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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 379)

DISCLOSABLE TRANSACTION – THE SUBSCRIPTION OF SHARES IN THE TARGET COMPANY

The Board announces that on 13 July 2020 after trading hours, Multi Kingdom, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with Top Insight, pursuant to which Multi Kingdom agrees to subscribe, and Top Insight agrees to issue and allot, the Subscription Shares at the aggregate subscription price of HK\$67,300,000, which shall be settled in kind by Multi Kingdom by transferring the entire issued share capital of Jumbo Hall to Top Insight.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Subscription Agreement exceed 5% but are less than 25%, the entering into of the Subscription Agreement and the transactions contemplated thereunder (i.e. the disposal of the entire equity interest in Jumbo Hall and the acquisition of 35% equity interest in Top Insight) constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are subject to the notification and announcement requirements set out in the Listing Rules.

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THE SUBSCRIPTION AGREEMENT

Date

13 July 2020 (after trading hours)

Parties

- (1) Multi Kingdom as subscriber
- (2) Top Insight as the issuer
- (3) Planetree (BVI) Capital Limited (“Planetree BVI”) as the shareholder of the issuer

To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, Top Insight, Planetree BVI and their ultimate beneficial owner(s) are independent third parties and not connected to the Company and its connected persons.

Nature of transaction

Pursuant to the Subscription Agreement, Multi Kingdom shall subscribe, and Top Insight shall allot and issue, 350 Subscription Shares to Multi Kingdom at the aggregate subscription price of HK\$67,300,000, which shall be settled in kind by Multi Kingdom by transferring the entire issued share capital of Jumbo Hall to Top Insight.

Upon completion, Multi Kingdom will hold 35% of Top Insight’s enlarged issued share capital. The remaining 65% shareholding of Top Insight will be held by Planetree BVI.

Consideration

The aggregate subscription price of the Subscription Shares is HK\$67,300,000, which shall be settled in kind by Multi Kingdom by transferring the entire issued share capital of Jumbo Hall to Top Insight.

Jumbo Hall is an investment holding company and is the registered owner of the Wanchai Property.

The consideration was determined and agreed between the parties to the Subscription Agreement after arm's length negotiations taking into account of the net asset values of Jumbo Hall and Top Insight and the market value of the Wanchai Property and the Wong Chuk Hang Property and certain discount on losing a control of Jumbo Hall.

Based on the unaudited financial statements of Jumbo Hall, the net asset value of Jumbo Hall was approximately HK\$67.8 million as at 31 December 2019.

Based on the unaudited financial statements of Top Insight, the net asset value of Top Insight was approximately HK\$171.9 million as at 31 December 2019.

To ensure the proportionate shareholding in Top Insight between Planetree BVI and Multi Kingdom largely reflects the value of their respective properties, Multi Kingdom has undertaken that Jumbo Hall will not have inter-company debts or shareholder loan and Planetree BVI has undertaken that Top Insight will not have inter-company debts or shareholder loan at Completion, pursuant to the Subscription Agreement.

The aggregate subscription price for HK\$67,300,000 for the 350 Subscription Shares represents the subscription price for approximately HK\$192,286 per Subscription Share. Based on the combined valuation of the Wanchai Property and Wong Chuk Hang Property as at 31 December 2019, the net asset value of Top Insight upon Completion is preliminarily estimated as approximately HK\$238.7 million with 1,000 shares in issue upon Completion, representing Top Insight's net asset value per share at approximately HK\$238,700 by that time. By comparing such estimate of net asset value per share (i.e. HK\$238,700) with the subscription price per Subscription Share (i.e. HK\$192,286), there is a discount of about 19.4% for the Subscription Shares offered to Multi Kingdom, equivalent to a discount of approximately HK\$16.2 million in total. The aforesaid 19.4% discount is considered fair and reasonable when compared to a reasonable range of discount for lack of control commonly adopted by the prevailing valuation practice. The actual net asset value of Top Insight upon Completion is subject to finalization and other potential adjustments that may be made during subsequent audit.

