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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)

**MAJOR TRANSACTION IN RELATION TO ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY INVOLVING THE ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE
AND
RESUMPTION OF TRADING**

THE ACQUISITION

The Board is pleased to announce that on 8 March 2020, the Purchaser, the Company, the Vendors and the Target Company entered into the Agreement, pursuant to which, the Vendors have conditionally agreed to sell the Sale Shares to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Shares at the total Consideration of RMB1.0 billion (equivalent to approximately HK\$1.1 billion), which will be satisfied as to (i) RMB330 million (equivalent to approximately HK\$366.7 million) by cash; and (ii) RMB670 million (equivalent to approximately HK\$744.4 million) by the issue and allotment of the Consideration Shares at the Issue Price of HK\$0.85 per Consideration Share by the Company to the Vendors upon Completion.

Upon 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 and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but all applicable percentage ratios are less than 100% under the Listing Rules, the Acquisition constitutes a major transaction of the Company and is therefore subject to reporting, announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) further information on the Acquisition; (ii) details of the Specific Mandate; (iii) an accountants' report on the Target Group; (iv) a pro forma financial information on the Enlarged Group; (v) a valuation report on the Lands (as defined below); and (vi) a notice of the SGM, will be despatched to the Shareholders on or before Friday, 15 May 2020, so as to allow sufficient time for the preparation of relevant information for inclusion in the circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on Monday, 9 March 2020 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on Monday, 16 March 2020.

The Board is pleased to announce that on 8 March 2020, the Purchaser, the Company, the Vendors and the Target Company entered into the Agreement, pursuant to which, the Vendors have conditionally agreed to sell the Sale Shares to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Shares at the total Consideration of RMB1.0 billion (equivalent to approximately HK\$1.1 billion), which will be satisfied as to (i) RMB330 million (equivalent to approximately HK\$366.7 million) by cash; and (ii) RMB670 million (equivalent to approximately HK\$744.4 million) by the issue and allotment of the Consideration Shares at the Issue Price of HK\$0.85 per Consideration Share by the Company to the Vendors upon Completion.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

8 March 2020

Parties

- (i) Vendor 1 and Vendor 2 (as vendors);
- (ii) the Purchaser (as purchaser);
- (iii) the Target Company; and
- (iv) the Company

The Vendors are merchants and private investors. Both Vendors have over 10 years of experience in equity investment in the PRC. The Sale Shares are beneficially owned by Mr. Wang Guoping (“**Mr. Wang**”) and held by the Vendors as legal owners. As at the date of this announcement, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, each of the Vendors and Mr. Wang are Independent Third Parties.

Assets to be acquired

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

Consideration

The Consideration of RMB1.0 billion (equivalent to approximately HK\$1.1 billion) which will be satisfied as to (i) RMB330 million (equivalent to approximately HK\$366.7 million) by cash for the Vendors to repay on behalf of the Target Group in respect of outstanding indebtedness which was incurred by the Target Group; and (ii) RMB670 million (equivalent to approximately HK\$744.4 million) by the issue and allotment of the Consideration Shares at the Issue Price of HK\$0.85 per Consideration Share by the Company to the Vendors upon Completion.

As at 31 December 2019, the Target Group recorded total liabilities of approximately RMB381.4 million. Pursuant to the Agreement, the Target Group would not have any liabilities upon Completion.

Further details of the Consideration Shares are set out in the section headed “Consideration Shares” below.

The Consideration was arrived at based on normal commercial terms after arm’s length negotiations among the Purchaser, the Company and the Vendors and was determined with reference to among others, (i) the preliminary valuation of the Lands (as defined below) of approximately RMB1.08 billion (the “**Valuation**”) prepared by an independent valuer; and (ii) the reasons for and benefits of the Acquisition as stated under the section headed “Reasons for and benefits of the Acquisition” below.

The Consideration represents a discount of approximately 7.4% to the Valuation.

In view of the above, the Directors consider that the Consideration is fair and reasonable.

Conditions precedent

Completion shall be conditional upon:

- (i) the completion of the due diligence review and investigation on the Target Group (including but not limited to, the legal and financial due diligence review) and the Lands conducted by the Purchaser to its reasonable satisfaction;
- (ii) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares;
- (iii) the Agreement and the transactions contemplated thereunder having been approved by the Shareholders at the SGM;
- (iv) the Purchaser having obtained from a qualified valuer appointed by the Purchaser a valuation report on the Lands (in such form and substance satisfactory to the Purchaser), with valuation of the Lands of not less than RMB1.0 billion;

- (v) all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Agreement and the transactions contemplated thereby having been obtained by the respective parties to the Agreement (including but not limited to, the necessary consent from the Stock Exchange);
- (vi) the representations, warranties and undertakings provided by the Vendors set out in the Agreement remaining true, accurate and not misleading in any respect at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion.

