易鑫集团
YIXIN GROUP

YIXIN GROUP LIMITED
易鑫集团有限公司
(Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as "Yixin Automotive Technology Group Limited")
(Stock Code: 2858)

DISCLOSEABLE TRANSACTION
DISPOSAL OF EQUITY INTEREST IN A JOINT VENTURE

THE DISPOSAL

The Board is pleased to announce that on December 27, 2023, the Transferor (a direct wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreements with the Transferee, pursuant to which the Transferor agreed to sell, and the Transferee agreed to acquire, 49% of the equity interests in the JV Company (representing the entire equity interest in the JV Company held by the Group) at the consideration of up to RMB280 million.

As at the date of this announcement, the JV Company is a joint venture of the Company and is owned as to 49% by the Transferor and 51% by the Transferee. Upon completion of the Disposal, the Group will no longer hold any equity interest in the JV Company, and its performance will no longer be reflected in the share of results of joint ventures of the Company.

LISTING RULES IMPLICATIONS

As one or more percentage ratios (as defined under Rule 14.70 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the announcement and reporting requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

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Details of the Equity Transfer Agreements are set out below:

Date: December 27, 2023

Parties:

(a) Transferor (a direct wholly-owned subsidiary of the Company)

(b) Transferee

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, each of the Transferee and its ultimate beneficial owner(s) is a third party independent of and not connected with the Company and its connected persons.

Subject matter: Pursuant to the Equity Transfer Agreements, the Transferor has agreed to sell, and the Transferee has agreed to acquire, 49% of the equity interests in the JV Company.

The JV Company is a company established under the laws of the PRC with limited liability which, as at the date of this announcement, is owned as to 49% by the Transferor and 51% by the Transferee. The total paid-up capital of the JV Company as at the date of this announcement is RMB500 million, of which RMB245 million was made by the Transferor and RMB255 million was made by the Transferee. The JV Company is principally engaged in finance leasing business.

Upon completion of the Disposal, the Group will no longer hold any equity interest in the JV Company, and its performance will no longer be reflected in the share of results of joint ventures of the Company.

Consideration

The total consideration of the Disposal of up to RMB280 million comprises of the following:

(i) the face value of the paid-up capital of the JV Company owned by the Transferor in the amount of RMB245 million,

(ii) the undistributed profits of the JV Company (after adjustments) as entitled by the Transferor (the "**Undistributed Profits**") for the period from 31 December 2022 to the Evaluation Date in the agreed amount of RMB6,997,200, and

(iii) the Undistributed Profits of the existing joint financial leasing business of the JV Company (for which the JV Company has approved and paid out those loans to the borrowers) on or before 31 December 2023 for the period from the Evaluation Date to 31 December 2027, the total amount of which shall not be more than RMB28,002,800. It shall be calculated on half-yearly basis after the completion of the Disposal and the payment of the initial consideration as set out in the above (i) and (ii). The Transferee shall pay the amount for the corresponding previous half-year period through bank transfer on or before 31 January and/or 31 July of each year until full settlement. For the avoidance of doubt, the applicable amount for the period from 1 September 2023 to 31 December 2023 shall be paid within 15 business days after the completion of the Disposal.

After the successful business registration of the transfer of the equity interest of the JV Company pursuant to the Equity Transfer Agreements, the Transferee shall transfer the total amount of RMB251,997,200 (being the initial consideration as set out in the above (i) and (ii)) to the designated bank account of the Transferor within 15 business days.

For the consideration as set out in the above (iii), after the completion of the Disposal,

(1) within 5 business days after the end of each half-year period, the JV Company shall provide the settlement amount to the Transferor and the Transferee for verification,

(2) within 10 business days thereafter, the parties shall agree on and confirm the actual settlement amount, and

(3) the Transferee shall within 5 business days after such confirmation pay such amount to the Transferor.

Basis of consideration

The consideration was determined after arm's length negotiations between the Transferor and the Transferee having considered (i) the face value of the paid-up capital of the JV Company owned by the Transferor; (ii) the appraised value of the 49% equity interests of the JV Company as of the Evaluation Date as provided in the Valuation Report; (iii) the audited net assets of approximately RMB533 million as at December 31, 2022, and approximately RMB530 million as at the Evaluation Date and the financial position of the JV Company; and (iv) the difficulties that currently exist as detailed in, and the factors further contained in, the section headed "Reasons and Benefits of the Disposal" below.

