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CHINA FINANCIAL INTERNATIONAL INVESTMENTS LIMITED

中國金融國際投資有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 721)

VOLUNTARY ANNOUNCEMENT CAPITAL INCREASE AGREEMENT

THE CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on 18 June 2020 (after trading hours), Keyi (Shanghai), a wholly-owned subsidiary of the Company, and Mr. Zhang entered into the Capital Increase Agreement, to increase the registered capital of the Target Company.

Pursuant to the Capital Increase Agreement, Keyi (Shanghai) and Mr. Zhang have agreed to inject RMB60 million (equivalent to approximately HK\$65.4 million) and RMB135 million (equivalent to approximately HK\$147.15 million), respectively, in cash for the capital increase in the Target Company.

Upon the Capital Increase, the equity interests in the Target Company will be owned as to 30% by Keyi (Shanghai) and as to 70% by Mr. Zhang. As such, the Target Company will become an investment of the Company and its financial results will not be consolidated in the consolidated financial statements of the Group.

This announcement is made by the Company on a voluntary basis to provide the Shareholders and potential investors of the Company an update on the latest business development of the Group.

INTRODUCTION

The Board is pleased to announce that on 18 June 2020 (after trading hours), Keyi (Shanghai), a wholly-owned subsidiary of the Company, and Mr. Zhang entered into the Capital Increase Agreement, to increase the registered capital of the Target Company.

The principal terms and conditions of the Capital Increase Agreement are as follows:

THE CAPITAL INCREASE AGREEMENT

Date: 18 June 2020

Parties: (a) Keyi (Shanghai) Investment Company Limited* (科逸(上海)投资有限公司), a wholly-owned subsidiary of the Company; and
(b) Zhang Zuhao

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, Mr. Zhang is (i) the sole registered owner of the Target Company; (ii) interested in approximately 9.11% of the issued share capital of the Company; and (iii) the son of the president of the Company, Mr. Zhang Gui. Save as disclosed, Mr. Zhang is an Independent Third Party.

The Capital Increase

Pursuant to the Capital Increase Agreement, Keyi (Shanghai) and Mr. Zhang have agreed to inject RMB60 million (equivalent to approximately HK\$65.4 million) and RMB135 million (equivalent to approximately HK\$147.15 million), respectively, in cash for the capital increase in the Target Company.

Prior to the Capital Increase, Mr. Zhang holds the entire equity interest of the Target Company. Pursuant to the Capital Increase Agreement, Mr. Zhang has agreed to waive his pre-emptive right in respect of the Capital Increase.

Upon the Capital Increase, the equity interests in the Target Company will be owned as to 30% by Keyi (Shanghai) and as to 70% by Mr. Zhang. As such, the Target Company will become an investment of the Company and its financial results will not be consolidated in the consolidated financial statements of the Group.

Consideration

Pursuant to the Capital Increase Agreement, Keyi (Shanghai) shall pay the Consideration in cash on or before 7 May 2040.

The Consideration was determined after arm's length negotiations between Keyi (Shanghai) and Mr. Zhang on normal commercial terms.

The Consideration payable by the Group will be financed by the internal resources of the Group.

INFORMATION OF THE TARGET COMPANY

Prior to the Capital Increase, the Target Company was a company established in the PRC with limited liability on 9 May 2020, with a registered and paid up capital of RMB5 million, and the entire equity interest of which was held by Mr. Zhang.

The Target Company shall principally be engaged in corn distribution, grain purchase, warehousing; sales of building materials, electro-mechanical products, communication equipment, and chemical products; and production and processing of aluminum alloy strips, foils and their products. As at the date of this announcement, the Target Company had not commenced operations.

INFORMATION OF THE GROUP

The Company is an investment company under Chapter 21 of the Listing Rules. The Company and its principal subsidiaries, including Keyi (Shanghai), are engaged in investment in listed and unlisted companies.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Group is actively exploring opportunities to expand its investment horizon and to enhance the investment return of the Group and the Shareholders as a whole.

The Target Company is a newly established company in the PRC, and had acquired a distressed asset in Jilin, the PRC (the “Distressed Asset”), through an auction. The Distressed Asset includes land use right, building and facility, manufacturing plant and equipment, motor vehicle, inventory and etc. The auction price of Distressed Asset was approximately RMB197 million (equivalent to approximately HK\$214.73), and was preliminarily valued at approximately RMB790 million (equivalent to approximately HK\$861.1). The Target Company aims to resale the assets and/or rights under the Distressed Asset to customers to unlock its value and profit from the sale. The Board is of the view that the auction price and the valuation of the Distressed Asset are fair and reasonable and in the interests of the Company, and the Capital Injection will enrich the Group’s investment portfolio.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Capital Increase Agreement has been entered into on normal commercial terms and are fair and reasonable and the transactions contemplated under Capital Increase Agreement are in the interests of the Company and the shareholders of the Company as a whole.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday or Sunday or public holiday) on which banks in the PRC are open for business
“Capital Increase”	the injection of an aggregate of RMB60 million to the capital of the Target Company by Keyi (Shanghai) pursuant to the terms of the Capital Increase Agreement, which shall be applied to subscribe for the registered capital of the Target Company to be increased
“Capital Increase Agreement”	the capital increase agreement dated 18 June 2020 entered into between Mr. Zhang and Keyi (Shanghai) in relation to, among other things, the Capital Increase
“Company”	China Financial International Investments Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange (Stock Code: 721)
“Consideration”	the aggregate amount of RMB60 million, being the total consideration payable by Keyi (Shanghai) pursuant to the Capital Increase Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons of the Company
“Keyi (Shanghai)”	Keyi (Shanghai) Investment Company Limited* (科逸(上海)投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Zhang Zuhao, the sole registered owner of the Target Company as at the date of this announcement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Target Company”	Liaoyuan Hancheng Trade Company Limited* (遼源市哈誠經貿有限責任公司), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

(For reference only, the exchange rate used in this announcement is RMB1.00 = HK\$1.09)

By order of the Board
China Financial International Investments Limited
Du Lin Dong
Chairman and chief executive officer

Hong Kong, 18 June 2020

The English transliteration of the Chinese term(s) in this announcement, where indicated with “”, is included for information purpose only, and should not be regarded as the official English term(s) of such Chinese term(s).*

As at the date of this announcement, the executive Director is Mr. Du Lin Dong, the non-executive Directors are Mr. Ding Xiaobin, Mr. Zhang Huayu, Ms. Li Jie and Ms. Chen Xi and the independent non-executive Directors are Mr. Zhang Jing, Mr. Zeng Xianggao and Mr. Li Cailin.