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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)

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE
CAPITAL IN AN INDIRECT WHOLLY-OWNED SUBSIDIARY**

THE DISPOSAL

Reference is made to the announcement of the Company dated 8 October 2019 in relation to, among others, the entering into a letter of intent regarding a potential disposal of the Target.

The Board is pleased to announce that on 24 January 2020 (after trading hours), the Seller, the Company and the Purchaser, entered into the Agreement for Sale and Purchase, pursuant to which the Seller conditionally agreed to sell the Sale Shares and the Purchaser conditionally agreed to acquire the Sale Shares for a Consideration of HK\$51,400,000, subject to the terms and conditions contained in the Agreement for Sale and Purchase.

The Target is principally engaged in the provision of money lending services in the form of unsecured personal loans services to individual borrowers.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceed 25% but are below 75%, the Disposal constitutes a major transaction of the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has a material interest in the Agreement for Sale and Purchase and the transaction contemplated thereunder and therefore no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the Agreement for Sale and Purchase and the transactions contemplated thereunder.

On 24 January 2020, the Company has obtained a written Shareholder's approval from Tin Ching Holdings Limited, a controlling shareholder directly holding 300,000,000 Shares, representing approximately 72.29% of the issued share capital of the Company as at the date of this announcement for approving the Agreement for Sale and Purchase and the transactions contemplated thereunder in lieu of holding a general meeting of the Company in accordance with Rule 14.44 of the Listing Rules. Accordingly, no general meeting of the Company will be held for the approval of the Agreement for Sale and Purchase and the transactions contemplated thereunder.

GENERAL

Pursuant to Rule 14.41 of the Listing Rules, the Company is required to despatch to the Shareholders a circular in relation to the Disposal and other information required under the Listing Rules within 15 Business Days after the publication of this announcement, that is, on or before 18 February 2020.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Agreement for Sale and Purchase and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing with the Shares and other securities of the Company.

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THE AGREEMENT FOR SALE AND PURCHASE

The principal terms of the Agreement for Sale and Purchase are summarised as follows:

- Date: 24 January 2020 (after trading hours)
- Parties: (1) the Company
(2) the Seller
(3) the Purchaser
(collectively, the “**Parties**” and each a “**Party**”)

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Pursuant to the Agreement for Sale and Purchase, the Purchaser conditionally agreed to acquire and the Seller conditionally agreed to sell the Sale Shares pursuant to the terms and conditions of the Agreement for Sale and Purchase.

The Sale Shares represent the entire issued share capital of the Target and is legally and beneficially owned by the Seller.

Further, pursuant to the Agreement for Sale and Purchase, the Parties agreed that the Target shall undergo a carve-out according to the carve-out plan as stipulated in the Agreement for Sale and Purchase, whereby assets and liabilities in relation to the Carve-Out Loan Business shall be disposed by the Target before the Completion (the “**Carve-Out**”).

Consideration

The Consideration was agreed after arm’s length negotiation between the Parties, which was determined based on the cash sum of the Adjusted Net Loan Receivable as at the Accounts Date and the Premium in the aggregate sum of HK\$51,400,000.

If the Disposal is not completed on or before 28 February 2020 and the Completion Date is mutually agreed by the Parties to be postponed to a later date, the Premium shall be adjusted by a reduction of HK\$500,000 for each week of the postponement to reflect the potential loss of business opportunity.

The Consideration is payable by the Purchaser in the following manner:

- (1) a sum of HK\$1,000,000 has been paid on 8 October 2019 (the “**Pre-payment**”);
- (2) within seven (7) Business Days from the Completion date, an initial payment equal to 50% of the Consideration (after deducting the Pre-payment); and
- (3) within sixty (60) days from the Completion Date, a final payment of 50% of the Consideration plus or minus the Adjusted Payment (as the case may be).

