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大中華金融控股有限公司
GREATER CHINA FINANCIAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 431)

website: <http://www.irasia.com/listco/hk/greaterchina/index.htm>

**MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF
XIN YUNLIAN INVESTMENT LIMITED
INVOLVING THE ISSUE OF CONVERTIBLE NOTES
UNDER SPECIFIC MANDATE AND THE ISSUE OF SHARES
UNDER GENERAL MANDATE TO A CONSULTANT**

THE ACQUISITION

The Board is pleased to announce that on 16 November 2019, the Company, the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Vendor Guarantor entered into the Acquisition Agreement under which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company, and the Sale Loan, being all such sum of money due and owing by the Target Company to the Vendor as at Completion, all free and clear of any encumbrances, at the Acquisition Consideration, which will be satisfied by way of issue of the Convertible Notes.

Completion of the Acquisition is subject to and conditional upon satisfaction or (where applicable) waiver of conditions precedent including, among other things, the granting of the necessary approval by the Shareholders.

The Company, the Purchaser and the Consultant also conditionally entered into the Consultancy Agreement, pursuant to which 100,000,000 Shares will be issued under General Mandate to settle the Consultancy Fee in relation to the consultancy services provided by the Consultant to the Group in relation to the Acquisition.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition fall(s) between 25% and 100%, the Acquisition constitutes a major transaction for the Company, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A SGM will be convened and held for the Shareholders to consider, and if thought fit, to approve (i) the Acquisition Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the allotment and issue of the Conversion Shares. To the best of the Directors' knowledge, information and belief, none of the Shareholder has a material interest in the Acquisition and accordingly none of the Shareholder is required to abstain from voting on the relevant ordinary resolution(s) approving the Acquisition Agreement and the transactions contemplated thereunder at the SGM (including the Specific Mandate).

In accordance with Rule 14.41(b) of the Listing Rule, a circular containing, among other things, (i) further information of the Acquisition; (ii) a notice of the SGM; (iii) the valuation report of the Target Company; (iv) the accountants' report of the Target Group (v) pro forma financial information on the enlarged Group; and (vi) other information required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 6 December 2019.

The Completion is subject to the fulfillment (or waiver) of the conditions precedent set out in the Acquisition Agreement and therefore may or may not be proceeded. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 16 November 2019, the Company, the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Vendor Guarantor entered into the Acquisition Agreement. The principal terms of the Acquisition Agreement are summarized as follow:

Date : 16 November 2019

Parties : (1) the Company;
(2) the Purchaser;
(3) the Vendor; and
(4) The Vendor Guarantor

The Vendor is a company established in the BVI with limited liability, which is wholly-owned by the Vendor Guarantor on behalf of Wangxin Technology, and owns the Sale Shares immediately before Completion. The Target Company is an investment holding company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor, the Vendor Guarantor, Wangxin Technology and the ultimate beneficial owners of the Vendor and Wangxin Technology are all Independent Third Parties and do not hold any Shares or other convertible securities in the Company as at the date of this announcement.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sales Shares, representing the entire issued share capital of the Target Company and the Sale Loan, being all such sum of money due and owing by the Target Company to the Vendor as at Completion, all free and clear of any encumbrances, at the Acquisition Consideration.

Acquisition Consideration

The Acquisition Consideration shall be RMB765 million (equivalent to approximately HK\$854.5 million) and settled by the Company by way of issuing the Convertible Notes under Specific Mandate at Completion. The applicable exchange rate shall be the exchange rate published by the People's Bank of China on the third Business Day immediately prior to the Completion Date.

For details of the Convertible Notes, please refer to the section headed "Convertible Notes" below.

Basis for determination of the Acquisition Consideration

The Acquisition Consideration was determined based on arm's length negotiations between the Purchaser and the Vendor with reference to, among others, (i) the business model and the large customer database of the Target Group and the industry in which the Target Group is engaging; (ii) the benefits of the Acquisition as disclosed in the section headed "Reasons for and Benefits of the Acquisition" below; (iii) the preliminary valuation of the operating subsidiaries and associate of Target Group prepared by the Valuer as of 30 June 2019; and (iv) financial performance and position of the Target Group's operating subsidiaries and associated company pursuant to respective unaudited management accounts for the two years ended 31 December 2017 and 2018.

Operating subsidiaries and associate of the Target Group (including the equity interest in Zhongyan E-commerce) was preliminary valued at approximately RMB1.5 billion (equivalent to approximately HK\$1.7 billion) as at 30 June 2019 by the Valuer, by way of income approach.

As the valuation of the Target Group was prepared on a discounted cash flow basis under the income approach, under Rule 14.61 of the Listing Rules, any valuation based on discounted cash flows will be regarded as a profit forecast. The Company will comply with the requirements of Rule 14.60A and Rule 14.62 of the Listing Rules in the circular.

The Directors (including the independent non-executive Directors) consider that the Acquisition Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Conditions Precedent

The Completion is subject to and conditional upon satisfaction (or waiver if, permitted) of the following conditions precedent, on or before the Long Stop Date:

- (a) the Company having obtained all necessary approvals, authorisations, consents and permits from the Stock Exchange (including but not limited to the unconditional approval for the allotment and issue of the Conversion Shares to the Vendor);
- (b) the Shareholders having duly passed the resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Notes;
- (c) Zhongyan E-commerce having obtained Value-Added Telecommunications Business License* 《增值電信業務經營許可證》 or is authorised to continue the relevant business to ensure the legality to operate the e-commerce platform. Wangxin Technology, Zhongyan E-commerce and the other members of the Target Group having confirmed in writing that during the effective period of the Value-Added Telecommunications Business License, Zhongyan E-commerce will continue the operation of the e-commerce platform and continue to collaborate with other members of the Target Group;
- (d) The Purchaser having performed and completed the due diligence on the Target Group (included legal, accounting, financial, operational, or other aspects that the Purchaser considered necessary) and satisfied with the result of the due diligence; and
- (e) the representations and warranties made by the parties under the Acquisition Agreement have not been violated.