Ranking of Subscription Shares

The Subscription Shares, when issued as fully-paid shares, will rank pari passu with all other shares of Top Insight in issue on the date of allotment and issue of the Subscription Shares.

Completion of the Subscription Agreement

Completion of the Subscription Agreement will take place within 3 Business Days from the date on which all of the conditions precedent of the Subscription Agreement shall have been satisfied (or such other date as the parties thereto may agree in writing). Upon Completion, Jumbo Hall shall cease to be a subsidiary of the Company and Top Insight will be an associate of the Company.

CONDITIONS PRECEDENT

The Completion is conditional upon:

- (a) Multi Kingdom having conducted and completed due diligence on all business, assets and liabilities, legal and financial matter in respect of Top Insight and the Wong Chuk Hang Property and all such other matters as deemed necessary;
- (b) Top Insight having conducted and completed due diligence on all business, assets and liabilities, legal and financial matter in respect of Jumbo Hall and the Wanchai Property and all such other matters as deemed necessary;
- (c) the taking of all actions and passing of all resolutions as may be required to issue the Subscription Shares in accordance with the terms of the Subscription Agreement;
- (d) each of the parties to the Subscription Agreement having obtained all necessary consents, approvals and permissions for the entering into of the Subscription Agreement and the Shareholders' Agreement and performance and completion of the transactions contemplated thereunder; and
- (e) the execution and delivery of the Shareholders' Agreement by each of the parties thereto.

If the conditions precedent have not been fulfilled on or before 5:00 p.m. (Hong Kong time) within 1 month from the date of the Subscription Agreement (or such later date as may be agreed in writing between the parties), the Subscription Agreement shall cease and terminate and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

SHAREHOLDERS' AGREEMENT

Pursuant to the Subscription Agreement, the parties thereto shall execute the Shareholders' Agreement on or before the completion date of the Subscription Agreement in order to govern the relationship of the shareholders in Top Insight and the material terms are set out below.

Parties

- (1) Multi Kingdom as a shareholder of Top Insight

- (2) Planetree BVI as the other shareholder of Top Insight
- (3) Top Insight as the subject company

Business scope and aims

Top Insight shall engage in property investment and leasing and such activities that are incidental thereto.

The shareholders of Top Insight are desirous of combining their respective assets, resources, expertise and networks to manage and develop the property investment and leasing business of Top Insight in order to increase the revenue and rental income of the properties held by Top Insight and to expand the assets portfolio of Top Insight as and when good opportunities arise.

Term

The Shareholders' Agreement shall become effective from the Completion Date and shall remain in full force and effect as long as Top Insight continues to exist, unless earlier terminated pursuant to any other provisions of the Shareholders' Agreement.

Board composition

Multi Kingdom shall be entitled to nominate one candidate to serve as director of Top Insight and its subsidiaries and Planetree BVI shall be entitled to nominate two candidates as directors. The composition of the board of directors of Top Insight basically reflects the proportionate shareholding in Top Insight held by Multi Kingdom and Planetree BVI respectively.

Profit sharing

The profit of Top Insight shall be shared by way of dividends between Multi Kingdom and Planetree BVI in proportion to their respective shareholdings in Top Insight except for the first 3 financial years as below.

Pursuant to the Shareholders' Agreement, Top Insight shall during the first 3 financial years distribute dividends to all the shareholders in the guaranteed amount at the rate of 4% per annum of such shareholder's initial investment costs in Top Insight as follows:–

Multi Kingdom's investment costs HK\$67,300,000

Planetree BVI's investment costs HK\$171,400,000

Matters requiring Shareholders' unanimous consent

The following matters of Top Insight require consent in writing of all the shareholders holding in aggregate 100% of voting rights of Top Insight:

- (a) the appointment or removal of the auditors;
- (b) any change of the company's name;
- (c) any acquisitions or disposals by Top Insight and its subsidiaries with a value exceeding the sum of US\$5,000,000;
- (d) the incurrence of any capital expenditure which would, in any 12-month period, exceed US\$5,000,000;
- (e) the entering into of a contract, engagement or transaction, or any amendment to any contract, engagement or transaction already entered into, with a shareholder of Top Insight or its affiliate(s) other than in the ordinary and usual course of business;
- (f) the increase or decrease of the authorised shares of Top Insight.