Post-completion adjustment

The Adjusted Payment shall be the difference of (i) the Adjusted Net Loan Receivable as shown in the Completion Accounts and (ii) the Adjusted Net Loan Receivable as shown in the Accounts and shall be settled by the Seller or the Purchaser (as the case may be). However, the amount of provisions for bad debt or provisions for impairment of loan receivable other than those made in accordance with the Target's Loan Receivable Impairment Policy shall not exceed HK\$4,800,000.

Conditions precedent

The Completion is conditional upon the fulfilment or waiver in writing of, among the others, the following conditions on or before the Completion Date (the "**Conditions Precedent**"):

- (a) all necessary approval for the Disposal and the relevant Transaction Documents having been obtained by the Company in accordance with the Listing Rules and all applicable laws;
- (b) the Carve-Out having been fully completed in accordance with the terms of the Agreement for Sale and Purchase to the reasonable satisfaction of the Purchaser;
- (c) the representations and warranties given by the Seller and the Company remaining true and accurate and not misleading as at the Completion;
- (d) the Seller having procured such key persons specified under the Agreement for Sale and Purchase to execute an undertaking in favour of the Target to the effect that they shall not resign from their positions at the Target within twelve (12) months after the Completion and the Seller shall pay to each such key persons a sum as set out in the Agreement for Sale and Purchase;
- (e) the amount of shareholders' equity of the Target on the Completion Date having maintained at not less than HK\$25,000,000; and
- (f) the total amount of Cash Balance as at the Completion Date having maintained at not less than HK\$5,000,000.

If any of the Conditions Precedent has not been satisfied on or before the Completion Date, the Purchaser or the Seller (as the case may be) may on that date, at its option by notice to the other Parties waive such unsatisfied Conditions Precedent or terminate the Agreement for Sale and Purchase. If any of the Conditions Precedent has not been satisfied on or before the Long Stop Date, the Agreement for Sale and Purchase shall be terminated immediately on expiry of the Long Stop Date and no Party shall have any claim against the other Parties.

Guarantee of the Company

The Company guarantees unconditionally and irrevocably as a primary obligor to the Purchaser the due observance and performance by the Seller of all the agreements, stipulations, terms and conditions in the Agreement for Sale and Purchase and other Transaction Documents on part of the Seller to be observed and performed and in the event that the Seller shall fail to observe and perform its obligations, the Company shall on demand by the Purchaser indemnify and keep indemnified on a full indemnity basis the Purchaser against any loss, damage, costs, expenses and claims the Purchaser may have suffered or incurred as a result of such failure on the part of the Seller.

Right to Terminate

The Purchaser shall have the right to terminate the Agreement for Sale and Purchase immediately by giving written notice to the other Parties on or before the Completion Date upon the occurrence of any Terminating Event and no Party shall have any claim against the other Parties, except in respect of any antecedent breach of the terms of the Agreement for Sale and Purchase.

Post-Completion Restrictions

The Seller undertakes to the Purchaser that it shall not (i) for 36 months from the Completion Date and in Hong Kong either on its own account or in conjunction with other parties carry on or be engaged, concerned or interested directly or indirectly or otherwise carrying on such business in direct competition with the personal loan business of the Target (other than those businesses already carried out by the Company, its subsidiaries and/or Affiliates immediately before Completion) and (ii) for 24 months from the Completion Date and in Hong Kong either on its own or in conjunction with other parties solicit or entice away or attempt to do so from the Target any such key persons as specified under the Agreement for Sale and Purchase, save and except if the employment of such key persons with the Target has been terminated by the Target after the Completion.

Completion

The Completion shall take place on 28 February 2020. Upon the Completion, the Target will cease to be a direct wholly-owned subsidiary of the Seller and an indirect wholly-owned subsidiary of the Company and the Group will cease to hold any shares of the Target.

Transition Services Agreement

Upon the Completion, the Seller, the Company, Hong Kong Finance Company Limited (an indirect wholly-owned subsidiary of the Company) and the Target will enter into a transition services agreement upon which the Seller, the Company and Hong Kong Finance Company Limited will provide certain transitional support and services to the Target and grant to the Target certain rights in accordance with and subject to the terms of such transition services agreement after the Completion.