If any of the conditions precedent are not fulfilled (or being waived) on or before 5 pm on the Long Stop Date, the Acquisition Agreement shall cease to be of any effect and terminate pursuant to the Acquisition Agreement.

As at the date of this announcement, none of the above conditions precedent have been fulfilled.

Post-execution undertaking

Certain undertakings have also been provided by the Vendor to the Purchaser to govern the operation of the Target Group between the date of the Acquisition Agreement and Completion. Undertakings include, among other things, (i) undertaking to ensure the operation of the Target Group will continue to operate in the same manner as to prior to the execution of the Acquisition Agreement; and (ii) undertakings in relation to the treatment of assets and liabilities, staffing and daily operation of the Target Group.

The Vendor's guarantee

- a. Subject to the post-completion guarantee (including the profit guarantee) as mentioned below, the Acquisition Consideration shall be satisfied by way of issue of the Convertible Notes by the Company to the Vendor in an equivalent principal amount. Subject to the terms and conditions of the Convertible Notes, the Convertible Notes have a term of five years. During the first to third anniversary of the Convertible Notes, the Company can early redeem the Convertible Notes. During the period of the third anniversary after the issue of the Convertible Notes and before the date of the fourth anniversary of the Convertible Notes, the Vendor can exercise the conversion right of not more than 30% of the principal amount of the Convertible Notes. During the fourth and fifth anniversary of the Convertible Notes, the Vendor can exercise the conversion right of the Convertible Notes in full.
- b. On the Completion Date, the Vendor shall submit the Closing Account to the Purchaser. The Vendor shall assist the Purchaser's designated accounting firm to prepare the Audited Closing Accounts. The Vendor guaranteed that the loan receivables of Xin Yunlian Financial and its subsidiaries as stated in the Audited Closing Accounts, save for any inter-group receivables among the members of the Target Group, should be recovered within two years after the Completion Date. By then, if the uncollected loan receivables exceed 1.8% of the total loan receivable of Xin Yunlian Financial and its subsidiaries, the Vendor shall repay the excess of the uncollected loan receivables in full.

The post-completion guarantee

1. *Reorganisation cost*

The Acquisition Consideration shall not cover any unpaid consideration (the “**Reorganisation Consideration**”) payable by the WFOE for the onshore reorganisation arrangement of the Target Group prior to the date of Acquisition Agreement. The Vendor and Vendor Guarantor jointly undertook that they shall pay an amount equal to the Reorganisation Consideration to the Purchaser on (i) the due date of the Reorganisation Consideration or (ii) within three years after the Completion Date, whichever is earlier.

If the Reorganisation Consideration is not paid to the Purchaser on time, the principal amount of the Convertible Notes shall be reduced by an amount equal to the Reorganisation Consideration. The portion of the Convertible Note amounted to the Reorganisation Consideration shall be pledged to the Purchaser as guarantee for the due settlement of the Reorganisation Consideration.

2. *Profit guarantee*

The Vendor and Vendor Guarantor jointly undertook that the audited consolidated net profit of the Target Group (excluding extraordinary gain on acquisition or disposal) for the three years ending 31 December 2022 shall be not less than RMB153 million (equivalent to approximately HK\$170.9 million) (the “**Guaranteed Profit**”). If the actual audited consolidated net profit of the Target Group (excluding extraordinary gain on acquisition or disposal) for the three years ending 31 December 2022 (the “**Actual Profit**”) falls short of RMB153 million (equivalent to approximately HK\$170.9 million), the principal amount of the Convertible Notes shall be reduced in the manner set out below:

Reduction Amount = (A-B) x 1.2

A equals to Guaranteed Profit

B equals to Actual Profit

For avoidance of doubt, if Actual Profit is less than or equals to zero, i.e. the Target Group will be not making profit or making a loss, B will equal to zero. The principal amount of the Convertible Notes shall be reduced by an amount equals to the Reduction Amount within three months from the date when the parties confirm such Reduction Amount or any other time as the parties may mutually agree.

The Purchaser has agreed to set a portion of the Convertible Notes amounted to the Guaranteed Profit as a pledge for the profit guarantee.

Completion

The Completion is expected to take place on the Completion Date.

Upon the Completion, the Group will be interested in the entire issued share capital of the Target Company, and the Target Company will become an indirect wholly-owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the accounts of the Group.

Convertible Notes

The principal terms of the Convertible Notes are summarized as follows:

Issuer: The Company

Issue Date: the date on which the Company issues the Convertible Notes in the initial principal amount stated on the certificate to the Noteholder pursuant to the Acquisition Agreement (the “**Issue Date**”)

Principal amount: The Acquisition Consideration amounted to RMB765 million (equivalent to approximately HK\$854.5 million as at the date of this announcement), shall be settled by way of issue of Convertible Notes

Maturity date: the date falling on the fifth anniversary of the Issue Date (the “**Maturity Date**”).

Interest rate: The interest rate is nil for the period commencing upon the Issue Date and expiring on the first anniversary of the Issue Date.

The interest rate is 1% per annum for the period commencing from the first anniversary of the Issue Date and expiring on the second anniversary of the Issue Date.

The interest rate is 4% per annum for the period commencing from the second anniversary of the Issue Date and expiring on the third anniversary of the Issue Date.

The interest rate is 6% per annum for the period commencing from the third anniversary of the Issue Date and expiring on the Maturity Date.