Valuation

An independent valuation has been conducted against the JV Company by an independent valuer, to assess the fair value of the 49% equity interests of the JV Company as of the Evaluation Date. The independent valuer issued the Valuation Report on December 27, 2023.

The independent valuer adopted the market approach. This approach was selected as the most appropriate for this transaction against the cost approach and the income approach, as the market approach accounts for the state of the market and industry in which the target operates as compared with guideline companies from a market consensus perspective; it was also considered appropriate given the availability of guideline companies in the market. Under the market approach, both the guideline company method and comparable transaction method were considered.

The guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the target and then applies the multiple to the corresponding financial metric of the target. Under the guideline company method, the JV Company was compared against 5 public companies listed in Hong Kong or China operating in the financial leasing industry. A price-to-book (the "**P/B**") valuation multiple was used, considering the fact that the P/B multiple is commonly used for capital-intensive businesses such as those operating in the financial leasing industry as it relates to the fair value of the company's equity value to its net asset and the scale of capital is the key value and profit driver for the JV Company. After taking into account of the lack of marketability discount (a discount applicable for closely held company where there is no ready market for its shares) of 20.5%, the P/B multiples for the guideline companies range from 0.26x to 0.92x. The comparable transaction method computes a price multiple using recent transactions of assets that are considered to be comparable to the subject asset and then applies the result to the corresponding financial metric of the target. Under the comparable transaction method, the JV Company was compared against 5 comparable transactions with the acquirees engaging in similar businesses as the JV Company and of which the transactions were completed and announced within the period from 31 August 2021 to the Evaluation Date and the acquiree's financial information is available to the public. After taking into account of the minority discount (a discount applicable to a non-controlling ownership interest in a business) of 15.1%, the P/B multiples for the comparable transactions range from 0.80x to 1.34x and the median P/B derived by this method comes to 1.02x.

Due to the wide range of P/B multiples for guideline companies, ranging from 0.26x to 0.92x, the independent valuer is of the view that it is not appropriate to simply use the average or median to represent the industry's average P/B level. Additionally, considering the range of P/B multiples for the comparable transactions of 0.80x to 1.34x indicates a smaller difference, the independent valuer considers it appropriate to adopt the comparable transaction method for the valuation and hence, the median of 1.02x is adopted. According to the Valuation Report, based on the above and the net assets of the JV Company as at the Evaluation Date in the amount of approximately RMB530 million, the fair value of 49% equity interests of the JV Company was approximately RMB265,072,000 as at the Evaluation Date.

The valuation was based on certain principal factors, including, (i) the financial and operating situation of the JV Company, (ii) the general economic outlook, the specific economic and competitive elements affecting the JV Company's businesses, its industry and market, (iii) the nature and prospects of the industry the JV Company is operating, (iv) the market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of business, and (v) the stage of development, business risks, financial position and credit risk of the JV Company; and certain assumptions, including, among others, that there will be no material changes to the regulatory and economic environment governing the industry, no material changes to the financial performance of the JV Company and guideline companies, and the retention of competent management and key personnel.

The Directors have reviewed the assumptions adopted in the Valuation Report and have been advised that the key assumptions adopted in the Valuation Report are commonly used in valuing similar companies. There are no irregularities noted by the Directors in relation to the quantitative inputs in the valuation. The Directors (including the independent non-executive Directors) therefore consider the key assumptions, the quantitative inputs and methodology adopted in the valuation are fair and reasonable.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the consideration for the Disposal is fair and reasonable.

Completion of the Disposal

Completion of the Equity Transfer Agreements shall occur upon the successful business registration of the transfer of the equity interest of the JV Company pursuant to the Equity Transfer Agreements and in any event, within 75 days from the date of the Equity Transfer Agreements.

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

A summary of the audited financial information of the JV Company prepared in accordance with the PRC GAAP for the two years ended 31 December 2021 and 2022 is set out below:

	For the year ended 31 December	
	2021	**2022**
	(audited)	**(audited)**
	RMB'000	*RMB'000*
Revenue	2,234	182,806
Net profit before taxation	2,160	41,625
Net profit after taxation	1,617	31,194

The audited net assets of the JV Company were approximately RMB533 million as at December 31, 2022, and RMB530 million as at the Evaluation Date.

