香港金融集團

HONG KONG FINANCE INVESTMENT HOLDING GROUP LIMITED

香港金融投資控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 7)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF 100% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE SPA

On 13 July 2018 (after trading hours), the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the SPA, pursuant to which the Purchaser has agreed to acquire the Sale Shares and the Vendor has agreed to sell the Sale Shares at the total Consideration of HK$160,000,000, which will be satisfied by the Purchaser to the Company in cash upon Completion. The Sale Shares represent the entire issued share capital of the Target Company.

Upon Completion, the Target Company will cease to be subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the Group's financial statements.

THE LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

On 13 July 2018 (after trading hours), the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the SPA, pursuant to which the Purchaser has agreed to acquire the Sale Shares and the Vendor has agreed to sell the Sale Shares at the total Consideration of HK$160,000,000, which will be satisfied by the Purchaser to the Company in cash upon Completion. The Sale Shares represent the entire issued share capital of the Target Company.

THE SPA

Date

13 July 2018 (after trading hours)

Parties

(i) Vendor : Hong Kong Finance Resource Group Limited; and

(ii) Purchaser : Praise Wisdom Group Limited

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the date of this announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Assets to be disposed

The Sale Shares, representing 100% of the issued share capital of the Target Company.

Consideration

Pursuant to the SPA, the Consideration is HK$160,000,000, which will be satisfied by the Purchaser to the Company in cash upon Completion.

In the course of considering the Consideration, the Company has made reference to (i) the unaudited combined financial information of the Target Group (which comprises of HK Subsidiary A, HK Subsidiary B, Guangxi Energy, Guangdong Energy, Hebei Panbao and the Target Subsidiaries B) which recorded net liabilities of approximately HK$14.9 million as at 31 December 2017; (ii) waiver of the amount due to ultimate holding company and fellow subsidiary(ies) of the Target Group in the sum of approximately HK$200.3 million as at 31 December 2017 (the "**Waiver**"); (iii) the preliminary valuation of Hebei Panbao of approximately RMB26 million (equivalent to approximately HK$31.1 million) as at 31 December 2017 prepared by an independent valuer on asset based approach method (the "**Valuation**"); and (iv) the reasons and benefits of the Disposal as stated under the section headed "Reasons and Benefits of the Disposal" in this announcement. After taking into account adjustments for the Waiver and the Valuation, the adjusted combined net asset value of the Target Group (excluding non-controlling interests) as at 31 December 2017 was approximately HK$161.9 million (the "**Adjusted NAV**"), which mainly comprised of (i) the Target Group's 55% equity interest in Hebei Panbao as indicated by 55% of the Valuation; and (ii) the aggregate adjusted net book value (excluding non-controlling interests) of members of the Target Group (excluding Hebei Panbao). The Adjusted NAV is arrived at as follows:

	HK$ million
Combined net liabilities of the Target Group as at 31 December 2017	(14.9)
Downward fair value adjustment of fixed assets of Hebei Panbao	(9.5)
Waiver from ultimate holding company and fellow subsidiary(ies)	200.3
	175.9
Adjusted non-controlling interest	(14.0)
Adjusted NAV as at 31 December 2017	161.9

Upon considering the aforesaid information, the Board considers that Guangxi Energy, Guangdong Energy, Hebei Panbao and the Target Subsidiaries B are the operating entities of the Target Group.

The Consideration represents a premium over the Adjusted NAV and was determined after arm's length negotiation between the Company and the Purchaser.

In view of the above, the Directors consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Completion

Completion will take place on or before 13 August 2018.

Upon Completion, the Target Company will cease to be subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the Group's financial statements.

INFORMATION ON THE TARGET GROUP

The Target Company is a limited liability company incorporated under the laws of the British Virgin Islands which is indirectly wholly-owned by the Company through the Vendor. Its principal business is investment holding. The Target Company held the entire issued share capital of HK Subsidiary A and HK Subsidiary B.

HK Subsidiary A is a limited liability company incorporated in Hong Kong and is the intermediate holding company of Target Subsidiaries A as at the date of this announcement and immediately before Completion. Its principal business is investment holding.

Guangdong Energy is a limited liability company established under the laws of the PRC and its principal business is investment holding. Guangdong Energy held 55% equity interest in Hebei Panbao.

Guangxi Energy is a limited liability company established under the laws of the PRC with principal business of trading in chemical materials.

Guangzhou Energy is a limited liability company established under the laws of the PRC and its principal business is trading in chemical materials.

Shenzhen Energy is a limited liability company established under the laws of the PRC and is principal business is trading in chemical materials.