INFORMATION ON TOP INSIGHT

As at the date of this announcement, Top Insight is an indirect non-wholly owned subsidiary of Planetree International Development Limited, a company whose shares are listed on the Stock Exchange (stock code: 613; "Planetree"). Top Insight is an investment holding company and holds the entire share capital of CCL, which in turn holds the entire share capital of ISL. ISL is the registered owner of the Wong Chuk Hang Property.

Immediately after the completion of the Subscription Agreement, the property portfolio of Top Insight will comprise the Wanchai Property and the Wong Chuk Hang Property.

As Top Insight is a company incorporated in the British Virgin Islands, no separate audited consolidated financial statements have been prepared by Top Insight as permitted under the laws of the British Virgin Islands. The unaudited financial information of Top Insight for the year ended 31 December 2018 and 2019 are set out below:

	For the year ended	
	31 December	
	2018	2019
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	23,581	12,109
Profit after taxation	23,581	12,109

As at the date of this announcement, ISL has obtained a mortgage loan on the Wong Chuk Hang Property and has recently drawdown the mortgage loan in the sum of approximately HK\$94.8 million. All the loan proceeds are at present kept within the group of Top Insight in cash and Top Insight intends to utilize the cash for general working capital and business development and expansion.

INFORMATION ON JUMBO HALL

As at the date of this announcement, Jumbo Hall is a direct wholly-owned subsidiary of Multi Kingdom and an indirect wholly-owned subsidiary of the Company. It is a property holding company incorporated in Hong Kong with limited liability and is the registered owner of the Wanchai Property.

The financial information of Jumbo Hall for the year ended 31 December 2018 and 2019 are set out below:

	For the year ended	
	31 December	
	2018	2019
	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	489	2,331
Loss after taxation	489	2,331

FINANCIAL EFFECT OF THE SUBSCRIPTION AGREEMENT

The Company acquired the entire share capital of Jumbo Hall (which holds the Wanchai Property) from a third party at the consideration of HK\$70,000,000 in April 2019. As at 31 December 2019, the value of Jumbo Hall on the books of the Company amounts to HK\$67.8 million.

Upon Completion, Jumbo Hall shall cease to be a subsidiary of the Company and Top Insight will be an associate of the Company and its result will be accounted for under equity method. Upon Completion, it is estimated that the Group will record approximately a loss of HK\$800,000 on the Completion. It comprises of (i) a loss of HK\$67.8 million on derecognition of Jumbo Hall based on its net asset value for year ended 31 December 2019, (ii) an estimated transaction cost of HK\$0.3 million and (iii) further being set off by an addition to a fair value of 35% equity interest in Top Insight at initial recognition (based on the aggregate subscription price of the Subscription Shares of HK\$67.3 million).

The actual financial effect of the Subscription Agreement upon Completion is subject to finalization and other potential adjustments that may be made during subsequent audit.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AGREEMENT

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

For the financial year of 2019, the investment division of the Group recorded revenue of HK\$12.7 million (2018: HK\$4.5 million) comprising of loan interest income of HK\$10.5 million from money lending business and rental income of HK\$2.2 million from letting out office properties in Hong Kong and Shanghai, the PRC in which HK\$1.4 million was from the Wanchai Property.

Planetree has been operating its principal business of property leasing for many years by directly holding various classes of properties in Hong Kong including commercial, industrial and residential properties for generation of rental income. The aggregate rental income from the property leasing business of Planetree was HK\$12.3 million for the year 2019 while the rental income from the Wong Chuk Hang Property was HK\$2.9 million in accordance with the unaudited financial information of Top Insight for the same year.

