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## **AMBER HILL FINANCIAL HOLDINGS LIMITED**

### **安山金控股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 33)**

## **BUSINESS UPDATE**

This announcement is made by Amber Hill Financial Holdings Limited (the “**Company**”, which together with its subsidiaries are collectively referred to as the “**Group**”) for the purpose of updating the shareholders of the Company (the “**Shareholders**”) and potential investors on the latest development of the Group.

### **DISPOSAL OF SUBSIDIARIES**

#### **The Disposal Agreement**

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that on 29 September 2021 (after trading hours), the Company and 湛江市江京投資有限公司 (Zhanjiang City Jiangjing Investment Co., Ltd.\*) (the “**Purchaser**”) entered into a disposal agreement (the “**Disposal Agreement**”), pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the entire issued share capital (the “**Sale Share**”) of Market Season Limited (the “**Disposal Company A**”) and AIF Finance Limited (the “**Disposal Company B**”, which together with Disposal Company A and its subsidiaries, the “**Disposal Group**”) for a total cash consideration of RMB2 million (equivalent to approximately HK\$2.41 million), together and as adjusted by the Proportional Entitlement (as defined below).

The Purchaser is a company established in the People’s Republic of China (the “**PRC**”) with limited liability. It is principally engaged in hotel project investment and operation in the PRC. According to the information provided by the Purchaser, the Purchaser possesses experience in the handling of distressed assets in the PRC and its equity interest is owned as to 60%, 20% and 20% by Zhu Zhikun (朱治錕), Cai Jingying (蔡競瑩) and Zhu Huimu (朱惠穆) respectively.

To the best of the knowledge, information and belief of the Board having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (having the meaning ascribed thereto under the Rules Governing the Listing of Securities on Main Board on The Stock Exchange of Hong Kong Limited).

### **Information of the Disposal Group**

The Disposal Company A is a company incorporated in the British Virgin Islands with limited liability, which owns the entire issued share capital of Green Link Holdings Limited (“**Green Link**”), a company incorporated in Hong Kong with limited liability. Green Link owns the entire issued share capital of Hong Kong New Smart Energy Group Limited (“**New Smart**”), a company incorporated in Hong Kong with limited liability. The Disposal Company A, Green Link and New Smart are all investment holding companies with no business operations and no other assets except for the shareholding interests as stated above. Based on the publicly available information, New Smart owns 90% of the equity interest in 和協海峽融資擔保有限公司 (Harmonic Strait Credit Guarantee Co., Ltd.\*) (“**Harmonic Strait**”), a company established in the PRC with limited liability, which in turn owns the entire equity interest in 深圳瀚宏供應鏈管理有限公司 (Shenzhen Hanhong SCM Co., Ltd.\*) (“**Shenzhen Hanhong**”) and 55% of the equity interest in 深圳薩尼威國際貿易有限公司 (Shenzhen Sunnyway International Trade Company Limited\*) (“**SZ Saniwei**”, which together with Harmonic Strait and Shenzhen Hanhong, are collectively referred hereinafter as the “**Deconsolidated Subsidiaries**”). Shenzhen Hanhong and SZ Saniwei are both companies established in the PRC with limited liability. Before the Deconsolidation (as defined below), the Deconsolidated Subsidiaries were principally engaged in the credit guarantee and investment and trading of metals and minerals businesses of the Group in the PRC.

The Disposal Company B is a company incorporated in Hong Kong with limited liability.

Based on the unaudited management accounts of the Disposal Company A and its subsidiaries (the “**Disposal Group A**”) on a combined basis compiled by the Company based on the information available to the Board, as at 30 June 2021, the Disposal Group A owes the Group (excluding the Disposal Group A and the Disposal Company B) (the “**Remaining Group**”) an amount of approximately HK\$200,679,000 (the “**Shareholder’s Loan A**”). The Shareholder’s Loan A has been fully impaired in the accounts of the Group prior to the entering into of the Disposal Agreement and shall be assigned to the Purchaser alongside the Sale Share on completion of the disposal contemplated under the Disposal Agreement (the “**Completion**”).

As at 30 June 2021, based on the aforesaid unaudited management accounts of the Disposal Group A prepared on a combined basis, it records an unaudited net liabilities of HK\$8,482,000 (excluding the Shareholder’s Loan A). For the reasons as set out in the announcement of the Company dated 7 July 2020, the management of the Company failed to gain access to the document records of the Deconsolidated Subsidiaries to perform the necessary audit works and considered that it had lost control over the Deconsolidated Subsidiaries and the Group has excluded the financial position, results and cash flow of the Deconsolidated Subsidiaries as at and for the year ended 31 December 2019 from the consolidated financial statements of the Group (the “**Deconsolidation**”). Prior to the

Deconsolidation, for the year ended 31 December 2018, the Disposal Group A recorded revenue, gross profit, loss before tax and loss after tax of HK\$212,000, HK\$212,000, HK\$4,745,000 and HK\$4,745,000 respectively.