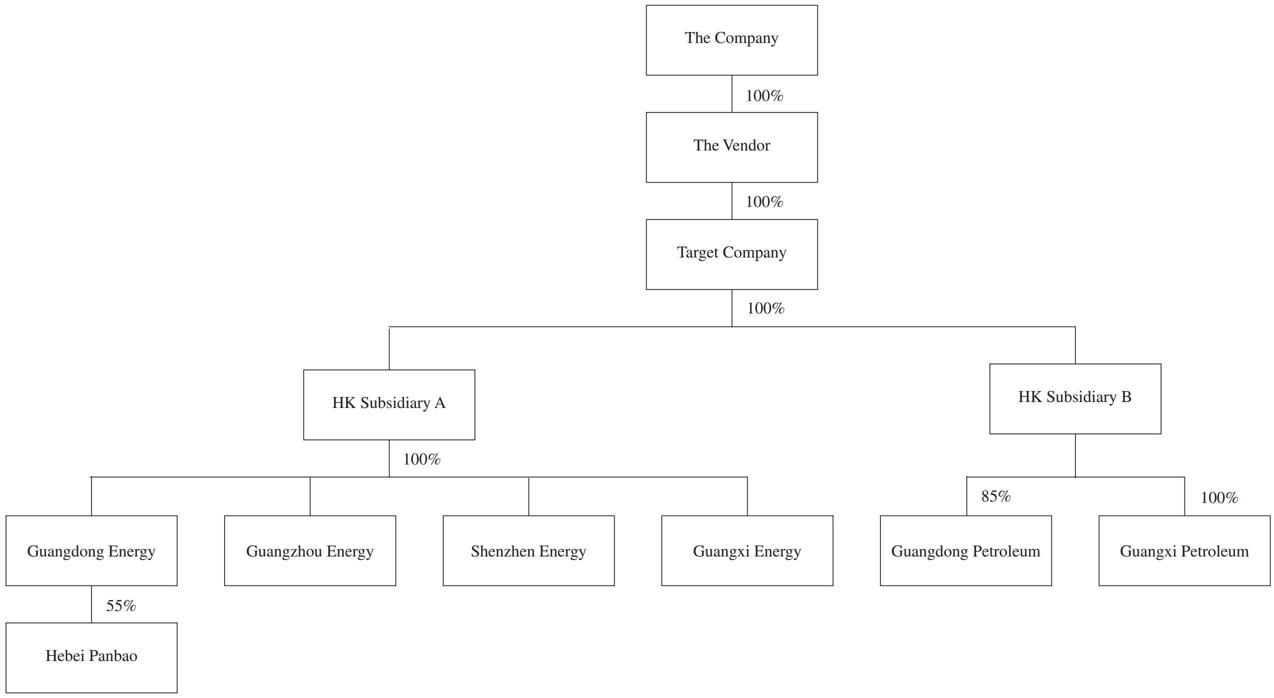
Hebei Panbao is a limited liability company established under the laws of the PRC. Its principal activities are mining and production of zeolite, which is the main raw material for the production of lightweight orthopedics materials, far infrared materials, large solar energy storage materials, building materials, catalytic materials and micro and nano materials, and related products. Hebei Panbao has obtained the mining license of zeolite from the Bureau of Land and Resources of Zhangjiakou Municipal valid until 15 May 2022 in a zeolite mine located in Chicheng County, Zhangjiakou City, Hebei Province, the PRC with a total area of approximately 0.135 square kilometers and mining depth ranged between 1,450 meters and 1,300 meters.

HK Subsidiary B is a limited liability company incorporated in Hong Kong and is the intermediate holding company of the Guangxi Petroleum and held 85% equity interest in Guangdong Petroleum as at the date of this announcement and immediately before Completion. Its principal business is investment holding.

Guangdong Petroleum is a limited liability company established under the laws of the PRC and its principal business is trading of natural resources.

Guangxi Petroleum is a limited liabililty company established under the laws of PRC and its principal business is trading of natural resources.

Set out below is the shareholding structure of the Target Group and the Company immediately before Completion:



Financial information of the Target Group

Set out below are the unaudited combined financial information of the Target Group as prepared in accordance with Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2016 and 2017:

	For the year ended 31 December 2017 *approximate HK$'000* (unaudited)	**For the year ended 31 December 2016** *approximate HK$'000* (unaudited)
Revenue	–	105,240
Net profit/(loss) before taxation	(100,698)	50,139
Net profit/(loss) after taxation	(100,967)	42,084

According to the unaudited combined financial information of the Target Group as at 31 December 2017, the Target Group recorded an unaudited net liabilities of approximately HK$14.9 million.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Target Company will cease to be subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the Group's financial statements.