Conversion period: From the third anniversary after the Issue Date and expiring on date falling five Business Days before the Maturity Date (the “**Conversion Period**”)

Conversion rights: The holders shall have the right to convert on any Business Day during the Conversion Period, the whole or any part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Notes into Shares at any time and from time to time at the Conversion Price provided that such part of the principal amount of the Convertible Notes has not previously been converted, early redeemed, purchased or cancelled.

Not more than 30% of the total face value of the Convertible Notes shall be issued on conversion before the date of fourth anniversary of the Issue Date.

Conversion Price: The conversion price of the Convertible Notes shall be HK\$1.0 per Conversion Share, subject to adjustments as set out in accordance with the terms and conditions of the Convertible Notes.

Adjustment to Conversion Price: the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions:

- (i) there is any consolidation or sub-division of the Shares or (ii) the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (ii) the Company shall after the date of issue of the Convertible Notes offer to holders of Shares as a class new Shares for subscription by way of rights, or shall grant to holders of Shares as a class any options, warrants or other rights to subscribe for or purchase any Shares, in each case at a price per Share which is less than 95 per cent. of the market price at the date of announcement of the terms of offer or grant;
- (iii) the Company (at the direction or request of or pursuant to any arrangements with the Company) or any of its subsidiaries shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the consideration per Share initially receivable for such securities is less than 95 per cent. of the market price at the date of announcement of the terms of issue of such securities;

- (iv) the rights of conversion or exchange or subscription attached to any such securities as are mentioned in (iii) above are modified so that the consideration per Share initially receivable for such securities shall be less than 95 per cent. of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription;
- (v) the Company shall issue wholly for cash any Shares at a price per Share which is less than 95 per cent. of the market price at the date of announcement of the terms of such issue;
- (vi) the Company shall issue the Shares for the acquisition of asset at a consideration per Share which is less than 95 per cent. of the market price at the date of announcement of the terms of such issue; and
- (vii) the Company shall issue any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares for the acquisition of asset at a consideration per Share initially receivable for such securities is less than 95 per cent. of the market price at the date of announcement of the terms of such issue.

Conversion Shares: Based on the initial Conversion Price of HK\$1.0 per Conversion Share, approximately 854.5 million Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes in full, taking into consideration the exchange rate of the date of this announcement in converting the Acquisition Consideration from RMB to Hong Kong Dollars.

The Conversion Shares represent

- (i) approximately 12.34% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 10.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares only.

The aggregate nominal value of the Conversion Shares (with a par value of HK\$0.001 each) will be HK\$0.001.

The issue of the Convertible Notes and allotment and issue of the Conversion Shares are subject to the Specific Mandate to be sought at the SGM.

The Vendor will become a connected person of the Company by reason of the Vendor being a substantial Shareholder upon the allotment and issue of the Conversion Shares.

Redemption: (i) Redemption on the Maturity Date

The Company shall redeem the Convertible Notes by repaying the holder(s) of the Convertible Notes all outstanding principal amount on the Maturity Date;

(ii) Redemption at the option of the Company

The Company shall have a right (the “**Early Redemption Right**”) to redeem the Convertible Notes at any time after the Issue Date, prior to the fourth anniversary of the Issue Date. The Early Redemption Right may be exercised to redeem the Convertible Notes in respect of the whole or any part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Notes, provided that such part of the principal amount of the Convertible Notes to be early redeemed has not previously been converted, purchased, early redeemed or cancelled.

To exercise the Early Redemption Right, the Company shall give the holder a prior written notice at least 10 Business Days before the redemption (the “**Early Redemption Date**”).

The redemption money payable by the Company for early redemption of the Convertible Notes shall be 100% of the outstanding principal amount of the Convertible Notes to be redeemed.

If any Conversion Share is due to be allotted and issued by the Company on the Early Redemption Date as a result of the exercise of the Conversion Rights, the Company shall, on the holder’s behalf, first apply so much of the redemption money in subscribing for the new Conversion Shares as is available, and only the remaining balance of the redemption money shall be payable to the Noteholder on the Early Redemption Date.

Transferability: The Convertible Notes may be assigned or transferred at any time by the holder, provided such assignment or transfer shall also be in compliance with the terms and conditions of the Convertible Notes and further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under:

- (i) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or its rules and regulations; and
- (ii) the Listing Rules and all applicable laws and regulations.

- Voting rights: Holders of the Convertible Notes shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Notes.
- Listing: No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange.
- The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes.
- Ranking: The Conversion Shares will, when allotted and issued, rank pari passu in all respects among themselves and with all other fully paid Shares in issue.
- Events of default: After the occurrence of an event of default as specified in the terms and conditions of the Convertible Notes, a holder of the Convertible Notes may give notice to the Company that the Convertible Notes are immediately due and payable.

Conversion Price

The initial Conversion Price of HK\$1.00 per Conversion Share represents:

- (i) a premium of approximately 405.1% over the closing price of HK\$0.1980 per Share as quoted on the Stock Exchange as at the date of the Acquisition Agreement;
- (ii) a premium of approximately 405.1% over the average closing price of approximately HK\$0.1980 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Acquisition Agreement; and
- (iii) a premium of approximately 404.0% over the average closing price of approximately HK\$0.1984 per Share as quoted on the Stock Exchange for the six-month period from 16 May 2019 to 15 November 2019 (the “**Reference Period**”).

The initial Conversion Price was determined after arm’s length negotiation between the Company and the Vendor with reference to, among others, (i) the average closing prices of the Shares during the Reference Period. The Directors consider that the Conversion Price is fair and reasonable.

Application for listing

Application will be made by the Company to the Stock Exchange for the grant of listing of and permission to deal in the Conversion Shares only.

CONSULTANCY AGREEMENT

The Board announces that on 16 November 2019, the Company, the Purchaser and the Consultant conditionally entered into the Consultancy Agreement whereby the Consultant has agreed to provide consultancy service to the Company in relation to the Acquisition Agreement and the transactions contemplated thereunder.

