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Hong Kong Finance

Hong Kong Finance Group Limited

香港信貸集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1273)

DISCLOSEABLE TRANSACTION ACQUISITION OF PROPERTIES BY PUBLIC AUCTION

THE OCEANIC ACQUISITION AND THE STANDARD FINANCIAL ACQUISITION

The Company is pleased to announce that on 20 October 2021, Oceanic and Standard Financial, both being indirect wholly-owned subsidiaries of the Company, successfully won the bidding in respect of the Properties at the Auction held on 20 October 2021 and signed the Memorandum of Agreements on the same date, pursuant to which Oceanic and Standard Financial agreed to purchase the Properties at a total consideration of HK\$28,000,000 from Hong Kong Finance, an indirect wholly-owned subsidiary of the Company, as the vendor in the capacity of mortgagee in exercise of power of sale.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, the Oceanic Acquisition and the Standard Financial Acquisition shall be aggregated and treated as if they were one transaction. As the highest applicable percentage ratio of the Oceanic Acquisition and the Standard Financial Acquisition is over 5% but less than 25%, the Oceanic Acquisition and the Standard Financial Acquisition constitute a discloseable transaction for the Company and are subject to the notification and announcement requirements, but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Company is pleased to announce that on 20 October 2021, Oceanic and Standard Financial, both being indirect wholly-owned subsidiaries of the Company, successfully won the bidding in respect of the Properties at the Auction held on 20 October 2021 and signed the Memorandum of Agreements on the same date, pursuant to which Oceanic and Standard Financial agreed to purchase the Properties at a total consideration of HK\$28,000,000 from Hong Kong Finance, an indirect wholly-owned subsidiary of the Company, as the vendor in the capacity of mortgagee in exercise of power of sale.

BACKGROUND

In March 2018, Hong Kong Finance, as the mortgagee, took possession of the Properties as collateral assets through court proceedings.

Since then, Hong Kong Finance, with all its best effort, was unable to sell the Properties in the capacity of mortgagee to obtain proceeds for the satisfaction of the Outstanding Sum due to unfavourable market condition. Accordingly, the Board decides that Hong Kong Finance as the mortgagee shall realise the Properties by putting up the Properties for sale through public auction.

The Board further decides that Oceanic and Standard Financial both being indirect wholly-owned subsidiaries of the Company, shall respectively bid the Shops and the First Floor subject to a cap of total consideration/ bidding price at HK\$34,000,000.

On 20 October 2021, Oceanic and Standard Financial won the bid for the Properties at a total consideration of HK\$28,000,000 and entered into the Memorandum of Agreements with Hong Kong Finance to complete the purchase according to the conditions in the form annexed thereto on the same date.

The completion of the Oceanic Acquisition and the Standard Financial Acquisition shall be subject to the execution of proper assignment or other assurance of the Properties to Oceanic and Standard Financial.

PROPERTIES TO BE ACQUIRED

The Properties, with an aggregate saleable floor area of approximately 2,020 square feet, comprise of:

- (a) Shop Unit A on the Ground Floor, Lot No. 1364B in DD6, Tai Po, New Territories, Hong Kong;
- (b) Shop Unit B1 on the Ground Floor, Lot No. 1364B in DD6, Tai Po, New Territories, Hong Kong;
- (c) Shop Unit B2 on the Ground Floor, Lot No. 1364B in DD6, Tai Po, New Territories, Hong Kong; and
- (d) First Floor (including the roof above thereof), Lot No. 1364B in DD6, Tai Po, New Territories, Hong Kong.

THE OCEANIC ACQUISITION

Date of Memorandum of Agreement of the Shops: 20 October 2021

Parties:

Vendor : Hong Kong Finance
Purchaser : Oceanic

Properties to be acquired: the Shops with a total saleable floor area of approximately 970 square feet

Consideration: HK\$24,000,000 which shall be paid by Oceanic to Hong Kong Finance upon completion

Completion: on or before 22 November 2021

As Hong Kong Finance will sell the Properties in the capacity of mortgagee, Hong Kong Finance would only give limited covenant for sale as mortgagee.

THE STANDARD FINANCIAL ACQUISITION

Date of Memorandum of Agreement of the First Floor: 20 October 2021

Parties:

Vendor : Hong Kong Finance
Purchaser : Standard Financial

Property to be acquired: the First Floor, with a saleable floor area of approximately 1,050 square feet

Consideration: HK\$4,000,000 which shall be paid by Standard Finance to Hong Kong Finance upon completion

Completion: on or before 22 November 2021

As Hong Kong Finance will sell the Properties in the capacity of mortgagee, Hong Kong Finance would only give limited covenant for sale as mortgagee.