It is estimated that the Group will record a gain on the Disposal of approximately RMB14 million. Such gain is estimated based on the gross proceeds from the Disposal of RMB280 million (i.e. the maximum amount of consideration of the Disposal) less the unaudited carrying amount of the 49% equity interests in the JV Company of approximately RMB266 million as at 30 November 2023. Such gain from the Disposal expected by the Company is unaudited and may be different upon the completion of the Disposal, which is subject to the exact and final amount of consideration of the Disposal. It is expected that the net proceeds from the Disposal will be used for other potential investments and/or business opportunities that may arise and as general working capital of the Group. In any event, the Board does not envisage that the Disposal will create any significant adverse impact on the Group's financial position or operation.

REASONS AND BENEFITS OF THE DISPOSAL

Recently, the state-owned enterprises have needs to invest in other types of assets in addition to automobile assets. As the Transferee, being a state-owned enterprise, intends to expand its investment in a more diverse set of assets (including assets other than automobile assets), and such expansion is not within the scope of the JV Company's original business and the Transferor's principal activities. As such, the Transferor's and the Transferee's original intention in setting up the JV Company no longer align. In light of the above and as part of the strategic development of the Group with a view to maximising returns to the Shareholders, it is intended that the 49% equity interests held by the Company shall be disposed of and the Company will cease to have any interest in the business operated by JV Company. The net proceeds to be received from the Disposal upon its successful completion will also increase the cashflow of the Company and provide flexibility to the Company in identifying and participating in other investments should suitable opportunity arises.

Having taken into account the above factors, the Directors (including the independent non-executive Directors) consider that the Disposal, the Equity Transfer Agreements and the transaction contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The Group is principally engaged in (i) the provision of loan facilitation services, guarantee services, after-market services and other services; and (ii) the provision of financing lease services and other self-operated services in the PRC.

The Transferor is a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company. The Transferor is an investment holding company.

The Transferee is a company established under the laws of the PRC and a 100% state-owned enterprise under the Qingdao Municipal People's Government. The Transferee is principally engaged in fund management, industrial investment, financial services, and asset management and consulting.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

"Board"	the board of Directors
"Company"	Yixin Group Limited 易鑫集团有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands, and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2858)
"connected person(s)"	has the meaning ascribed to it by the Listing Rules
"Consolidated Affiliated Entity"	the entity the Company controls through a series of contractual arrangements
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of 49% of the equity interests in the JV Company by the Transferor to Transferee pursuant to the Equity Transfer Agreements

"Equity Transfer Agreements"	the equity transfer agreement and the supplemental agreement to the said equity transfer agreement, both dated December 27, 2023 and entered into between the Transferor and the Transferee in relation to the Disposal
"Evaluation Date"	31 August 2023
"Group"	the Company, its subsidiaries and the Consolidated Affiliated Entity
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"JV Company"	Qingdao Caitong Yixin Financial Lease Co., Ltd. (青島財通易鑫融資租賃有限公司), a company established under the laws of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this announcement, references in this announcement to the PRC do not include Taiwan, Hong Kong or the Macau Special Administrative Region of the PRC
"PRC GAAP"	generally accepted accounting principles in the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.0001
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Transferee"	Qingdao Caitong Group Co., Ltd. (青島財通集團有限公司), a company established under the laws of the PRC and a 100% state-owned enterprise
"Transferor"	Yixin Holding Hong Kong Limited (易鑫集团香港有限公司), a company incorporated under the laws of Hong Kong on November 27, 2014 and a direct wholly-owned subsidiary of the Company

"US$"	United States dollars, the lawful currency of the United States of America
"Valuation Report"	the report of the valuation of the fair value of the 49% equity interests of the JV Company as of the Evaluation Date prepared by an independent valuer
"%"	per cent

* *for identification purposes only*

By Order of the Board
Yixin Group Limited
易鑫集团有限公司
Andy Xuan Zhang
Chairman

Hong Kong, December 27, 2023

As at the date of this announcement, the Directors are:

Executive Directors	Mr. Andy Xuan Zhang and Mr. Dong Jiang
Non-executive Directors	Mr. Qing Hua Xie, Mr. Qin Miao and Ms. Amanda Chi Yan Chau
Independent non-executive Directors	Mr. Tin Fan Yuen, Mr. Chester Tun Ho Kwok and Ms. Lily Li Dong