The principal terms of the Consultancy Agreement are summarized as follow:

- Date : 16 November 2019
- Parties : (1) the Purchaser;
- (2) the Company; and
- (3) the Consultant.

The Consultant has been engaged in investment related work with broad experiences in merger and acquisition and deep knowledge of the PRC tobacco market.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Consultant is Independent Third Party and does not hold any Shares or other convertible securities in the Company as at the date of this announcement.

Consultancy service to be provided

Pursuant to the Consultancy Agreement, the Consultant shall, among others, (i) assist the Company in signing the Acquisition Agreement; (ii) assist the Company in completing the Acquisition.

Consultancy Fee

The Consultancy Fee shall be HK\$20 million which shall be settled by the Company by way of issuing the Consideration Shares under General Mandate to the Consultant or any company wholly-owned by the Consultant within seven Business Days after the satisfaction of the following conditions:

- (i) the entering into of the Acquisition Agreement by the Company, the Purchaser, the Vendor and the Vendor Guarantor;
- (ii) the Shareholders having duly passed the resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the issue of Convertible Notes;
- (iii) the Company having obtained all necessary approvals, authorisations, consents and permits from the Stock Exchange (including but not limited to the unconditional approval for the allotment and issue of the Conversion Shares to the Vendor); and
- (iv) the Completion of the Acquisition.

The Directors consider that the settlement of Consultancy Fee by issuing Consideration Shares to the Consultant is fair and reasonable as it preserves cash resources for the Company.

Issue Price

The Issue Price of HK\$0.2 per Consideration Share represents:

- (i) a premium of approximately 1.0% over the closing price of HK\$0.1980 per Share as quoted on the Stock Exchange as at the date of the Consultancy Agreement;
- (ii) a premium of approximately 1.0% over the average closing price of approximately HK\$0.1980 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Consultancy Agreement; and
- (iii) a premium of approximately 0.8% over the average closing price of approximately HK\$0.1984 per Share as quoted on the Stock Exchange for the Reference Period.

The Issue Price was determined after arm's length negotiation between the Company and the Consultant with reference to, among others, the average closing prices of the Shares during the Reference Period. The Directors consider that the Issue Price is fair and reasonable.

Based on the Issue Price of HK\$0.2 per Consideration Share, 100,000,000 Consideration Shares will be allotted and issued to the Consultant.

The Consideration Shares represent

- (i) approximately 1.44% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 1.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares only.

Application for listing

Application will be made by the Company to the Stock Exchange for the grant of listing of and permission to deal in the Consideration Shares.

Profit guarantee

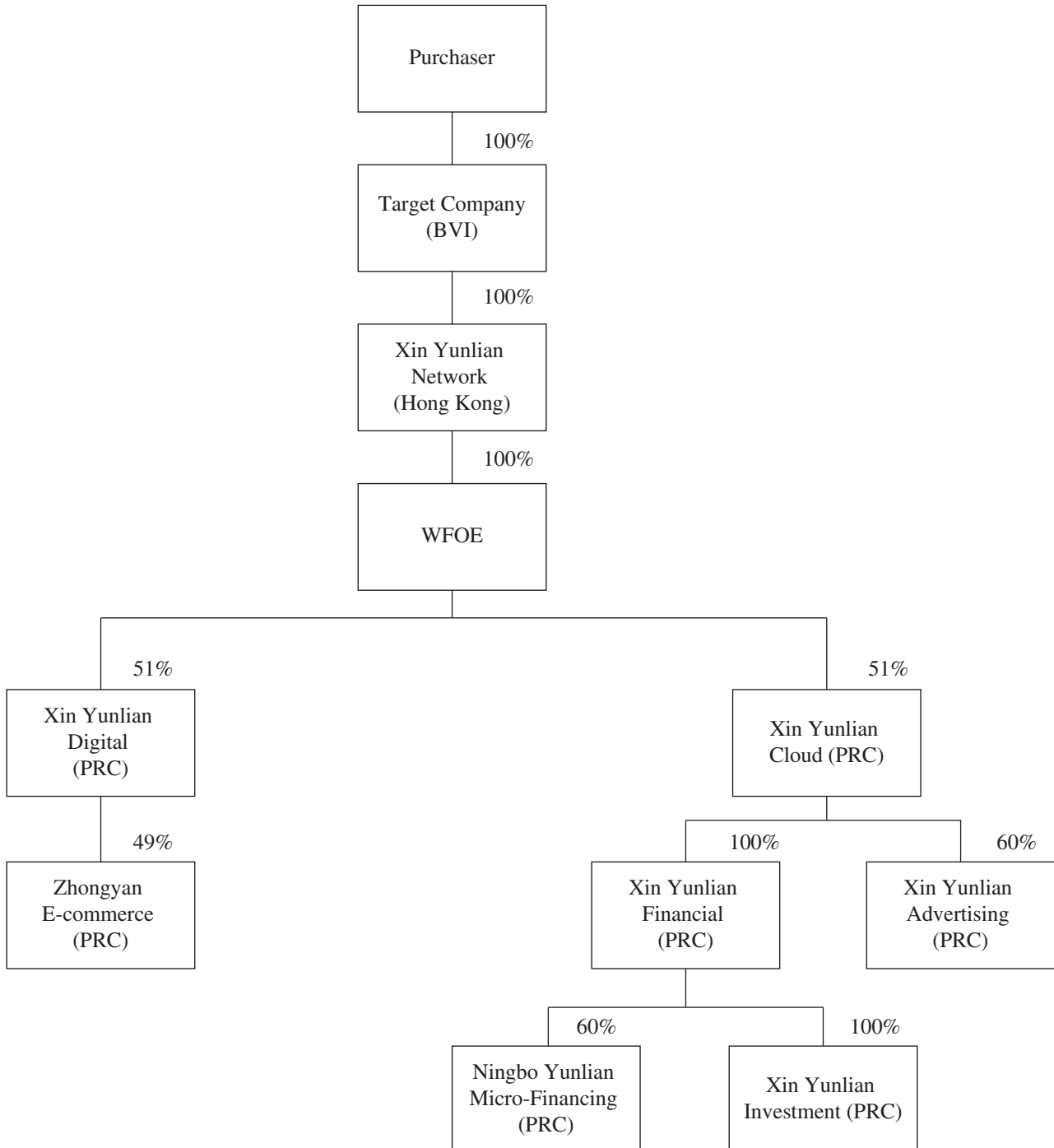
The Consultant undertook that the Guaranteed Profit shall not be less than RMB153 million (equivalent to approximately HK\$170.9 million) in aggregate. If the Actual Profit for the three years ending 31 December 2022 falls short of RMB153 million (equivalent to approximately HK\$170.9 million) in aggregate, the Consultant irrevocably assigns the Company to sell the Consideration Shares, and all proceeds from the selling of the Consideration Share are used to compensate the Company for the failure to meet the Guaranteed Profit.