The Group intends to develop property leasing and investment business in order to provide better return, and enhance value for, the shareholders of the Company. By entering into the Subscription Agreement with Top Insight, the Company aims to combine its assets, resources, expertise and networks with Top Insight to manage and develop the property investment business in order to increase the revenue and rental income of the enlarged properties portfolio and to expand the assets portfolio of Top Insight as and when good opportunities arise. The Directors are also of the view that the Company can leverage Planetree's operational expertise and extensive experience in property leasing and investment and can effectively diversify its property portfolio without extra capital expenditure. At the same time, the Group will continue to receive cash dividends from Top Insight at the guaranteed rate of 4% of the initial investment costs for 3 years pursuant to the Shareholders' Agreement. In addition, the Subscription Shares are issued to Multi Kingdom at a discount of approximately 19.4% commensurate with a reasonable range of discount for lack of control commonly adopted by the prevailing valuation practice.

The Board considers that the terms of the Subscription Agreement are negotiated at arm's length basis and on normal commercial terms and are fair and reasonable and that it is in the interest of the Company and the Shareholders as a whole to enter into the Subscription Agreement to subscribe shares in Top Insight.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Subscription Agreement exceed 5% but are less than 25%, the entering into of the Subscription Agreement and the transactions contemplated thereunder constitute discloseable transactions (i.e. the disposal of the entire equity interest in Jumbo Hall and the acquisition of 35% equity interest in Top Insight) of the Company under Chapter 14 of the Listing Rules and are subject to the notification and announcement requirements set out in the Listing Rules.

DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Business Day”	a day (other than Saturdays and Sundays) on which banks are open for business in Hong Kong

“CCL”	Cicero Capital Ltd., a company incorporated in the British Virgin Islands with limited liability
“Company”	China Ever Grand Financial Leasing Group Co., Ltd., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 0379)
“Completion”	completion of the transactions (including but not limited to the subscription of the Subscription Shares) pursuant to and in accordance with the terms of the Subscription Agreement
“Completion Date”	Within 3 Business Days after the day on which the conditions precedent of the Subscription Agreement have been fulfilled or any other date which may be agreed by the parties thereto
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“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 People’s Republic of China
“ISL”	ISL Investments Limited, a company incorporated in Hong Kong with limited liability
“Jumbo Hall”	Jumbo Hall International Limited, a company incorporated in Hong Kong with limited liability

“Subscription Agreement”	the subscription agreement entered into on 13 July 2020 between Multi Kingdom, Top Insight and Planetree BVI in relation to, amongst other things, subscription of the Subscription Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into among Multi Kingdom, Planetree BVI and Top Insight pursuant to the Subscription Agreement to, amongst other things, regulate their relationship with each other
“Subscription Share(s)”	new share(s) of Top Insight to be allotted and issued by Top Insight to Multi Kingdom pursuant to the terms of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Multi Kingdom”	Multi Kingdom Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company
“Planetree”	Planetree International Development Limited, a company whose shares are listed on the Stock Exchange (stock code: 613)
“Planetree BVI”	Planetree (BVI) Capital Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect non-wholly owned subsidiary of Planetree
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Shareholders”	holders of the Shares

“Shares”	ordinary shares of HK\$0.1 each in the issued share capital of the Company
“Top Insight”	Top Insight Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Wanchai Property”	the property situate at 12/F., Kwan Chart Tower, No.6 Tonnochy Road, Wanchai, Hong Kong currently held in the name of Jumbo Hall
“Wong Chuk Hang Property”	the property situate at 9/F. and 3 car parking spaces nos.109, 110 and 111, Global Trade Square, No.21 Wong Chuk Hang Road, Hong Kong currently held in the name of ISL
“%”	percent

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

Hong Kong, 13 July 2020

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; (2) Ms. Yip Man Yi as Non-Executive Director; and (3) Mr. Goh Choo Hwee, Mr. Ho Hin Yip and Mr. U Keng Tin as Independent Non-Executive Directors.