INFORMATION OF THE GROUP

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), such as first mortgage, second mortgage, mortgage loan transfer, preapproved loan value, pre-transaction loan and second mortgage loan for properties under the home ownership scheme, and personal loan products.

INFORMATION OF THE SELLER

The Seller is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding in Hong Kong.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in Japan and is a diversified Japanese financial institution providing a range of financial products and services to both institutional and individual customers.

INFORMATION OF THE TARGET

The Target is a company incorporated in Hong Kong in 2012 and is an indirect wholly-owned subsidiary of the Company prior to the Completion. The Target is principally engaged in the provision of money lending services in the form of unsecured personal loans services to individual borrowers.

The unaudited net assets value attributable to equity owners of the Company in relation to the Target as at 31 December 2019 was approximately HK\$35,000,000 (assuming that the Carve-Out has taken place as at 31 December 2019). The unaudited net profit or loss (before and after taxation) of the Target for the years ended 31 March 2019 and 2018 (assuming that the Carve-Out has taken place) were as follows:

	Year ended 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before taxation	4,527	(12,007)
Profit/(loss) after taxation	3,780	(9,716)

FINANCIAL EFFECT OF THE DISPOSAL

Upon the Completion, the Target will cease to be a wholly-owned subsidiary of the Seller and an indirect wholly-owned subsidiary of the Company and the financial results of the Target will no longer be consolidated into the consolidated financial statements of the Company.

Upon the Completion, the Group expects to record a gain of approximately HK\$14,000,000 (before net of any professional costs and other incidental expenses associated with the Disposal).

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has been all along making enormous effort to enhance its principal business of the provision of property mortgage loan services to customers, which requires considerable amount of cash and liquidity. In light of the gain from the Disposal, the Board considers that the Disposal represents an opportunity to realise the capital gain from the value of the business of the Target. Further, the proceeds from the Disposal can strengthen the cash position of the Group and will allow the Group to reallocate its resources to other operation and money lending products which are more profitable and crucial for the Group's principal business.

The net proceeds from the Disposal will be approximately HK\$50,000,000, which will be used for the working capital of the Group for the expansion of other property-related loan products, such as mortgage loan, personal loan for property owners, etc.

Taking into account the abovementioned factors, the Directors consider that the terms and conditions of the Disposal are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceed 25% but are below 75%, the Disposal constitutes a major transaction of the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has a material interest in the Agreement for Sale and Purchase and the transaction contemplated thereunder and therefore no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the Agreement for Sale and Purchase and the transactions contemplated thereunder.

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DEFINITIONS

Unless otherwise defined, the following expressions in this announcement have the following meanings:

“Accounts”	the unaudited balance sheet and profit and loss account of the Target for the period commenced from 1 April 2019 and ended on the Accounts Date
“Accounts Date”	30 September 2019
“Adjusted Net Loan Receivable”	the adjusted net loan receivable in respect of the personal loan business of the Target, which is equal to loan receivable minus loan receivables corresponding to the Carved-Out Loan Business or equivalent minus provisions for bad debt or provisions for impairment of loan receivables or equivalent
“Adjusted Payment”	the difference of (i) the Adjusted Net Loan Receivable as shown in the Completion Accounts and (ii) the Adjusted Net Loan Receivable as shown in the Accounts
“Affiliate”	with respect to any person, any legal entity or body corporate that, directly or indirectly through one or more intermediaries, Controls, or is Controlled by or is under common Control with such person
“Agreement for Sale and Purchase”	the agreement for sale and purchase entered into between the Seller, the Company and the Purchaser on 24 January 2020 in relation to the Disposal
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or Sunday) or days on which a tropical cyclone warning Number 8 or above or a “black” rain warning signal or equivalent is hoisted in Hong Kong at any time between 9 a.m. and 5 p.m.) on which clearing banks in Hong Kong and in Japan are open for the transaction of normal banking business
“Carve-Out”	has the meaning ascribed to it under the paragraph headed “The Agreement for Sale and Purchase” of this announcement