Based on the unaudited management accounts of Disposal Company B compiled by the management, as at 30 June 2021, the Disposal Company B owes the Remaining Group a net amount of HK\$151,702,000 (the “**Shareholder’s Loan B**”). The aforesaid amount has been fully impaired in the accounts of the Group prior to the entering into of the Disposal Agreement and shall be assigned to the Purchaser alongside the Sale Share on Completion.

As at 30 June 2021, based on the unaudited management accounts of the Disposal Company B prepared on a combined basis, it records total assets of HK\$1,357,000 and an unaudited liabilities of HK\$275,000 (excluding the Shareholder’s Loan B). For the year ended 31 December 2019, the Disposal Company B recorded revenue, gross profit, loss before tax and loss after tax of HK\$12,001,000, HK\$12,001,000, HK\$129,434,000 and HK\$129,444,000 respectively. For the year ended 31 December 2018, the Disposal Company B recorded revenue, gross profit, loss before tax and loss after tax of HK\$12,514,000, HK\$12,514,000, HK\$18,886,000 and HK\$18,886,000 respectively.

## **Consideration**

The consideration of the Disposal (the “**Consideration**”) comprises of a cash consideration of RMB2,000,000 (equivalent to approximately HK\$2,410,000) payable on Completion, together with 80% of all economic benefit (after deducting all reasonable costs and expenses including all post-disposal litigation and recovery costs) recovered from the Sale Share, Shareholder’s Loan A and Shareholder’s Loan B (the “**Proportional Entitlement**”), including those derived from (i) the Purchaser’s entering into of any agreement, arrangement or assignment with any third party for the sale or transfer of any share capital of, or any of the economic interests or assets of, any member of the Disposal Group; or (ii) recovers any assets or debts from any persons; or (iii) receives any dividend from any member of the Disposal Group whether by way of disposal, litigation, liquidation or otherwise (collectively the “**Relevant Events**”). The Purchaser has undertaken in the Disposal Agreement to report to the Company the progress of the Relevant Events on a monthly basis and endeavor to complete the Relevant Events within three years from the date of the Disposal Agreement.

The Consideration was arrived at after arm’s length negotiations between the Company and the Purchaser on normal commercial terms having taken into account of (i) the loss of control by the Company over the Deconsolidated Subsidiaries; (ii) the Directors’ view that the Deconsolidated Subsidiaries should be considered as distressed assets; (iii) the Deconsolidated Subsidiaries are regarded to have been deconsolidated from the consolidated financial statements of the Group since 1 January 2019; (iv) the Proportional Entitlement under which the Company can share a proportion from the outcome of the Purchaser’s recovery actions in relation to the Disposal Group; (v) the book value of the Sale Share; (vi) the assessment of the recovery prospect of the receivables of the Deconsolidated Subsidiaries as detailed in the section “Reasons for the Disposal”; and (vii) the assessment of the recovery prospect of the loan receivables of Disposal Company B as detailed in the section “Reasons for the Disposal”.

## Completion

Completion is conditional upon the Company and the Purchaser having obtained all necessary consents, agreements and approvals for the disposal contemplated under the Disposal Agreement, and is expected to take place on or before 31 October 2021. Except the Deconsolidated Subsidiaries which have already been regarded as deconsolidated from the consolidated financial statements of the Company since 1 January 2019, upon Completion, all other members of the Disposal Group will cease to be subsidiaries of the Company.

## Reasons for the Disposal

The Company is an investment holding company and its subsidiaries are principally engaged in trading of party products, securities and commodities brokerage and assets management, advancing business and trading of commodities.

### *Disposal Company A*

As disclosed in the announcement of the Company dated 7 July 2020 and the annual report of the Company for the financial year ended 31 December 2019, the Board resolved on 7 July 2020 that it no longer had control over the Deconsolidated Subsidiaries and as a result of the Deconsolidation, as well as basing on a number of other factors, the external auditors of the Company (the “**Auditors**”) expressed a disclaimer of opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2019 (the “**Disclaimer of Opinion**”).

As a result of the Deconsolidation, for the financial year ended 31 December 2019, the Group recorded loss on deconsolidation of subsidiaries of approximately HK\$120,156,000. Based on the fact that the Company has lost control over the Deconsolidated Subsidiaries and an examination of the existing information available to the Company, the Company’s PRC legal advisers are of the view that there is a high level of uncertainties and risks associated with the recovery prospect of the loan receivables and other receivables of the Deconsolidated Subsidiaries and the underlying pledged asset as collaterals for some of these receivables.