The Consultant has irrevocably undertaken to the Company that the Consultant will not sell, transfer or dispose of the Consideration Shares (i) within three years after the issue of the Consideration Shares; or (ii) until the profit guarantee requirement as stipulated under the Consultancy Agreement is satisfied, whichever is later.

INFORMATION OF THE TARGET GROUP

The Target Company is established in the BVI with limited liability which principally engaged in investment holding.

Below illustrate the simplified shareholding structures of the Target Group immediately after Completion:



Business profile

The principal activities of the Target Group include e-commerce business in respect of non-cigarette products, financial services (including micro-financing operations) and advertising business targeted to approximately 5.6 million tobacco retailers with tobacco monopoly qualification authorised by the State Tobacco Monopoly Administration by leveraging tobacco channels, with the purpose of enabling such tobacco retailers to develop their business and extending its operations to cover smokers and their families which are customers of such tobacco retailers. As at present, the Target Group has 4.4 million registered tobacco retailers on its platform.

E-commerce business

The Target Company indirectly controls Xin Yunlian Digital. Zhongyan E-commerce, being an associate of Xin Yunlian Digital, is a member of the Target Group specialising in e-commerce business.

Zhongyan E-commerce was mutually invested and established by Zhongyan Commercial Logistics Limited Liability Company* (中煙商務物流有限責任公司) and Zhejiang Zheda Wangxin Xin Yunlian E-commerce Company* (浙江浙大網新新雲聯電子商務公司) on behalf of China National Tobacco Corporation and Zhejiang University respectively, pursuant to the Strategic Cooperation Framework Agreement on Developing an E-commerce System of Non-cigarette Products* (《關於建立非煙商品的電子商務系統戰略合作框架協議》) entered into among the People's Government of Zhejiang Province, China National Tobacco Corporation and Zhejiang University. Zhongyan E-commerce was authorised by China National Tobacco Corporation to be the sole operator of an Internet platform which enables 5.6 million tobacco retailers across the nation to conduct non-cigarette business.

Leveraging substantial channel resources of more than 5.6 million off-line tobacco retail terminals across the nation, and benefited from the strong research, development and application capabilities in technologies of Zhejiang University, Zhongyan E-commerce has provided business to business e-commerce solutions to tobacco retailers. The non-cigarette products ordering platform centralises orders from all retailers and gathers products supplying through integrating resources of other platforms, manufacturers and suppliers, so as to reduce purchasing cost by shortening circulation links, achieve win-win effect among various parties and jointly explore the tobacco terminal market.

Financial services business

The Target Company indirectly controls Xin Yunlian Cloud. Xin Yulian Financial, being a wholly-owned subsidiary of Xin Yunlian Cloud, is a member of the Target Group specialising in financial services.

Leveraging on the excellent research, development and application capabilities in technologies of the Zhejiang University and its relevant entities in blockchain, big data analysis and artificial intelligence, etc., Xin Yunlian Financial renders technological financial services to 5.6 million off-line tobacco retailers of Zhongyan E-commerce across the nation with the integration capabilities and consumer finance solutions of Zhejiang University based on “blockchain + big data analysis + artificial intelligence”, focusing on “people, goods (non-tobacco) and place” in the tobacco retail terminals.

Xin Yunlian Financial has become the exclusive financial service partner of Zhongyan E-commerce through agreements, providing comprehensive internet financial services for more than 5.6 million small and micro retailers and individual users associated under the extensive networks of the off-line tobacco retail terminals; such services include loan referrals, insurance and supply chain financial services, etc. Meanwhile, to realize the vision of “promoting inclusive finance and helping dreams come true”, the company is committed to creating a circumstance-based financial eco-system for small and micro retailers, and providing retailers and individual users associated including the more than 5.6 million off-line tobacco retailers with financial services such as loans, insurance, wealth management through offering financial information services to financial institution partners.

Micro-financing

Xin Yunlian Financial holds 60% equity interest of Ningbo Yunlian Micro-financing, a company engages in micro-financing business and possesses an Internet Micro-Financing License in the PRC, which officially permit it to provide financial products to all registered tobacco retailers across the PRC, including but not limited to local individuals, small enterprises and tobacco retailers. Through various promoting efforts on the e-commerce platform, Ningbo Yunlian Micro-Financing is able to offer appropriate loan products to tobacco retailers, with an aim to expand the micro-financing business of the Target Group.

After obtaining relevant approval from potential borrowers or being authorised to access trading information on the relevant procurement data and repayment record of registered users, Ningbo Yunlian Micro-Financing will evaluate the creditworthiness of borrowers, which shall be the reference for the micro-financing business of the Target Group to manage loan risks. By understanding and closely monitoring on the borrowers’ business conditions and operation, the Target Group is capable to mitigate the loan risks to its micro-financing business.

