAL AND DEBT ASSIGNMENT

On 3 June 2022, the Vendor, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, under which the Purchaser agreed to acquire and the Vendor agreed to sell, 50% equity interests in the Target Company at a cash consideration of RMB92,500,000. Simultaneously to entering of the Equity Transfer Agreement, the Vendor, Huzhou Wuxing and the Target Company shall enter into a debt assignment agreement, pursuant to which, the Vendor will assign its debt of RMB24,750,000 owed to Huzhou Wuxing to the Target Company to offset the same amount of debt owed by the Target Company to the Vendor.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal and the Debt Assignment exceed 5% but all are below 25%, the Disposal and the Debt Assignment constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE DISPOSAL

On 3 June 2022, the Vendor, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement in respect of the Disposal. The salient terms of the Equity Transfer Agreement are summarized below:

EQUITY TRANSFER AGREEMENT

Dates: 3 June 2022

Parties: (1) the Vendor (a wholly-owned subsidiary of the Company)
(2) the Purchaser

Subject Matter

Pursuant to the terms and conditions of the Equity Transfer Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire, 50% of the equity interests in the Target Company at a cash consideration of RMB92,500,000. Simultaneously to entering the Equity Transfer Agreement, the Vendor, Huzhou Wuxing and the Target Company shall enter into a debt assignment agreement, pursuant to which, the Vendor will assign its debt of RMB24,750,000 owed to Huzhou Wuxing to the Target Company to offset the same amount of debt owed by the Target Company to the Vendor.

Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among others, (i) the valuation amount of the Target Company as at 28 February 2022 of RMB474,556,111.39 as valued by an independent valuer using asset-based approach (before taking into account the Dividend (as defined below)); (ii) the net assets value of the Target Company as at 28 February 2022 being RMB474,500,000 (before taking into account the Dividend (as defined below)); (iii) the 50% equity interests in the Target Company under the Disposal; and (iv) the dividend of RMB144,750,000 (the "**Dividend**") distributed by the Target Company to the Vendor subsequent to 28 February 2022.

Payment Terms

The Consideration will be paid in three instalments as set out below:

First Instalment

10% of the Consideration being RMB9,250,000 (the "**First Instalment**") shall be paid within three business days upon the signing of the Equity Transfer Agreement.

The Vendor shall cooperate with the Purchaser to complete the procedure for relevant industrial and commercial registration (the "**Registration**") for the transfer of 50% of equity interests in the Target Company within two business days upon receiving the First Instalment.

Second Instalment

50% of the Consideration being RMB46,250,000 (the "**Second Instalment**") shall be paid within three business days upon the completion of the Registration.

Within two business days upon receiving the Second Instalment, the Vendor shall transfer all relevant corporate documents and certain enterprise management systems of the Target Company to the Purchaser (the "**Handover**").

Third Instalment

The remaining 40% of the Consideration being RMB37,000,000 shall be paid within three business days upon completion of the Handover.

Completion

Completion of the Equity Transfer Agreement shall take place upon (i) the 50% equity interests in the Target Company has been transferred by the Vendor to the Purchaser; (ii) the industrial and commercial registration of such equity transfer has been completed; and (iii) the Consideration has been duly paid by the Purchaser to the Vendor.

Prior to the Disposal, the Target Company was not a subsidiary of the Group and was accounted for by the Group as a joint venture company in the Group's financial statements. Upon completion of the Disposal, the Group will no longer hold any equity interest in the Target Company and it will be wholly owned by the Purchaser.

FINANCIAL EFFECT OF THE DISPOSAL

The Company expects to record a gain of RMB126,547,489.39 which is the difference between the fair value of the 50% equity interests in Target Company held by the Vendor being RMB237,250,000 (being the sum of the Dividend and the Consideration) and the book value of the long-term equity investment on the 50% equity interests in the Target Company held by the Vendor being RMB110,702,510.62 as at 31 May 2022.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and is principally engaged in the business of properties development. As at the date of this announcement, the Target Company has three wholly-owned project companies namely Jiaxing City Nanhu District Jiaotou Xiangsheng Real Estate Development Co., Ltd.* (嘉興市南湖區交投祥生房地產開發有限公司), Jiaxing City Xiuzhou District Jiaotou Xiangsheng Real Estate Development Co., Ltd.* (嘉興市秀洲區交投祥生房地產開發有限公司), and Jiaxing Xiuzhou District Jiaokong Xiangsheng Real Estate Development Co., Ltd.* (嘉興市秀洲區交控祥生房地產開發有限公司). The Target Group has properties projects with total gross floor area of approximately 420,787 square metres under development including residential and ancillary properties located in Jiaxing City, Zhejiang Province, the PRC.