None of the above conditions precedent is waivable. In the event any of the above conditions are not being fulfilled on or before the Long Stop Date, the Agreement shall become void and of no further effect and, save in respect of any antecedent breaches, all liabilities and obligations of the Parties shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the Parties which shall have accrued prior to such termination.

Completion

Completion shall take place on the Completion Date after all the conditions of the Agreement have been fulfilled or such date as the Parties may agree in writing. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company.

THE CONSIDERATION SHARES

The Consideration Shares will be allotted and issued at the Issue Price of HK\$0.85 each, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price represents:

- (i) a premium of approximately 11.8% over the closing price per Share of HK\$0.76 as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 8.4% over the average closing price per Share of approximately HK\$0.784 as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 7.5% over the average closing price per Share of approximately HK\$0.791 as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

The Issue Price was arrived at after arm's length negotiations among the Company, the Purchaser and the Vendors with reference to the prevailing market price of the Shares and the current market conditions. The Directors consider the Issue Price is fair and reasonable.

The Consideration Shares represent approximately 21.9% of the number of issued Shares as at the date of this announcement and represent approximately 18.0% of the number of issued Shares as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will be allotted and issued pursuant to the Specific Mandate and will be allotted and issued on the date of Completion.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion and the allotment and issue of the Consideration Shares:

Shareholders	As at the date of this announcement		Immediately upon Completion and the allotment and issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximately % (Note 2)</i>	<i>Number of Shares</i>	<i>Approximately % (Note 2)</i>
Dr. Hui Chi Ming (<i>Note 1</i>)	2,667,512,542	66.7	2,667,512,542	54.7
Vendor 1	–	–	788,235,294	16.2
Vendor 2	–	–	87,581,699	1.8
Public Shareholders	<u>1,332,487,458</u>	<u>33.3</u>	<u>1,332,487,458</u>	<u>27.3</u>
Total	<u>4,000,000,000</u>	<u>100.0</u>	<u>4,875,816,993</u>	<u>100.0</u>

Notes:

- These Shares included 268,000 Shares held by Wisdom On Holdings Ltd, 262,966,000 Shares held by Hong Kong Finance Investment Limited, 973,639,143 Shares held by Hong Kong Finance Equity Management Limited, 924,734,284 Shares held by Hong Kong Finance Equity Investment Limited, and 505,905,115 Shares held by Hong Kong Finance Equity Holding Limited respectively.

The issued share capital of Wisdom On Holdings Ltd and Hong Kong Finance Investment Limited are directly wholly owned by Dr. Hui Chi Ming. The issued share capital of Hong Kong Finance Equity Management Limited, Hong Kong Finance Equity Investment Limited and Hong Kong Finance Equity Holding Limited are indirectly wholly owned by Dr. Hui Chi Ming.

- Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

INFORMATION OF THE TARGET GROUP

The Target Group is principally engaged in industrial investment, property investment and real estate investment. The Target Company owns the land use rights of three parcels of land (the “Lands”) for villa use granted on a term expiring in August 2068.

The Lands are located in Shuidong Development Zone, Maogang District, Maoming City, the PRC (中國茂名市茂港區水東開發區) with a total site area and total planned gross floor area of approximately 166,000 sq.m. and 414,000 sq.m. respectively. The Lands are expected to be developed for high-end sea-view villa and serviced apartments project.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the unaudited consolidated financial information of the Target Group as prepared under generally accepted accounting principles of the PRC for the two financial years ended 31 December 2018 and 2019:

	For the year ended 31 December 2019 <i>Approximately</i> <i>RMB</i> <i>(unaudited)</i>	For the year ended 31 December 2018 <i>Approximately</i> <i>RMB</i> <i>(unaudited)</i>
Revenue	–	–
Net loss before taxation	3,362	4,140
Net loss after taxation	<u>3,362</u>	<u>4,140</u>

According to the unaudited financial information of the Target Group, the Target Group recorded an unaudited consolidated net assets of approximately RMB4.4 million as at 31 December 2019.

REASONS AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in property development and investment, trading of electronic products, oil and gas exploration and production, mineral mining, and provision of financial services.

