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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 379)

DISCLOSEABLE TRANSACTION ACQUISITION OF LAND USE RIGHT AND PROPERTY LOCATED IN THE PRC

BACKGROUND

The Board is pleased to announce that on 30 August 2019 (after trading hours) the Purchaser, an indirectly wholly-owned subsidiary of the Company, and the Vendor entered into the Asset Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the land use right of the Land and the Property in the Consideration of RMB28,600,000.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the transactions contemplated under the Asset Transfer Agreement are more than 5% but lower than 25%, the transactions contemplated under the Asset Transfer Agreement constitute discloseable transactions of the Company under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that the Completion of the Acquisition is subject to the fulfillment (or waiver, if applicable) of the Conditions Precedent, and the Completion may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 30 August 2019 (after trading hours) the Purchaser, an indirectly wholly-owned subsidiary of the Company, and the Vendor entered into the Asset Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the land use right in the Land and the Property in the Consideration of RMB28,600,000. Summarised below are the principal terms of the Asset Transfer Agreement:

ASSET TRANSFER AGREEMENT

Date

30 August 2019

Parties

- (i) the Purchaser; and
- (ii) the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of the Asset Transfer Agreement, the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be acquired

Pursuant to the Asset Transfer Agreement, the assets to be acquired by the Purchaser include the land use right of the Land and the Property.

The Land is situated at Taoci Industrial Zone, Qigong Community, Wan Shou Street, Jianping County, Chaoyang City, Liaoning Province, the PRC (中國遼寧省朝陽市建平縣萬壽街道啟工社區(陶瓷工業區內) with a total land use right area of approximately 133,716.61 sq.m. The land use right of the Land had been granted for a term of 50 years expiring on 30 September 2060 for industrial use.

The Property contains various buildings and structures with a gross floor area of about 10,132 sq.m. that are built over the Land together with the roads, fence and walls erected on the Land. It is expected that the Vendor will procure all necessary documents for title transfer prior to the Completion.

Net profit/(loss) before/after property and land use right taxes

The table below sets forth the net profits/(loss) (both before and after property and land use right taxes) attributable to lease on the Land and the Property for the years ended 31 December 2017 and 2018.

	For the year ended 31 December 2017 <i>Note 1</i> (‘000) <i>(unaudited)</i>	For the year ended 31 December 2018 <i>Note 2</i> (‘000) <i>(unaudited)</i>
Net profit before property and land use right taxes	Nil	RMB353
	Nil	equivalent to approximately HKD401
Net loss after property and land use right taxes	(RMB859)	(RMB507)
	(equivalent to approximately HKD976)	(equivalent to approximately HKD576)

Notes

1. The Land was not leased for the year ended 31 December 2017, thus no rental income received for that period.
2. The Purchaser rented certain part of the Land and the Property since 1 March 2018.

Consideration

The Consideration for the land use right of the Land and the Property under the Asset Transfer Agreement is RMB28,600,000, which shall be fully paid by the Purchaser to the Vendor within 10 business days following the issue of a confirmation letter from the Purchaser confirming that all the Conditions Precedent are fulfilled (save and except otherwise waived).

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor. The Company has also considered the valuation as stated in the Property Valuation Report prepared by an independent valuer. According to the Property Valuation Report, the market value of the land use right of the Land is HKD39,500,000 (approximately RMB34,771,126.76) as of 31 July 2019. The land use right of the Land was valued on the assumption of the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The Company intends to settle the Consideration with the internal resources of the Group.

Conditions Precedent

Completion is conditional upon the fulfillment of a number of conditions as follows:

1. the Purchaser reasonably and satisfactorily believes that the representations and warranties made by the Vendor in accordance with the Asset Transfer Agreement are true and accurate in all respects on the date of the Asset Transfer Agreement and the date of Completion;

2. the local people's government or government department has issued a valid notice, letter, meeting minutes or other supporting materials in the form of and in accordance with the requirements of the Purchaser with the effect to (a) agreeing to amend the user for the Land according to the actual use of the construction project; (b) agreeing to transfer the ownership of the Land and the Property to the Purchaser in the name of the Purchaser; and (c) the local people's government or government department having a consensus with the Purchaser on plans and arrangements for further investment in the Land and/or Taoci Industrial Zone (陶瓷工業區內) ;
3. the certificate of the land use right of the Land remains valid and is not adversely affected by any event;
4. Chaoyang Bank Co., Ltd. Jianping Sub-branch has issued a notice to the real estate registration management department, agreeing to discharge the registration of the mortgage on the Land or other written materials related to the discharge of the mortgage that meets the requirements of the real estate registration management department;
5. no judicial or government agency has imposed (or claimed to impose) penalties, commenced any legal proceeding, or instituted any form of investigation to limit or change arrangements under the Acquisition, or to challenge the legality of the Acquisition, or to seek material damages in relation to the Acquisition;
6. the Purchaser has hired professionals (lawyers, accountants, valuer, etc.) who have been engaged according to their needs to complete the due diligence work on the Land and the Property, and the results of which are satisfactory to the Purchaser;

7. the Acquisition has been approved by the internal governing decision-making bodies of the Purchaser and the Vendor; and
8. if required, the Company has obtained all necessary approvals and consents under the Listing Rules.