As at the date of this announcement, the Target Company is held as to 50% by the Vendor and 50% by the Purchaser.

Set out below is a summary of the unaudited consolidated financial information of the Target Group (as prepared in accordance with International Financial Reporting Standards) for the years ended 31 December 2020 and 2021:

	For the year ended 31 December 2021 RMB	For the year ended 31 December 2020 RMB
Revenue	2,259,589,148.79	605,542,705.87
Profit before tax	222,673,819.95	5,131,757.56
Profit after tax	166,755,354.01	7,605,959.65

As at 28 February 2022, the net assets value of the Target Group is RMB474,500,000.

INFORMATION ON THE COMPANY, THE VENDOR, THE PURCHASER AND HUZHOU WUXING

The Company is an investment holding company and its subsidiaries are principally engaged in developing and selling properties in cities in Zhejiang Province and other cities in the Pan-Yangtze River Delta Region in the PRC.

The Vendor is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in properties development.

The Purchaser is a company established in the PRC with limited liability and is principally engaged in the business of properties development. It is indirectly wholly owned by the government of Zhejiang Province. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Huzhou Wuxing is a company jointly established by the Vendor and the Purchaser in the PRC with limited liability and is principally engaged in the business of properties development. As at the date of this announcement, Huzhou Wuxing is owned as to 50% by the Vendor and 50% by the Purchaser.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The Group is a comprehensive real estate developer in the PRC focusing on the development of quality residential properties in certain regions in the PRC.

The Target Company was jointly established by the Vendor and Purchaser in October 2017 for the property projects development. As at the date of this announcement, most of the property projects developed by the Target Group have been sold while there are still certain property projects with a total gross floor area of approximately 420,787 square metres under development including residential and ancillary properties located in Jiaxing City, Zhejiang Province, the PRC. The Directors expects that such property projects under development will be completed and delivered by late 2022. Thus, the Disposal offers an opportunity for the Group to realise its investments earlier, thereby improving the liquidity of the Group. The Company also expects that the Disposal will improve the Group's asset turnover rate and generate additional cash inflow for general working capital.

It is expected that the proceeds from the Disposal will be used by the Group as general working capital of the Group.

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

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal and the Debt Assignment exceed 5% but all are below 25%, the Disposal and the Debt Assignment constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set forth below unless the context requires otherwise:

“associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Shinsun Holdings (Group) Co., Ltd., a company incorporated in the Cayman Islands as an exempted company with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal being RMB92,500,000
“controlling shareholders”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 50% equity interests in the Target Company by the Vendor pursuant to the terms and conditions of the Equity Transfer Agreement
“Debt Assignment”	the debt being RMB24,750,000 owed by the Vendor to Huzhou Wuxing, which is to be assigned to offset the same amount of debt owed by the Target Company to the Vendor pursuant to a debt assignment agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 3 June 2022 between the Vendor and the Purchaser
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huzhou Wuxing”	Huzhou Wuxing Jiaotou Xiangsheng Real Estate Co., Ltd.* (湖州吳興交投祥生置業有限公司), a company established in the PRC with limited liability
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China

“Purchaser”	Zhejiang Jiaotou Holding Group Co., Ltd.* (浙江省交投控股集團有限公司), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) with nominal value of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	shall have the meaning as ascribed to it under the Listing Rules
“substantial shareholder”	shall have the meaning as ascribed to it under the Listing Rules
“Target Company”	Huzhou Jiaotou Xiangsheng Real Estate Development Co., Ltd.* (湖州交投祥生房地產開發有限公司), a company established in the PRC with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Shinsun Property Group Co., Ltd.* (祥生地產集團有限公司), a company established in the PRC with limited liability
“%”	per cent

By Order of the Board
Shinsun Holdings (Group) Co., Ltd.
Chen Guoxiang
Chairman

Hong Kong, 5 June 2022

As of the date of this announcement, the Board comprises Mr. Chen Guoxiang, Mr. Chen Hongni, Mr. Han Bo and Mr. Zhao Leiyi as executive Directors; and Mr. Ding Jiangang, Mr. Ma Hongman and Mr. Hung Yuk Miu as independent non-executive Directors.

* for identification purpose only