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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 379)

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF SHARES IN THE TARGET COMPANY

INTRODUCTION

The Board announces that on 12 November 2020 (after trading hours), the Subscriber (a wholly-owned subsidiary of the Company) entered into the Subscription Agreement with the Target Company to subscribe for 43,000,000 Subscription Shares at the subscription price of HK\$1.38 per Subscription Share. The Consideration for the Subscription will be HK\$59,340,000. Upon Completion, when aggregated with the Previous Subscription Shares, the Subscriber will hold a total of 55,500,000 shares of the Target Company, representing approximately 9.99% of the enlarged share capital of the Target Company. The financial results of the Target Company will not be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Subscription, when aggregated with the Previous Subscription, is more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

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THE SUBSCRIPTION AGREEMENT

Date

12 November 2020 (after trading hours)

Parties

- (1) the Subscriber; and
- (2) the Target Company.

To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Target Company and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Subject Matter

Pursuant to the Subscription Agreement, the Target Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe 43,000,000 Subscription Shares of the Target Company at the subscription price of HK\$1.38 per Subscription Share and the aggregate Consideration will be HK\$59,340,000. The Subscription Shares represent approximately 7.74% of the enlarged share capital of the Target Company. Upon Completion, when aggregated with the Previous Subscription Shares, the Subscriber will hold a total of 55,500,000 shares of the Target Company, representing approximately 9.99% of the enlarged share capital of the Target Company.

Consideration

The subscription price is HK\$1.38 per Subscription Share and the Consideration will be HK\$59,340,000. The subscription price of the Subscription Share and the Consideration were determined and agreed between the parties to the Subscription Agreement after arm's length negotiations and taking into account the net asset value of the Target Group, a valuation report prepared by an independent qualified valuer and the recent financial performance and position of the Target Group.

Upon fulfillment of the conditions precedent, the Subscriber shall pay the Consideration in cash to the Target Company upon Completion.

The Consideration will be satisfied by the Group's internal resources.

CONDITION PRECEDENT

The Completion is conditional upon:

- (a) the Subscriber having conducted and completed due diligence on all business, assets and liabilities, legal and financial matter in respect of the Target Company and all such other matters as deemed necessary to its reasonable satisfaction;

- (b) the directors of the Target Company having been duly authorised by the shareholders of the Target Company to issue and allotment of the Subscription Shares in accordance with the Companies Ordinance (Cap.622 of the Laws of Hong Kong);
- (c) all necessary approvals from the relevant governmental or regulatory authorities of either the Target Company or the Subscriber for the consummation of the transactions contemplated under this Agreement having been obtained; and
- (d) all the warranties undertaken by the Target Company remaining true and accurate in all respects at all times up to Completion.

If the conditions precedent have not been fulfilled within one month from the date of the Subscription Agreement (or such later date as may be agreed in writing between the Subscriber and the Target Company), the Subscription Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

Completion

Completion shall take place at 5:00 p.m. (Hong Kong time) on or before the second business day from the date on which all of the conditions precedent shall have been satisfied (or such other date as the Subscriber and the Target Company may agree in writing).

INFORMATION OF THE PARTIES

The Company

The Company is incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of finance lease and related consulting services in the PRC, the trading of equity securities, investment in property, food additives business, investment holding, money lending business, production and/or trading of daily necessities, medical and healthcare products.

The Subscriber

The Subscriber is a direct wholly-owned subsidiary of the Company.

Information of the Target Company

The Target Company is a private limited company incorporated in Hong Kong and is a subsidiary of Imagi International Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code:585; “IIHL”). The Target Company is a registered institution with SFC licences to carry on business activities in dealing in securities (type 1 licence), dealing in futures contracts (type 2 licence), advising on securities (type 4 licence), advising on futures contracts (type 5 licence) and asset management (type 9 licence) in Hong Kong.

As at the date of this announcement, IIHL and the Subscriber holds approximately 97.56% and 2.44% of the shareholding of the Target Company respectively. The 2.44% shareholding of the Target Company currently held by the Subscriber was acquired under the Previous Subscription.

Set out below is extract of the unaudited consolidated financial information of the Target Company and its subsidiaries for the two years ended 31 December 2018 and 31 December 2019 and the unaudited consolidated financial information for the period ended 30 September 2020 respectively:

	For the year ended		For the
	31 December		period ended
	2018	2019	30 September
	(unaudited)	(unaudited)	unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) before tax	(107,049)	(93,490)	159,017
Profit/(Loss) after tax	(107,049)	(93,490)	159,017

As at 30 September 2020, the unaudited consolidated net asset value of the Target Company was approximately HK\$782 million.

