

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**中國融保金融集團有限公司**  
**China Assurance Finance Group Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8090)**

**MAJOR TRANSACTION**  
**INVESTMENT AGREEMENT**

**INVESTMENT AGREEMENT**

The Board announces that (i) the Company, (ii) Shinonghui, (iii) NCCE, (iv) CAG, a wholly own subsidiary of the Company, (v) the Other Shareholders and (vi) Mr. Pang entered into the Investment Agreement dated 27 June 2019 in relation to, among others, the Capital Injection and the Equity Interest Transfer.

Upon completion of the Capital Injection and Equity Interest Transfer, the ownership of equity interest in NCCE by CAG will be decreased from 52.63% to 51%. NCCE will remain as a subsidiary of the Company, and its financial results will continue to be consolidated into the financial results of the Group.

**GEM LISTING RULES IMPLICATIONS**

The entering into of the Investment Agreement constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

## **THE EGM AND DESPATCH OF CIRCULAR**

The EGM will be convened for the purpose of considering and, if thought fit, approving, among others, the Investment Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Investment Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) approving the Investment Agreement and the transactions contemplated thereunder.

The Company expects that a circular containing, among others, (i) details of the Investment Agreement; (ii) financial information of the Group; and (iii) notice of the EGM and form of proxy, to be despatched to the Shareholders on or before 2 August 2019.

Reference is made to the announcement of China Assurance Finance Group Limited dated 25 April 2019 in relation to, among others, the Investment Agreement.

The Board announces that (i) the Company, (ii) Shinonghui, (iii) NCCE, (iv) CAG, a wholly own subsidiary of the Company, (v) the Other Shareholders and (vi) Mr. Pang entered into the Investment Agreement dated 27 June 2019 in relation to, among others, the Capital Injection and the Equity Interest Transfer.

## **INVESTMENT AGREEMENT**

The principal terms of the Investment Agreement are set out as follows:

**Date** : 27 June 2019

**Parties** : (i) the Company;

(ii) Shinonghui;

(iii) NCCE;

(iv) CAG;

(v) the Other Shareholders; and

(vi) Mr. Pang

Shinonghui is a company established in the PRC with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shinonghui and its ultimate beneficial owner(s) are Independent Third Parties. Please refer to the section headed "Information on Shinonghui" below for further details.

CAG is a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of the Company.

NCCE is a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company. Please refer to the section headed “Information on NCCE” below for further details.

Mr. Pang is the Chairman and an executive Director of the Company and a substantial shareholder of the Company.

### **Capital Injection**

As at the date of this announcement, the registered capital of NCCE is RMB211,111,000.

Pursuant to the Investment Agreement, the Parties agree to increase the registered capital of NCCE to RMB265,306,100. CAG, a wholly owned subsidiary of the Company, shall contribute RMB24,195,100 and Shinonghui shall contribute RMB30,000,000 to the registered capital of NCCE. The Other Shareholders agree to waive their pre-emptive rights in capital contribution in respect of the Capital Injection.

The investment period of Shinonghui to NCCE is three (3) years from the date of the relevant registration of the Capital Injection and the Equity Interest Transfer with the relevant industry and commerce bureau of the PRC and the return rate shall be 24% per annum.

The capital contribution of Shinonghui and CAG were determined after arm’s length negotiations among Shinonghui and the Original Shareholders, having taken into account, among other things, the expected capital requirements of NCCE. It is anticipated that the capital contribution payable by CAG will be funded by way of capitalisation of the Shareholder’s loan owed by NCCE to CAG.

Subject to the conditions precedent as set out the section “Conditions precedent” in this announcement, the amount of RMB30,000,000 to be contributed by Shinonghui to NCCE may be paid in installments within six (6) months from the date of relevant registration with the relevant industry and commerce bureau in the PRC and the first installment in the amount of RMB5,000,000 shall be paid within thirty (30) business days from the date of the said conditions precedent being fulfilled.

## Equity Interest Transfer

Pursuant to the Investment Agreement, the Other Shareholders agree to transfer, in total, 13.69% of the equity interest of NCCE (each proportionate to its equity interest held) to Shinonghui at nil consideration and. CAG agrees to waive its pre-emptive right to purchase the said equity interest from the Other Shareholders.