Based on the unaudited Adjusted NAV of the Target Group as at 31 December 2017, for illustrative purpose, upon Completion, it is estimated that the Company will realise an unaudited loss on the Disposal of approximately HK$3.9 million (excluding the effect of release of exchange reserve attributable to the Target Group and potential tax impact for the Disposal), being the difference between the Consideration of HK$160 million and the unaudited Adjusted NAV of the Target Group of approximately HK$161.9 million as at 31 December 2017 and deducting the expenses attributable to the Disposal (the "**Expenses**") of approximately HK$2 million.

Based on the unaudited consolidated net liabilities of the Target Group as at 31 December 2017 of approximately HK$14.9 million and taking into account effect of the Waiver of approximately HK$200.3 million, non-controlling interest of the Target Group of approximately HK$18.3 million and the Expenses of approximately HK$2 million, for illustrative purpose, upon Completion, it is estimated that the Company will record an unaudited loss on the Disposal of approximately HK$9.1 million (excluding the effect of release of exchange reserve attributable to the Target Group and potential tax impact for the Disposal).

The variation between the expected loss calculated above is mainly due to different treatment towards downward fair value adjustment in fixed assets of Hebei Panbao in the estimation basis. In addition, the estimated loss to be derived from the Disposal has not taken into account the potential tax impact upon Completion. Shareholders should note that the actual financial effect as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the auditors of the Company.

It is currently intended that the net proceeds will be applied as general working capital of the Group.

REASONS AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in financial operation business, real estate project investment, development and operations; investment property and hotel operations; oil, gas and mineral exploration and mining operations; mining and production of zeolite; and international trading business.

The acquisition of Hebei Panbao was completed in early 2015 which enable the Group to tap into the mining and production of zeolite in the PRC with a view to enrich the mineral resources portfolio and broaden the income source of the Group. The revenue generated from Hebei Panbao was stable since then. Completion of the sale by Ms. Zhang Ling ("**Ms Zhang**"), who held 45% equity interests in Hebei Panbao and contracting right, of the 45% equity interests of Hebei Panbao to Kaifu Chuangtong United Holdings Group Limited*（凱富創通聯合控股集團有限公司）("**Kaifu Chuangtong**"), which was designated by Hoifu United Group Limited（凱富聯合集團有限公司）("**HUGL**") took place in March 2017 (the "**Transfer**"). As disclosed in the annual report of the Company for the year ended 31 December 2017, the new management (the "**New Management**") had taken over the operation of Hebei Panbao after the Transfer. However, under the inefficient supervision of the New Management, Hebei Panbao reported unsatisfactory performance. Hebei Panbao did not make any revenue contribution and incur significant loss of approximately HK$110.8 million for the year ended 31 December 2017. According to the agreement (as supplemented by the supplemental agreement(s)) regarding the aforesaid sale of 45% equity interests of Hebei Panbao (the "**Agreement**"), HUGL shall pay an introduction fee and guaranteed profit to the Group and Hebei Panbao upon completion and on or before the agreed schedule. Except for partial payment of the introduction fee which is amounting to RMB30 million, HUGL failed to fulfil its payment obligations under the Agreement and legal actions have been taken by the Group on 8 November 2017 claiming for, among others, (i) the payment of the relevant guaranteed profit; (ii) interests on the said sum; and (iii) costs (the "**Legal Actions**").

As disclosed in the announcement of the Company dated 22 January 2018, as advised by Ms. Zhang, the transfer of 45% equity interests in Hebei Panbao to Kaifu Chuangtong, which was designated by HUGL, has been completed in accordance with the Agreement in March 2017. Following which, Ms. Zhang only received RMB69 million of the agreed payment of the equity interest transaction, and has not received the remaining agreed payment of the equity interest transfer of RMB131 million. After several failed attempts to collect the remaining payment, Ms. Zhang has initiated litigation procedures to claim against (1) HUGL and its guarantors, namely Mr. Weng Tao（翁濤）(“**Mr. Weng**”) and Mr. Ji Hailin（嵇海林）(“**Mr. Ji**”) and (2) Kaifu Chuangtong and its shareholders and directors, namely Mr. Weng and Mr. Ji, at the Zhangjiakou Intermediate People’s Court of Hebei Province. According to the litigation procedures and the court order, the arbitration and negotiation in relation to the treatment of the agreed payment of equity interest transaction and the termination of the equity transfer agreement, as well as the demand for responsibility of both parties such as the restoration of the equity interests, are in progress by the representatives of both parties. In the event that the representatives of both parties fail to reach a consensus within the timeframe for arbitration as designated by the court, trial will proceed before the court and a judgement will be made according to the laws. As such, it is anticipated that the overall performance of Hebei Panbao might be adversely affected.

Save as disclosed above, as at the date of this announcement, the Group has not yet received any payment from Hebei Panbao. As advised by the legal advisor of the Group, there will be no impact on the Legal Actions upon completion of the Disposal. The Company anticipated that such issue might not be settled in the near future. In view of the uncertain prospect of Hebei Panbao, the Directors consider that the Disposal represents a good opportunity for the Group to realise its investment and for better utilization of the Group’s resources, in particular the Group would like to seek to expand its business into real estate project investment, development and operation business.