“Carve-Out Loan Business”	the business of the Target before Completion other than the unsecured personal loan business of the Target in which the Target lends personal loans to individual customers which shall be disposed by the Target
“Cash Balance”	the total cash balance in all the bank accounts maintained in the name of the Target
“Company”	Hong Kong Finance Group Limited, a company incorporated under the laws of Cayman Islands, the shares of which are listed on the Stock Exchange (Stock code: 1273)
“Completion”	completion of the Disposal
“Completion Accounts”	the unaudited balance sheet and profit and loss account of the Target for the period commenced from the Accounts Date and ended on the Completion Date
“Completion Date”	28 February 2020 or such other date as may be agreed by the Seller and the Purchaser in writing
“Conditions Precedent”	as defined under the paragraph headed “Conditions Precedent” of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the sum of the cash sum of the Adjusted Net Loan Receivable as at the Accounts Date plus the Premium payable by the Purchaser to the Seller for the Disposal in the manner pursuant to the Agreement for Sale and Purchase
“Control”	(i) the power (whether directly or indirectly and whether by the ownership of the share capital, the possession of the voting power, contract or otherwise) to appoint and/or remove all or such of the members of the board of directors or other governing body of an entity or partnership as are able to cast a majority of the votes capable of being cast by the members of that board or body on all, or substantially all, matters, or otherwise to control or have the power to control the policies or affairs of that person; and/or (ii) the holding and/or possession of the beneficial interest in and/or the ability to exercise the voting rights applicable to shares or other securities in any person which confer in aggregate on the holders thereof more than 50% of the total voting rights exercisable at general meetings of that person on all, or substantially all, matters
“Directors”	the directors of the Company

“Disposal”	the sale by the Seller of the Sale Shares to the Purchaser pursuant to the terms and conditions of the Agreement for Sale and Purchase
“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
“Independent Third Parties”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates and not otherwise a connected person of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Loan Receivable Impairment Policy”	the loan receivable impairment policy of the Target whereby the impairment provision is provided and the loan receivable is written off only when (i) the loan receivable has become overdue for more than 90 days, (ii) the underlying borrower has become deceased or (iii) the underlying borrower has been declared bankrupt
“Long Stop Date”	31 March 2020
“Parties”	the parties to the Agreement for Sale and Purchase, namely the Company, the Seller and the Purchaser
“Premium”	an amount of premium as determined by the paragraph headed “Consideration” of this announcement, which shall be part of the Consideration
“Pre-payment”	has the meaning ascribed to it under the paragraph headed “Consideration” of this announcement

“Purchaser”	Shinsei Bank Limited, a company incorporated under the laws of Japan, with its registered office situated at Nihonbashi Muromachi Nomura Bld. 4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo, Japan
“Sale Shares”	the 150,000,000 ordinary shares in the issued share capital of the Target, representing the entire issued share capital of the Target
“Seller”	HKF Overseas Limited, a company incorporated under the laws of the British Virgin Islands with registration number 1759575, having its registered office situated at Commerce House, Wickham Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands VG1110, a direct wholly-owned subsidiary of the Company
“Shares”	ordinary share(s) with the nominal value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	EasyLend Finance Company Limited (易貸網信貸有限公司), a company incorporated in Hong Kong on 3 September 2012 with company number 1795094, a direct wholly-owned subsidiary of the Seller and an indirect wholly-owned subsidiary of the Company
“Terminating Event”	any material legal or regulatory changes in Hong Kong, material changes in political circumstances in Hong Kong, material changes in the legal system of Hong Kong, or imposition of governmental restrictions or mandatory impositions in Hong Kong, which restrict, limit, reduce or otherwise have a material adverse effect on the operation of the Target’s business in Hong Kong

“Transaction Documents” the Agreement for Sale and Purchase and all other documents to be entered into pursuant to the Agreement for Sale and Purchase

“%” per cent.

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

Hong Kong, 24 January 2020

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