## Shareholding

Set out below is the shareholding structure of the registered share capital of NCCE before and immediately after the Capital Contribution and Equity Interest Transfer:

	<b>Before completion of Capital Injection and Equity Interest Transfer</b>	<b>Immediately after Capital Injection and Equity Interest Transfer</b>
<b>Registered share capital of NCCE</b>	<u>RMB211,111,000</u>	<u>RMB265,306,100</u>
<b>Shareholders of NCCE</b>	<b>Approximate equity interest in the registered capital</b>	<b>Approximate equity interest in the registered capital</b>
CAG	52.63%	51%
Other Shareholders	47.37%	24%
Shinonghui	—	25%
<b>Total</b>	<u><b>100%</b></u>	<u><b>100%</b></u>

## Conditions precedent

The contribution of RMB30,000,000 by Shinonghui to NCCE is conditional upon the fulfilment of, among others, the following conditions:

- the Company, NCCE and the Original Shareholders have obtained all necessary consents and approvals for the transactions contemplated under the Investment Agreement;
- relevant board resolutions of NCCE have been passed in relation to the transactions contemplated under the Investment Agreement and the guarantee provided by CAG and one of the Other Shareholders;
- each of CAG and two of the Other Shareholders has pledged all of its equity interest in NCCE to Shinonghui;

- (d) two directors and a supervisor of NCCE have been appointed pursuant to the terms of the Investment Agreement and the relevant appointments have been registered with the relevant industry and commerce bureau in the PRC;
- (e) NCCE has delivered the business registration certificate and other documents of NCCE to Shinonghui pursuant to the terms of the Investment Agreement; and
- (f) up to the time of Shinonghui's payment of first installment in the amount of RMB5,000,000, no legal impediment has arisen in respect of NCCE and the relevant parties which would affect the transactions contemplated under the Investment Agreement.

### **Board composition and management of NCCE**

Upon signing of the Investment Agreement, two directors and a supervisor of NCCE shall be appointed by Shinonghui. All Parties agree that the directors and supervisor of NCCE appointed by Shinonghui shall not be removed without the consent of Shinonghui.

All Parties agree that Shinonghui shall assign a team of management staff to NCCE to manage NCCE jointly with the Original Shareholders. Shinonghui has the right to appoint an administrative and financial staff to NCCE.

### **Operation target**

Pursuant to the Investment Agreement, each of the Other Shareholders agree:

- (a) if the profits before tax of NCCE exceeds RMB20,000,000 (or 10% below or above the amount) for the first year (the "**First Year**") since the date of Shinonghui becomes the shareholder of NCCE (according to the industrial and commercial registration), the Other Shareholders will transfer 3% in total of their equity interest of NCCE (each proportional of its equity interest), to Shinonghui at nil consideration;
- (b) if the profits before tax of NCCE exceeds RMB50,000,000 (or 10% below or above the amount) for the second year (the "**Second Year**") since the date of Shinonghui becomes the shareholder of NCCE (according to the industrial and commercial registration), the Other Shareholders will transfer a further 3% in total of their equity interest of NCCE (each proportional of its equity interest) to Shinonghui at nil consideration; and
- (c) if the profits before tax of NCCE exceeds RMB100,000,000 (or 10% below or above the amount) for the third year since the date of Shinonghui becomes the shareholder of NCCE (according to the industrial and commercial registration), the Other Shareholders will transfer a further 3% in total of their equity interest of NCCE (each proportional of its equity interest) to Shinonghui at nil consideration;

In the event that the profits before tax of NCCE for the First Year exceeds the stipulated amounts in paragraphs (b) and/or (c) above, the Other Shareholders agree to transfer their equity interest pursuant to the percentages set out in paragraph (b) and/or (c) to Shinonghui.

In the event that the profits before tax of NCCE for the Second Year exceeds the stipulated amounts in paragraph (c) above, the Other Shareholders agree to transfer their equity interest pursuant to the percentage set out in paragraph (c) to Shinonghui.