The Group has expanded its property business to property development in the PRC since the first quarter of 2018. Currently, the Group has a property development project in Zhanjiang City, the PRC, the lands under which will be developed into a complex for residential, commercial, office and accommodation usage. The Board believes that the Acquisition provides an opportunity for the Group to widen its property portfolio and expand the geographical coverage for the property development business.

The Lands are located nearby the first beach (the “**First Beach**”) situated on the Nanhai Peninsula in Maoming City, the PRC. The First Beach is a national 3A tourist attraction and has a beautiful ecological environment with white sand beach that stretches across 12 kilometers of coastline. The First Beach is a travel resort yearned for by travelers, it is famous for being the “Hawaii of the Orient”, which is also the first marine forest shelter belt in the PRC and the real scene of the “Green Great Wall”, a great traditional Chinese painting in the Great Hall of the People in Beijing. Therefore, the Board considers that the Lands are suitable for the development of high-end sea-view villa and serviced apartments project. The Directors consider that the Acquisition provides a good opportunity for the Group to acquire land parcels with great development potential for future sale or development. The Directors are of the view that the Acquisition is in line with the strategic development of the Group and believe that it will bring long-term and strategic benefits to the Group.

Based on the foregoing, the Directors consider that the terms of the Acquisition are fair and reasonable, on normal commercial terms and the Acquisition is 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 Acquisition is more than 25% but all applicable percentage ratios are less than 100% under the Listing Rules, the Acquisition constitutes a major transaction of the Company and is therefore subject to reporting, announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the relevant resolutions in relation to (i) the Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to issue and allot the Consideration Shares. To the best of the Directors' knowledge, information and belief, as at the date of this announcement, no Shareholder has a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder would be required to abstain from voting on the proposed resolutions in relation to the Acquisition at the SGM.

GENERAL

A circular containing, among other things, (i) further information on the Acquisition; (ii) details of the Specific Mandate; (iii) an accountants' report on the Target Group; (iv) a pro forma financial information on the Enlarged Group; (v) a valuation report on the Lands; and (vi) a notice of the SGM, will be despatched to the Shareholders on or before Friday, 15 May 2020, so as to allow sufficient time for the preparation of relevant information for inclusion in the circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on Monday, 9 March 2020 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on Monday, 16 March 2020.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 8 March 2020 entered into among the Purchaser, the Company, the Vendors and the Target Company in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	a day on which banks are generally open for business in Hong Kong, except a public holiday, Sunday and a Saturday or a day on which a tropical cyclone warning signal no.8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“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 Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the tenth (10th) Business Day after the date of fulfillment of all the conditions set out in the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Acquisition, being RMB1.0 billion

“Consideration Shares”	875,816,993 new Shares to be issued to the Vendors at an issue price of HK\$0.85 per new Share as part of the Consideration
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group upon Completion, together with the Target Group
“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) who is/are independent of, and not connected with, the Company and its connected persons
“Issue Price”	HK\$0.85 per Consideration Share
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Last Trading Day”	6 March 2020, being the last trading day for the Shares prior to the date of the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 May 2020 (or any other date as the Parties may agree in writing)
“Parties”	the parties of the Agreement and “Party” means any of them
“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”	廣東悅華偉業有限公司 (Guangdong Yuehua Weiye Limited)*, a limited liability company established under the laws of the PRC and is indirectly wholly-owned by the Company
“Sale Shares”	100% of the issued share capital of the Target Company
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if though fit, approving, among others, (i) the Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to issue and allot the Consideration Shares
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	a specific mandate to issue, allot or otherwise deal in additional Shares to be sought from the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at the SGM to satisfy the issue and allotment of the Consideration Shares upon Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	東莞市三禾實業投資有限公司 (Dongguan Sanhe Industrial Investment Limited)*, a limited liability company established under the laws of the PRC
“Target Group”	the Target Company and its subsidiary(ies)
“Vendor 1”	Ms. Wu Junying, a merchant who is the legal owner of 90% equity interest in the Target Company
“Vendor 2”	Ms. Wu Yujun, a merchant who is the legal owner of 10% equity interest in the Target Company

“Vendors” collectively, Vendor 1 and Vendor 2 and “Vendor” shall mean any one of them

“%” 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 March 2020

For the purposes of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of RMB1 to HK\$1.1. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate at all.

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. Chan Tsang Mo, Mr. Ngan Kam Biu, Stanford, Mr. Tam Chak Chi and Mr. Ma Kin Ling.

* For identification purpose only