The Company has further engaged its PRC legal advisors to take legal actions to uphold its shareholders’ rights with respect to the Deconsolidated Subsidiaries. As advised by the Company’s PRC legal advisers, even though the Company may have a relatively good basis in upholding its shareholder’s rights, the Company is still exposed to litigation uncertainties brought by those legal actions both in terms of costs and outcome. Coupled with the assessment of the recovery prospect of the loan receivables and the other receivables of the Deconsolidated Subsidiaries as mentioned above, the management of the Company believes that there is no sound commercial justification that further financial resources should be devoted to the legal actions relating to the Deconsolidated Subsidiaries. In the circumstances, the disposal of the Deconsolidated Subsidiaries appears to be a time-efficient and cost-effective way to reduce the Group’s continual exposure to further litigation and recovery costs while retaining a majority of its entitlement in any proceeds recoverable from the Disposal Group through the mechanism of Proportional Entitlement.

### *Disposal Company B*

For the financial year ended 31 December 2019, the Group made full provision for impairment on loan receivables and interest receivable of Disposal Company B. The Company consulted its Hong Kong legal advisers and the PRC legal advisers and was given to understand that there is a high level of uncertainties associated with the recovery prospect of the loans and there were significant hurdles in realising the collaterals and enforcing the personal guarantees under the security documents of the loans. Some of the borrowers had also been ruled as dishonest persons by the PRC courts. Subsequently, based on the advice of its Hong Kong legal advisers, the Company commenced legal actions against some of the borrowers with apparent connection with Hong Kong but there is no success so far.

In view of the litigation uncertainties brought by those legal actions both in terms of costs and outcome, coupled with the assessment of the recovery prospect of the outstanding loans as detailed above, the management of the Company believes that there is no sound commercial justification that further financial resources should be devoted to the legal actions relating to the outstanding loans. In the circumstances, the disposal of the Disposal Company B appears to be a time-efficient and cost-effective way to reduce the Group's continual exposure to further litigation and recovery costs while retaining a majority of its entitlement in any proceeds recoverable from the Disposal Company B through the mechanism of Proportional Entitlement.

The Company expects to record a gain on disposal arising from the Disposal in the amount of HK\$11,159,000, being the difference of the fair value of the cash component of the consideration for the Disposal and the net liabilities of the Disposal Group of HK\$8,749,000, taking into account of the fact that the Disposal Group A has zero asset value on its management accounts with net liabilities of HK\$8,482,000 and Disposal Company B has net liabilities of HK\$267,000 on its management accounts. The above calculation of gain on disposal is purely for illustration purpose and may be subject to adjustments upon further review by the Company and the Auditors after the Completion. If the Company receives any proceeds from the Proportional Entitlement in the future, such additional consideration resulted from the Proportional Entitlement will be treated as gains on disposal and be applied for general working capital of the Group. As (i) the Disposal Company A is investment holding in nature and does not have any business connection with the rest of the Group; and (ii) Disposal Company B is no longer the operating subsidiary for the advancing business of the Company, the Directors are of the view that the Disposal would not cause any material adverse impact to the business and operations of the Group. The Directors are of the view that the terms of the Disposal Agreement (including the consideration comprising of the cash component and the Proportional Entitlement) are fair and reasonable and that the entering into of the Disposal Agreement is in the best interests of the Company and its shareholders as a whole.

## **EXPECTED REMOVAL OF THE DISCLAIMER OF OPINION**

The Company has consulted its Auditors and based on the Company's understanding, the Disclaimer of Opinion should not recur for the financial year ended 30 June 2021. Based on the Company's understanding, the reasons leading to the Disclaimer of Opinion should only affect the opening balances of the consolidated financial statements of the Company for the financial year ended 30 June 2021 and the amount and allocation of profit or loss on the impaired assets between the two financial years ended 31 December 2019 and 30 June 2021. The Company is currently not aware of any new potential basis which would result in any disclaimer of opinion or adverse opinion for the financial year ended 30 June 2021.

The Company is still in the process of auditing its financial statements for the financial year ended 30 June 2021. Any expected modified opinion on the consolidated financial statements of the Company for the financial year ended 30 June 2021 will be disclosed in the annual results announcement of the Company, which is currently expected to be released by the end of September 2021.

*In this announcement, amounts denominated in RMB have been converted into HK\$ at the exchange rate at HK\$1.00 = RMB0.83 for illustration purposes only.*

On behalf of the Board  
**Amber Hill Financial Holdings Limited**  
**Ng Yu**  
*Chairman & Executive Director*

Hong Kong, 29 September 2021

*As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Ng Yu and Mr. Lin Feng; one non-executive Director, namely Mr. Dai Chengyan; and three independent non-executive Directors, namely Mr. Anthony Espina, Mr. Wang Jun Sheng and Mr. Lo Hang Fong.*

\* *For identification purpose only*