In the event that the profits before tax of NCCE does not exceed the amounts set out in paragraphs (a), (b) and/or (c) for the respective year abovementioned, all Parties agree that Shinonghui is entitled to:

- (i) continue to hold its equity interest in NCCE and enjoys the rights attached to its equity interest; or
- (ii) request CAG to purchase all or part of the equity interest of NCCE held by Shinonghui, at the higher value of: (aa) the amount of the capital injection to NCCE by x 24% per annum x the duration of Shinonghui holding the relevant equity interest and (bb) the market value of the relevant equity interest of NCCE. CAG shall return the relevant equity interest of NCCE to the Other Shareholders proportionately to their equity interest in NCCE.

With the consent of Shinonghui, if the actual profits before tax of NCCE of a particular year (as set out above) does not meet the target amounts of profits before tax but the shortfall can be realized in the remaining years, each of the Other Shareholders agrees to transfer the respective equity interest of NCCE to Shinonghui as set out in paragraph (a), (b) and/or (c) above.

### **Share pledge**

CAG and two of the Other Shareholders agree to pledge 52.63% and 30.79% of the equity interest of NCCE held by them respectively in favour of Shinonghui as security for the liabilities being owed to Shinonghui by the other Parties pursuant to the terms of the Investment Agreement.

### **Restrictions**

During the time of Shinonghui being a shareholder of the NCCE and the Investment Period, unless written consents of Shinonghui is obtained, the Original Shareholders and the board of NCEE will not, among others, distribute profits, acquire or dispose of assets and conduct other matters which may affect the investment interests of Shinonghui.

## **Due Diligence**

Shinonghui has the right to appoint its legal adviser, accountants and other intermediaries to conduct due diligence (“**Due Diligence**”) review on, among others, the legal and financial aspects of NCCE and the Due Diligence shall be completed in three months.

If Shinonghui is not satisfied by the results of the Due Diligence or the Parties to the Investment Agreement fails to rectify the issues raised by Shinonghui within the period stipulated by Shinonghui, Shinonghui has the right to terminate the Investment Agreement and to request NCCE to return the amount of the capital injection to NCCE provided by Shinonghui within three business days.

## **Guarantee**

Each of the Company, CAG, one of the Other Shareholders and Mr. Pang unconditionally and irrevocably guarantees in favour of Shinonghui for three years from the date of the amount(s) owed to Shinonghui is due to pay, for the payment of the amount of capital injection to NCCE by Shinonghui and the applicable interests, and other costs pursuant to the Investment Agreement.

Each of the Company, one of the Other Shareholders, Mr. Pang and NCCE unconditionally and irrevocably guarantees in favour of Shinonghui for three years from the date of the due performance of CAG pursuant to the terms of the Investment Agreement, for CAG’s due performance of, among others, the purchase of equity interest held by Shinonghui upon request, interests, damages and other costs pursuant to the Investment Agreement.

## **INFORMATION ON NCCE**

NCCE was founded on 27 June 2006. NCCE is engaged in the provision of an online trading platform of different kinds of commodities such as manufactured products, agricultural products, forest products, energy products, heavy duty machineries, technological products, cultural products and imported and exported products. Since May 2008, when NCCE commenced its business, products like rice, standing forest stock, eucalyptus peeling veneer, eucalyptus logs, plywood, chemical fertilisers, steel scrap, molasses, anise, corn, soybean meal, soybean, soybean oil and white sugar have been listed on its online trading platform.

Set out below is a summary of the financial information of NCCE for each of the two years ended 31 December 2018:

	<b>For the year ended 31 December 2017 <i>(Audited)</i> RMB'000</b>	<b>For the year ended 31 December 2018 <i>(Unaudited)</i> RMB'000</b>
Revenue	3,899	624
Loss before taxation	123,098	28,345
Loss after taxation	123,098	28,345

As at 31 December 2018, the net liabilities of NCCE was approximately RMB171,861,100.