Ningbo Yunlian Micro-Financing was rated as a Grade A micro-financing company in 2017, and recognised as a national outstanding micro-financing company in the PRC in 2018.

Other services

Apart from the e-commerce platform and the micro-financing operation, the Target Group also engages in advertising and relevant supporting services, which provides the e-commerce platform advertising support and to carry out outdoor advertising campaign.

Financial information of the Target Group

As at the date of this announcement, the Target Group after reorganisation comprised of the Target Company, WFOE and its subsidiaries. Operating subsidiaries mainly comprised of (i) Xin Yunlian Cloud and its subsidiaries (the “**Xin Yunlian Cloud Group**”); and (ii) indirect equity interest in Zhongyan E-commerce. During the years ended 31 December 2017 and 2018 as Zhongyan E-commerce was yet to become an associate of the Target Company, no combined financial statement shall be presented for the respective financial years that would include Zhongyan E-commerce within the Target Group. Hence, for financial information of the Target Group shall be presented as the unaudited combined financial information of the Xin Yunlian Cloud Group and the unaudited consolidated financial statement of Zhongyan E-commerce.

Set out below is the summary of the unaudited consolidated financial information of the Xin Yunlian Cloud Group for the two years ended 31 December 2017 and 2018 based on the unaudited management accounts of the Xin Yunlian Cloud Group.

	Year ended 31 December	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,604.0	32,928.9
Loss/Profit before taxation	(6,542.1)	1,586.2
Loss/Profit after taxation	(6,542.1)	1,030.9

The unaudited consolidated net asset value of the Xin Yunlian Cloud Group attributable to owners and the unaudited consolidated net asset value of the Xin Yunlian Cloud Group as at 31 December 2018 was approximately RMB94.1 million (equivalent to approximately HK\$105.1 million) and RMB96.1 million (equivalent to approximately HK\$107.3 million) respectively.

The Target Company after Reorganisation is indirectly effectively interested in 24.99% of Zhongyan E-commerce and its subsidiaries, set out below is the summary of the unaudited consolidated financial information of Zhongyan E-commerce for the two years ended 31 December 2017 and 2018 based on the unaudited consolidated management accounts of Zhongyan E-commerce:

	Year ended 31 December	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	23,887.7	30,640.8
Loss before taxation	(88,089.3)	(82,365.4)
Loss after taxation	(88,089.3)	(82,365.4)

The unaudited consolidated net asset value of the Zhongyan E-commerce attributable to owners of Zhongyan E-commerce and the unaudited consolidated net asset value of Zhongyan E-commerce as at 31 December 2018 was approximately RMB140.7 million (equivalent to approximately HK\$157.2 million) and RMB156.6 million (equivalent to approximately HK\$174.9 million) respectively.

Operating subsidiaries and associate of the Target Group (including the equity interest in Zhongyan E-commerce) was preliminary valued at approximately RMB1.5 billion (equivalent to approximately HK\$1.7 billion) as at 30 June 2019 by the independent professional valuer, by way of income approach.

FINANCIAL EFFECT OF THE ACQUISITION

After Completion, the Target Company will become an indirect wholly-owned subsidiary of the Group. The financial statement of the Target Group, including assets and liabilities, profit or loss of the Target Group, will consolidated to the Group.

The issue of the Consideration Shares to the Consultant will also be accounted for as expenses of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is principally engaged in investment holding and its subsidiaries are engaged in (i) industrial property development in the PRC; (ii) trading of Moutai and other popular Chinese liquors in the PRC; (iii) securities brokerage in Hong Kong; (iv) insurance brokerage in Hong Kong; (v) asset management in Hong Kong; and (vi) loan financing in Hong Kong and the PRC. The loan financing segment includes the provision of financing guarantee services, loan financing and loan referral services in Hong Kong and the PRC. The loan financing segment recorded revenue of approximately HK\$70.0 million and segment profit of approximately HK\$54.6 million for the year ended 31 December 2018. The revenue of loan financing segment accounted for approximately 45.9% of the total revenue of the Company for the year of 2018 and the loan financing segment is the most profitable segment of the Group. As mentioned in the annual report of the Company for the year ended 31 December 2018, the government of the PRC shall be exerting reform efforts and improving the money and credit supply mechanism, guiding financial institutions to extend credit quota and reducing the costs of loans by utilizing quantitative and pricing monetary policy. A series of practical initiatives concerning inclusive finance have been introduced by the government of the PRC in 2019, with an aim to effectively address the financing difficulties faced by small and micro enterprises. The Board is of the view that these government policies may impose a positive impact on the financing and credit market and therefore the Board is exploring opportunities to further develop the operation of the Group.

As discussed in “Information of Target Group”, Xin Yunlian Financial and its subsidiaries are engaged in the provision of comprehensive financial services such as loan services and loan referral services for more than 5.6 million small and micro retailers and individual users associated under the extensive networks of the off-line tobacco retail terminals. The business model of Xin Yunlian Financial and its subsidiaries are similar to the Group’s existing loan financing business. The Group can leverage its knowledge, know-how, experience and financial resources to lead and empower Xin Yunlian Financial and its subsidiary in developing the micro-financing business in the tobacco retail market in the PRC. Moreover, Xin Yunlian Financial and its subsidiaries can promote its loan financing services to tobacco retailers with potential financing needs through Xinshangmeng E-commerce Platform. With the authorization from the registered users of Xinshangmeng E-commerce Platform, who are the potential borrowers of the Target Group, Xin Yunlian Financial and its subsidiaries are able to obtain information through Xinshangmeng E-commerce Platform to evaluate the credit risk of the potential borrowers. Since the credit risk is the principal risk inherent to the micro-financing business, with the support of Xinshangmeng Non-cigarette Products E-commerce Platform, Xin Yunlian Financial and its subsidiaries are able to effectively manage and monitor the credit risks in connection with the loan granted to their borrowers, which would be beneficial to the Group future development in the micro-financing industry.