BASIS OF CONSIDERATION AND FUNDING

The considerations under the Oceanic Acquisition and the Standard Financial Acquisition represent the highest bidding amounts at the Auction for the Properties and such bidding amounts were determined by the Group after taking into consideration, amongst other things, the valuation on the Properties conducted by independent property valuers, the discount to market value of the Properties in light of the fact that Hong Kong Finance was selling the Properties in the capacity of mortgagee, the latest transacted prices of comparable properties in the vicinity, the availability of the Group's internal resources, the recent property market condition in Hong Kong and the bids made by competitors at the Auction. The Oceanic Acquisition and the Standard Financial Acquisition will be financed by the Group's internal financial resources.

REASONS FOR AND BENEFITS OF THE OCEANIC ACQUISITION AND THE STANDARD FINANCIAL ACQUISITION

The Group is principally engaged in the money lending business specialising in providing property mortgage loans in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

In March 2018, Hong Kong Finance as the mortgagee took possession of the Properties as collateral assets through court proceedings with the intention to dispose them and the sale proceeds thereof shall be used to settle, among others, the Outstanding Sum.

Despite the best effort made by Hong Kong Finance, Hong Kong Finance has been experiencing difficulty in selling the Properties in the capacity of mortgagee due to unfavourable market conditions and has not been able to realise the Properties to recover the Outstanding Sum since possession. The Directors consider it is beneficial for the Group to acquire the Properties and hold the Properties through the Company's indirect wholly-owned subsidiaries by way of the Oceanic Acquisition and the Standard Financial Acquisition. Oceanic and Standard Finance intend to continue leasing out the Properties to generate rental income for the Group after completion of respective acquisitions.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Oceanic Acquisition and the Standard Financial Acquisition are in the best interests and to the commercial benefits of the Company, and that the terms of the Memorandum of Agreements, the Oceanic Acquisition and the Standard Financial Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, the Oceanic Acquisition and the Standard Financial Acquisition shall be aggregated and treated as if they were one transaction. As the highest applicable percentage ratio of the Oceanic Acquisition and the Standard Financial Acquisition is over 5% but less than 25%, the Oceanic Acquisition and the Standard Financial Acquisition constitute a discloseable transaction for the Company. Accordingly, they are subject to the notification and announcement requirements, but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Auction”	the public auction for the Properties administered by C S Auctioneers Limited held on 20 October 2021
“Board”	the board of Directors
“Borrowers”	four private companies incorporated in Hong Kong with limited liability who are Independent Third Parties and the borrowers under their respective relevant loan agreements
“Company”	Hong Kong Finance Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“First Floor”	First Floor (including the roof above thereof), Lot No. 1364B in DD6, Tai Po, New Territories, Hong Kong
“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
“Hong Kong Finance”	Hong Kong Finance Company Limited, a company incorporated in Hong Kong with limited liability with money lenders licence registered under Money Lenders Ordinance, and is an indirect wholly-owned subsidiary of the Company
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected person(s) (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Agreements”	two memorandum of agreements entered into by Oceanic and Standard Financial respectively with Hong Kong Finance to complete the purchase of the Properties according to the conditions in the form annexed thereto on fall of the hammer at the public auction
“Money Lenders Ordinance”	the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

“Oceanic”	Oceanic Limited, a company incorporated in Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of the Company
“Oceanic Acquisition”	the acquisition of the Shops through the Auction
“Outstanding Sum”	the outstanding amount in the sum of approximately HK\$33,000,000 which the Borrowers failed to pay to Hong Kong Finance pursuant to the relevant loan agreements
“Properties”	the Shops and the First Floor
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shops”	Shop Unit A, Shop Unit B1 and Shop Unit B2, all on the Ground Floor, Lot No. 1364B in DD6, Tai Po, New Territories, Hong Kong
“Standard Financial”	Standard Financial Limited, a company incorporated in Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of the Company
“Standard Financial Acquisition”	the acquisition of the First Floor through the Auction
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

On behalf of the Board
Hong Kong Finance Group Limited
Chan Kwong Yin William
Chairman

Hong Kong, 22 October 2021

As at the date of this announcement, the Board comprises the following members:

Executive Directors:

Mr. Chan Kwong Yin William (*Chairman*)
Mr. Chan Koung Nam
Mr. Tse Pui To (*Chief Executive Officer*)

Independent Non-executive Directors:

Mr. Chan Siu Wing Raymond
Mr. Chu Yat Pang Terry
Mr. Cheung Kok Cheong