As disclosed in the 2015 interim report of the Company, no revenue was noted from the business segment of sales of natural resources and petrochemicals for the six months ended 30 June 2015 due to slowing down of China’s economy and weak demand for the Group’s main products, such as coals. Each of Guangdong Energy, Guangxi Energy, and the Target Subsidiaries B only maintain minimal operations and did not record any revenue since then. The principal assets of the aforesaid companies are mainly the account receivables. The Group considers that the Disposal will enable the Group to realise its investment in the aforesaid companies and enhance the cash flow of the Group.

In view of the above, the Directors are of the view that the terms of the Disposal are fair and reasonable, which have been arrived at after arm's length negotiations and are in the interests of the Company and the Shareholders as a whole.

THE LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Hong Kong Finance Investment Holding Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the SPA
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Consideration"	the consideration for the Disposal, being HK$160,000,000 which will be satisfied by cash
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the SPA
"Group"	the Company and its subsidiaries
"Guangdong Energy"	廣東凱富能源有限公司 (Guangdong Hoifu Energy Limited*), a limited liability company established under the laws of the PRC and is indirect wholly-owned by the Company
"Guangdong Petroleum"	廣東凱富石油有限公司 (Guangdong Hoifu Petroleum Limited*), a limited liability company established under the laws of the PRC and is indirect owned as to 85% by the Company
"Guangzhou Energy"	廣州凱富能源有限公司 (Guangzhou Hoifu Energy Limited*), a limited liability company established under the laws of the PRC and is indirect wholly-owned by the Company
"Guangxi Energy"	廣西凱富能源有限公司 (Guangxi Hoifu Energy Limited*), a limited liability company established under the laws of the PRC and is indirect wholly-owned by the Company

"Guangxi Petroleum"	廣西凱富石油有限公司 (Guangxi Hoifu Petroleum Limited*), a limited liability company established under the laws of the PRC and is indirect wholly-owned by the Company
"Hebei Panbao"	河北攀寶沸石科技有限公司 (Hebei Panbao Zeolite Technology Co., Ltd.*), a limited liability company established under the laws of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK Subsidiary A"	Hoifu Energy International Investment Company Limited, a company incorporated in Hong Kong with limited liability and is indirect wholly-owned by the Company
"HK Subsidiary B"	Hoifu Petroleum International Investment Company Limited, a company incorporated in Hong Kong with limited liability and is indirect wholly-owned by the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement

"Purchaser"	Praise Wisdom Group Limited, a company incorporated in the British Virgin Islands with limited liability
"Sale Shares"	100 issued shares of US$1.00 each in the share capital of the Target Company, representing the entire issued share capital of the Target Company
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Hoifu"	深圳凱富能源有限公司 (Shenzhen Hoifu Energy Limited*), a limited liability company established under the laws of the PRC and is indirect wholly-owned by the Company
"SPA"	the sale and purchase agreement dated 13 July 2018 and entered into by the Vendor and the Purchaser in respect of the Disposal
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Swan Moment Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by the Vendor as at the date of this announcement and an indirect wholly-owned subsidiary of the Company
"Target Group"	the Target Company, HK Subsidiary A, HK Subsidiary B, the Target Subsidiaries A and the Target Subsidiaries B

"Target Subsidiaries A"	collectively, Guangdong Energy, Guangzhou Energy, Guangxi Energy, Shenzhen Energy and Hebei Panbao, being indirect subsidiaries of the Company as at the date of this announcement
"Target Subsidiaries B"	collectively, Guangdong Petroleum and Guangxi Petroleum, being indirect subsidiaries of the Company as at the date of this announcement
"Vendor"	Hong Kong Finance Resource Group Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company
"%"	per cent.

By order of the Board
Hong Kong Finance Investment Holding Group Limited
Dr. Hui Chi Ming, *G.B.S., J.P.*
Chairman

Hong Kong, 13 July 2018

As at the date of this announcement, the Honorary Chairman and Senior Consultant of the Company is Dr. Yukio Hatoyama; the Board comprises eight executive Directors, namely, Dr. Hui Chi Ming, G.B.S., J.P., Mr. Neil Bush, Dr. Chui Say Hoe, Mr. Xu Jun Jia, Mr. Cao Yu, Mr. Ren Qian, Mr. Lam Kwok Hing, M.H., J.P., and Mr. Nam Kwok Lun; and four independent non-executive Directors, namely, Mr. Chen Weiming, Eric, Mr. Ngan Kam Biu, Stanford, Mr. Ng Chi Kin, David and Mr. Yim Kai Pung.

* *For identification purpose only*