Having considered (i) the business nature and business model of the Target Group; (ii) the customer portfolio of Xinshangmeng E-commerce Platform with more than 4.4 million of registered users; and (iii) the Target Group is able to obtain readily-available data for evaluating the potential borrower’s creditworthiness upon receiving authorisation from the potential borrower, the Board believes that the Acquisition could further expand the Group’s loan financing services to the PRC tobacco retailers market and increase the Group’s market share and geographical presence in the PRC by consolidating the operation of the Target Group.

After completion, the Acquisition will bring positive impacts to the development of the Company's operations in the PRC, through significantly expanding our financial services in the PRC in both scope and depth. With the target of addressing financing needs of numerous tobacco retailers, the Company will strive to establish its comprehensive financial service model, and develop the advertising and E-commerce business at the same time. It is not only in line with the Company's strategy on dedicating to the supply chain financial services, but also in line with the national policy over developing inclusive finance and supporting the development of small and micro enterprises.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreement and the Convertible Notes are on normal commercial terms, fair and reasonable, and the Acquisition (including the issue of the Convertible Notes) is in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITY DURING THE PAST 12 MONTHS FORM THE LATEST PRACTICABLE DATE

The Company did not conduct any equity fundraising activity in the last twelve months immediately preceding the Latest Practicable Date.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full conversion of the Convertible Notes:

	(i) As at the date of this announcement		(ii) immediately after the issue of the Consideration Shares		(iii) immediately after the issue of the Consideration Shares and the full conversion of the Convertible Notes	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Directors:						
– Mr. Liu Kequan	1,447,750,000 <i>(Note 1)</i>	20.91	1,447,750,000 <i>(Note 1)</i>	20.61	1,447,750,000 <i>(Note 1)</i>	18.38
– Mr. Yang Dayong	614,826,000 <i>(Note 2)</i>	8.88	614,826,000 <i>(Note 2)</i>	8.75	614,826,000 <i>(Note 2)</i>	7.80
The Vendor	–	–	–	–	854,500,000 <i>(Note 3)</i>	10.84
The Consultant	–	–	100,000,000	1.42	100,000,000	1.27
Public Shareholders	4,861,501,621	70.21	4,861,501,621	69.22	4,861,501,621	61.71
Total	<u>6,924,077,621</u>	<u>100</u>	<u>7,024,077,621</u>	<u>100</u>	<u>7,878,577,621</u>	<u>100</u>

Notes:

1. The interests are held by Eastern Spring Global Limited. Mr. Liu Kequan is the beneficial owner of the entire issued share capital of Eastern Spring Global Limited.
2. The interests include (i) 612,810,000 Shares held by Eternally Sunny Limited and (ii) 2,016,000 Shares held by Ms. Liang Miaoxin, being the spouse of Mr. Yang Dayong. Mr. Yang Dayong is the beneficial owner of the entire issued share capital of Eternally Sunny Limited.
3. For illustrative purpose only, based on the initial Conversion Price of HK\$1.0 per Conversion Share, approximately 854,500,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes in full, taking into consideration the exchange rate of the date of this announcement in converting the Acquisition Consideration from RMB to Hong Kong Dollars. The Convertible Notes are subject to restrictions such that upon the conversion of which, the Vendor and his respective associates, together with any parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code, unless (a) such conversion is permissible under the Takeovers Code following the application by the holder of the Convertible Notes and granting by the Executive of a whitewash waiver and the approval of the Shareholders in this regard; or (b) such holder of the Convertible Notes has fulfilled sufficient financial resources to make a general offer pursuant to Rule 26 of the Takeovers Code.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the the Listing Rules) in respect of the Acquisition fall(s) 25% between and 100%, the Acquisition constitutes a major transaction of the Company, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A SGM will be convened and held for the Shareholders to consider, and if thought fit, to approve (i) the Acquisition Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the allotment and issue of the Conversion Shares. To the best of the Directors' knowledge, information and belief, none of the Shareholder has a material interest in the Acquisition and accordingly none of the Shareholder is required to abstain from voting on the relevant ordinary resolution(s) approving the Acquisition Agreement and the transactions contemplated thereunder at the SGM.

In accordance with Rule 14.41(b) of the Listing Rules, a A circular containing, among other things, (i) further information of the Acquisition; (ii) a notice of the SGM; (iii) the valuation report of the Target Company; (iv) the accountants' report of the Target Group; (v) pro forma financial information on the enlarged Group; and (vi) other information required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 6 December 2019.

The Completion is subject to the fulfillment (or waiver) of the conditions precedent set out in the Acquisition Agreement and therefore may or may not be proceeded. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITION

Unless otherwise specified, the following terms have the following meanings in this announcement:

“AGM”	the annual general meeting of the Company held on 6 June 2019
“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 16 November 2019 entered into by the Company, the Purchaser, the Vendor and the Vendor Guarantor in respect of the Acquisition
“Acquisition Consideration”	RMB765 million (equivalent to approximately HK\$854.5 million as at the date of this announcement), being the total consideration for the Acquisition
“Audited Accounts”	the audited Closing Accounts prepared by the Purchaser’s designated accounting firm
“Board”	the board of Directors
“Business Day(s)”	a day (excluding a Saturday or Sunday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Closing Accounts”	the closing accounts comprising (i) the statement of financial position and statement of profit or loss of Target Company for the period since the last management account of members of the Target Group till the month preceding the Completion Date; and (ii) the consolidated statement of financial position and the consolidated statement of profit and loss of the Target Company as at the end of the month preceding the Completion Date
“Company”	Greater China Financial Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange of Hong Kong
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Completion Date”	the fifth Business Day(s) after the date of fulfillment (or waiver) of the conditions precedent of the Acquisition Agreement (or such other date as the parties to the Acquisition Agreement may agree in writing)