Upon Completion, the Target Company's financial results will not be consolidated into the accounts of the Group.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in the provision of finance lease and related consulting services in the PRC, the trading of equity securities, investment in property, food additives business, investment holding, money lending business, production and/or trading of daily necessities, medical and healthcare products.

As disclosed in the Company's annual report for the year ended 31 December 2019 and its interim report for the period ended 30 June 2020, the Group's revenue has been declining since 2016 and it went down to HK\$71.2 million for the year in 2019 and HK\$18.9 million for the six months' period ended 30 June 2020. The Group's financial leasing business, which is primarily operated in the PRC, has been facing unfavourable business environment including the stringent regulatory supervision in the industry and the economic downturn brought by the pandemic and the geopolitical tensions. Accordingly, the Group has been actively looking for new business opportunities in order to diversify the source of income and attain growth in long term. The Group has already acquired a new business of production and trading of daily necessities and facemasks this year as disclosed in the Company's announcement on 29 July 2020.

Whilst the business climates in both local market and worldwide were difficult in the past year or two, the Company is confident that the financial market will be one of the cornerstones of economy in Hong Kong and shall continue to serve as a leading fund-raising platform in the Asian region and, as a result, the financial services business should remain robust in near future and keep thriving in long term. The Company, therefore, decides to further diversify its business by making investment in the Target Company whose principal business is provision of integrated financial services to its customers.

The Company considers it a very good business opportunity to invest in the Target Company because (i) the Target Company possesses comprehensive SFC regulatory licences (Types 1, 2, 4, 5 & 9) to provide a wide range of financial services to its customers; (ii) the positive financial performance and prospect of the Target Company (in that the Target Company records an unaudited profit of approximately HK\$159 million for the period ended 30 September 2020 and has an unaudited net asset value of HK\$782 million as at 30 September 2020). The unaudited results for nine-months ended 30 September 2020 have demonstrated great improvements as compared to 2018 and 2019. Furthermore, the aforementioned performances have been achieved under difficult operating conditions resulting from a combination of the global trade and political tensions, the local political unrest and the Covid-19 pandemic.

Further, the subscription price of the Subscription Share represents approximately a 10% discount on the net asset value per share of the Target Company (the unaudited consolidated NAV per share of the Target Company as at 30 September 2020 was approximately HK\$1.53). Such discount can be substantiated by the valuation report, which is based on an average P/B ratio of 1.22 from the relevant listed peers and a discount of lack of marketability of 25%.

The investment in the Target Company would enable the Group to mark a milestone in its development of financial services business in Hong Kong and to gain knowledge, expertise and network in the field, as well as to bring returns to the Group by dividends and capital growth to which the Group is entitled in accordance with certain minority protection rights granted to the Subscriber in the Subscription Agreement such as a tag-along right to be undertaken by another shareholder of the Target Company. It is also in line with the Group's strategy to increase its presence in the financial market in Hong Kong and the Mainland China as and when good opportunities further arise in future.

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 invest in the Target Company.

LISTING RULES IMPLICATION

As some of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Subscription, when aggregated with the Previous Subscription, is more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“business day”	a day (other than a Saturday or Sunday or Public Holiday) on which banks are open for business in Hong Kong
“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 Subscription pursuant to the Subscription Agreement
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Subscription, being HK\$59,340,000
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Previous Subscription”	the subscription of Previous Subscription Shares in the Target Company by the Subscriber pursuant to a subscription agreement made between the Subscriber and the Target Company dated 26 August 2020
“Previous Subscription Shares”	12,500,000 shares of or 2.44% shareholding in the Target Company acquired by the Subscriber under the Previous Subscription
“SFC”	Securities and Futures Commission
“Shareholder(s)”	the holder of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Elegant Basic Investments Limited, a company incorporated in the British Virgin Islands with limited liability with Company Number 1765702 and registered office situated at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 12 November 2020 entered into between the Subscriber and the Target Company in relation to the Subscription
“Subscription Share(s)”	the 43,000,000 ordinary share(s) of the Target Company to be allotted and issued by the Target Company to the Subscriber pursuant to the Subscription Agreement
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

“Target Company”	Imagi Brokerage Limited, a limited company incorporated in Hong Kong
“Target Group”	the Target Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 12 November 2020

As at the date of this announcement, the Board comprises (1) Mr. Wong Lik Ping, Mr. Lai Ka Fai, Mr. Tao Ke, Mr. Qiao Weibing and Mr. Ng Tin Shui as executive Directors; (2) non-executive Director: Ms. Yip Man Yi and (3) Mr. Goh Choo Hwee, Mr. Ho Hin Yip, Mr. U Keng Tin and Mr. Leung Yiu Ming as independent non-executive Directors.