### **INFORMATION ON SHINONGHUI**

Shinonghui is a company established in the PRC with limited liability. The Company's business forms a comprehensive industry chain, including breeding and planting of gastrodia elata (天麻), and deep processing of the products made of gastrodia elata. The Company owns approximately 60,000 mu of growing fields of gastrodia elata in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shinonghui and its ultimate beneficial owner(s) are Independent Third Parties.

### **FINANCIAL EFFECT TO THE GROUP**

Upon completion of the Capital Injection and Equity Interest Transfer, the ownership of equity interest in NCCE by CAG will be decreased from 52.63% to 51%. NCCE will remain as a subsidiary of the Company, and its financial results will continue to be consolidated into the financial results of the Group.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT**

The Group is primarily engaged in the businesses of (i) providing financial guarantee, financial and advisory services and (ii) providing online trading platform services.

The cooperation between the Group and Shinonghui contemplated under the Investment Agreement shall allow the Group to ally with a strong local partner who has financial means as well as a major commodity to trade in the platform of NCCE and contribute much needed liquidity to NCCE now and profits in the future.



The terms of the Investment Agreement were arrived at after arm's length negotiations between the Parties thereto. The Directors are of the view that the terms and conditions of the Investment Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

The entering into of the Investment Agreement constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

## **THE EGM AND DESPATCH OF CIRCULAR**

The EGM will be convened for the purpose of considering and, if thought fit, approving, among others, the Investment Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Investment Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) approving the Investment Agreement and the transactions contemplated thereunder.

The Company expects that a circular containing, among others, (i) details of the Investment Agreement; (ii) financial information of the Group; and (iii) notice of the EGM and form of proxy, to be despatched to the Shareholders on or before 2 August 2019.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

<b>“Board”</b>	the board of Directors
<b>“CAG”</b>	China Assets Group Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
<b>“Capital Injection”</b>	the increase in the registered capital of NCCE as contemplated under the Investment Agreement
<b>“Company”</b>	China Assurance Finance Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on GEM of the Stock Exchange

<b>“connected persons”</b>	has the meaning ascribed to it under the GEM Listing Rules
<b>“Directors”</b>	directors of the Company from time to time
<b>“EGM”</b>	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among others, the Investment Agreement and the transactions contemplated thereunder
<b>“Equity Interest Transfer”</b>	the transfer of equity interest of NCCE by the Other Shareholders to Shinonghui as contemplated under the Investment Agreement
<b>“GEM”</b>	GEM of the Stock Exchange
<b>“GEM Listing Rules”</b>	the Rules Governing the Listing of Securities on the GEM
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Third Party(ies)”</b>	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
<b>“Investment Agreement”</b>	the agreement entered into between the Company, Shinonghui, the Original Shareholders and Mr. Pang in relation to, among others, the Capital Injection and Equity Interest Transfer
<b>“Investment Period”</b>	three (3) years from the date of the relevant registration of the Capital Injection and the Equity Interest Transfer with the relevant industry and commerce bureau of the PRC
<b>“Mr. Pang”</b>	Mr. Pang Man Kin Nixon, an executive Director and a substantial shareholder of the Company
<b>“NCCE”</b>	Nanning (China-ASEAN) Commodity Exchange Company Limited# (南寧(中國-東盟)商品交易所), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
<b>“Original Shareholders”</b>	the CAG and the Other Shareholders

“Other Shareholders”	the existing shareholders of NCCE (as date the date of this announcement) but excludes CAG
“Parties”	all parties to the Investment Agreement
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shinonghui”	Shinonghui Agriculture Group Company Limited# (世農匯農業集團有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**China Assurance Finance Group Limited**  
**Pang Man Kin Nixon**  
*Chairman and Executive Director*

Hong Kong, 12 July 2019

*As at the date of this announcement, the executive Directors are Mr. Pang Man Kin Nixon, Mr. Chan Kim Leung, Dato’ Sri Hah Tiing Siu and Mr. Wan Tat Wai David; the non-executive Director is Mr. Peng Gengsheng; and the independent non-executive Directors are Mr. Chan Kai Wing, Mr. Lam Raymond Shiu Cheung and Mr. Chow Shiu Ki.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.cafgroup.hk](http://www.cafgroup.hk)*

*# Unofficial translation*