Save and except the conditions 2, 3, 7 & 8 above, the Purchaser may waive any Conditions Precedent in writing before the Long Stop Date. If any of the Conditions Precedent is not fulfilled before the Long Stop Date, the Purchaser may have an option to give a 7 days' notice to the Vendor to terminate the Asset Transfer Agreement.

Completion

Completion shall take place on a day to be mutually agreed in writing by the parties after the fulfilment (or wavier, if applicable) of all the Conditions Precedent.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the PRC, who is also the current landlord of the Purchaser in respect of certain part of the Land. The Purchaser rented certain part of the Land to build a factory for the manufacturing of food additives. The Vendor is principally engaged in the business of manufacturing and sale of microcrystalline stone products in the PRC.

INFORMATION OF THE COMPANY AND THE PURCHASER

The Group is principally engaged in finance lease and related consultation services in the PRC, the trading of equity securities, investment in property, money lending business, investment in terminal and logistics services business, food additives business and investment holding.

The Purchaser, which is an indirectly wholly-owned subsidiary of the Company, is engaged in food additives business in the PRC.

REASONS AND BENEFITS FOR THE ACQUISITION

The Group is committed to seeking business opportunities and intends to acquire high quality assets with good potentials for expansion of the Group's business in order to diversify the Group's income stream and enhance Shareholders' value. With a view to expanding the production lines of food additives business, the Purchase is proposed to purchase the land use rights of the Land and the Property whereby the Purchaser will invest to build another production line for the manufacturing crystalline sorbitol (山梨糖醇). Subject to the business growth, the status of the research and development and the local governmental approval, the Purchase is also intended to build another production line on the Land for the manufacturing of Advantame (愛德萬甜). Following the completion of the Acquisition, the major production lines for food additives would be centralized in the Land which will lower the management costs and enhance efficiency. In addition, the Acquisition will not only provide future expansion needs for the food additive business of the Group, but also save costs for rental payment arising from the lease on certain part of the Land.

The Board (including the independent non-executive Directors) considers that the terms of the Asset Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and are entered into on normal commercial terms and in the interests of the Group and its shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the transactions contemplated under the Asset Transfer Agreement are more than 5% but lower than 25%, the transactions contemplated under the Asset Transfer Agreement constitute discloseable transactions of the Company under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the land use right of the Land and the Property pursuant to the Asset Transfer Agreement
“Asset Transfer Agreement”	an Asset Transfer Agreement dated 30 August 2019 entered into between the Purchaser and the Vendor in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Ever Grand Financial Leasing Group Co., Ltd., a company incorporated in the Cayman Islands whose shares are listed and traded on the Stock Exchange
“Completion”	the delivery of the Land and the Property pursuant to the Asset Transfer Agreement, which shall take place on a day to be mutually agreed between the Purchaser and the Vendor following fulfillment (or waiver, if applicable) of the Conditions Precedent
“Conditions Precedent”	the conditions precedent to the Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of RMB28,600,000 for the Acquisition pursuant to the Asset Transfer Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	a land parcel located at Taoci Industrial Zone, Qigong Community, Wan Shou Street, Jianping County, Chaoyang City, Liaoning Province, the PRC (中國遼寧省朝陽市建平縣萬壽街道啟工社區(陶瓷工業區內)) with a total land use right area of approximately 133,716.61 sq.m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	6 months from the date of the Asset Transfer Agreement
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macau Special Administrative Region of the PRC for the purpose of this announcement
“Property”	various buildings and structures with a gross floor area of about 10,132 sq.m. that are built over the Land together with the roads, fence and walls erected on the Land
“Property Valuation Report”	a valuation report on the Property prepared by an independent valuer dated 22 August 2019
“Purchaser”	Liaoning Qikang Biotechnology Company Limited* (遼寧啓康生物科技有限公司), a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency in the PRC
“Share(s)”	ordinary share of HKD0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Liaoning Hongshanyu Technology Company Limited* (遼寧紅山玉科技有限公司), a company incorporated in the PRC with limited liability
“%”	per cent

Unless otherwise defined, for the purpose of this announcement and for the purpose of illustration only, RMB amounts have been translated using the following rates: RMB1.000:HKD1.136. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

By order of the Board
China Ever Grand Financial Leasing Group Co., Ltd.
Lai Ka Fai
Executive Director

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises (1) Mr. Wong Lik Ping, Mr. Lai Ka Fai, Mr. Tao Ke and Mr. Qiao Weibing as executive Directors; and (2) Mr. Goh Choo Hwee, Mr. Ho Hin Yip and Mr. U Keng Tin as independent non-executive Directors.

* *for identification purposes only*