“Consideration Share(s)”	the Share(s) to be allotted and issued by the Company to the Consultant pursuant to the Consultancy Agreement
“Consultancy Agreement”	the consultancy service agreement dated 16 November 2019 entered into by the Company, the Purchaser and the Consultant in respect of the consultancy service
“Consultancy Fee”	HK\$20 million, being the total fee for the consultancy service
“Consultant”	呂宏國 (Lu Hongguo), an individual providing consultancy service to the Group pursuant to the Consultancy Agreement
“Conversion Price”	the initial conversion price of the Convertible Notes of HK\$1.0 per Conversion Share, subject to adjustments
“Conversion Share(s)”	the Share(s) to be allotted and issued upon exercise of the rights attached to the Convertible Notes to convert the principal amount (or any part(s) thereof) of the Convertible Notes into Shares pursuant to the terms and conditions of the Convertible Notes
“Convertible Notes”	the Convertible Notes to be created and issued by the Company to settle the Acquisition Consideration, and convertible into Shares pursuant to the terms and conditions of the Convertible Notes and the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by an ordinary resolution of the Shareholders passed at the AGM to allot, issue and deal with Shares and to make or grant offers, agreements and options which may require Shares to be allotted, issued or dealt with, which is subject to the limit of 20% of the total number of issued Shares as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	Third party(ies) independent of the Company and are not connected persons (as defined under the Listing Rules) of the Company
“Issue Price”	HK\$0.2, being the issue price per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	Six months from the date of the Acquisition Agreement (i.e. 15 May 2020)(or such other date as the parties under the Acquisition Agreement may agree in writing)
“Ningbo Yunlian Micro-Financing”	寧波雲聯小額貸款有限公司 (transliterated as Ningbo Yunlian Micro-Financing Company Limited*), a company established in the PRC with limited liability
“PRC”	the People’s Republic of China, which for the sole purpose of this announcement excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“Purchaser”	Good Set Investments Limited, a company established in the BVI with limited liability and a subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the unsecured interest-free loan owing by the Target Company to the Vendor at Completion. For illustrative purpose only, the principal amount of the Sale Loan as at the date of the Acquisition Agreement is HK\$60 million
“Sale Shares”	The entire issued share capital of the Target Company to be acquired under the Acquisition Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting to be convened by the Company for the Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder, including the Specific Mandate
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be obtained by the Board from the Shareholders at the SGM for the allotment and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC

“Target Company”	Xin Yunlian Investment Limited, a company established in the BVI with limited liability and is wholly-owned by the Vendor before Completion
“Target Group”	the Target Company and its subsidiaries
“Valuer”	CHFT Advisory and Appraisal Ltd., an independent valuer appointed by the Company in respect of the Acquisition
“Vendor”	Skill Rich Limited, a company established in the BVI with limited liability, which is wholly-owned by the Vendor Guarantor on behalf of Wangxin Technology, and owns the entire equity interest of the Target Company before Completion
“Vendor Guarantor”	Chen Zheng, sole shareholder of the Vendor, holds the entire equity interest of the Vendor on behalf of Wangxin Technology
“Wangxin Technology”	網新新雲聯技術有限公司 (transliterated as Wangxin Xin Yunlian Technology Limited*), a company established in the PRC with limited liability and the ultimate beneficial owner of the Vendor
“WFOE”	寧波瑞信投資有限公司 (transliterated as Ningbo Ruixin Investment Company Limited*) was established as a special purpose company in the PRC by the Vendor for the Acquisition in April 2019
“Xin Yunlian Advertising”	新雲聯廣告傳媒(浙江)有限公司 (transliterated as Xin Yunlian Advertising Media (Zhejiang) Company Limited*), a company established in the PRC with limited liability
“Xin Yunlian Cloud”	浙江新雲聯雲科技有限公司 (transliterated as Zhejiang Xin Yunlian Cloud Technology Company Limited*), a company established in the PRC with limited liability
“Xin Yunlian Digital”	浙江新雲聯數字科技有限公司 (transliterated as Zhejiang Xin Yunlian Digital Technology Company Limited*), a company established in the PRC with limited liability
“Xin Yunlian Financial”	網新新雲聯金融信息服務(浙江)有限公司 (transliterated as Wangxin Xin Yunlian Financial Information Service (Zhejiang) Company Limited*), a company established in the PRC with limited liability

“Xin Yunlian Investment”	網新新雲聯投資(浙江)有限公司 (transliterated as Wangxin Xin Yunlian Investment (Zhejiang) Company Limited*), a company established in the PRC with limited liability
“Xin Yunlian Network”	Xin Yunlian Network Technology Limited, a company established in Hong Kong with limited liability
“Zhongyan E-commerce”	中煙新商盟電子商務有限公司 (transliterated as Zhongyan Xin Shangmeng E-commerce Limited*), a company established in the PRC with limited liability
“%”	per cent

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1 – HK\$1.117 (being the RMB central parity rate by the People’s Bank of China as at 16 November 2019). 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 at all.

By order of the Board of
Greater China Financial Holdings Limited
Liu Kequan
Chairman

Hong Kong, 16 November 2019

As at the date of this announcement, the Board comprises Mr. Liu Kequan, Mr. Yang Dayong and Mr. Zhang Peidong as executive Directors; and Mr. Kwan Kei Chor, Dr. Lyu Ziang and Mr. Zhou Liangyu as independent non-executive Directors.

* *For identification purpose only*