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CHONG KIN GROUP HOLDINGS LIMITED

創建集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1609)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
GRAND WELL VENTURES LIMITED**

THE ACQUISITION

The Board is pleased to announce that, on 6 August 2020 (after trading hours), the Company, the Vendor and the Guarantors entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target at the Consideration of HK\$112 million, which will be satisfied in cash.

The Target is an investment holding company and its sole wholly-owned subsidiary is the Target Subsidiary as at the date of this announcement. The Target Subsidiary is a corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising in securities) and Type 9 (asset management) regulated activities under the SFO and is principally engaged in the provision of securities brokerage, placing and underwriting, investment advisory, discretionary investment management and fund management services in Hong Kong.

THE LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition is more than 5% but all applicable ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfilment or waiver (as the case may be) of the Conditions under the Agreement. As the Acquisition may or may not materialise, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that, on 6 August 2020 (after trading hours), the Company, the Vendor and the Guarantors entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target at the Consideration of HK\$112 million, which will be satisfied in cash.

The principal terms and conditions of the Agreement are set out below:

THE AGREEMENT

Date

6 August 2020 (after trading hours)

Parties

- (i) the Company (as the purchaser);
- (ii) the Vendor; and
- (iii) the Guarantors.

The Vendor is ultimately beneficially owned as to 65.2% by Mr. Yeung, 25% by Mr. Hong and 9.8% by Mr. Fok respectively as at the date of this announcement.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target.

Consideration

The Consideration is HK\$112,000,000 in cash which shall be satisfied in the following manner:-

- (i) the Company shall pay HK\$11,200,000 to the Vendor by cheque as deposit (“**Deposit**”) upon signing the Agreement; and
- (ii) the Company shall pay to the Vendor the remaining balance in the sum of HK\$100,800,000 by cheque within one month from the Completion Date.

The Consideration was determined after arm’s length negotiation between the Company and the Vendor, having taken into account of, among other things, (i) the preliminary valuation of the Target Group of approximately HK\$112 million as at 30 June 2020 prepared by the Independent Valuer using market approach; and (ii) the Profit Guarantee provided by the Vendor to the Company. For details of the Profit Guarantee, please refer to the paragraph headed “Profit Guarantee” in this announcement. The Consideration will be settled by the Company’s internal resources.

Conditions precedent

Completion of the Agreement is conditional upon the following Conditions being fulfilled and remaining satisfied as at Completion:

- (i) the Company and its advisers having completed and reasonably satisfied with the results of the legal, financial, business and other due diligence investigation in respect of the assets, liabilities, businesses, prospects and other affairs of the Target Group as the Company may in its reasonable discretion consider necessary or desirable;
- (ii) all approvals, consents, authorisations and licences (so far as are necessary) in relation to the transactions contemplated under the Agreement having been obtained from the relevant governmental and regulatory authorities;
- (iii) all approvals and consents having been granted by the SFC for the Company to become the substantial shareholder (within the meaning of Part 1 of Schedule 1 to the SFO) of the Target;
- (iv) the Employee having entered into a new employment agreement including confidentiality, non-compete and non-solicitation provisions in form and substance reasonably satisfactory to both the Company and the Employee, and that a certified copy of which having been delivered to the Company;
- (v) the market value of the Target Group in the final valuation issued by the Independent Valuer being at least HK\$112 million;

- (vi) the Company being satisfied, from the date of the Agreement and at any time before Completion, that the warranties on the part of the Vendor given in the Agreement remain true and accurate in all material respects, not misleading or in breach in any material respect and that no events having suggested that there were any breach in any material respect of any warranties on the part of the Vendor given or other provisions of the Agreement by the Vendor; and
- (vii) the Company being satisfied, from the date of the Agreement to Completion, there has not been any Material Adverse Change in respect of the Target and the Target Subsidiary.

The Company shall, as soon as reasonably practicable after the signing of the Agreement, submit an application to the SFC for approval as Target's substantial shareholder and provide all necessary and timely information to the SFC. The Vendor shall, and shall procure the Target Subsidiary to, assist the Company in its application to the SFC in connection with the Company (or its affiliate(s)) becoming a new substantial shareholder of the Target including but not limited to the provision of all such information and documents and execution of all such applications, documents and other things as may be reasonably required by the SFC from time to time in order to give effect to the Agreement.

Save and except for Conditions (ii) and (iii) which are not waivable, the Company may at its absolute discretion at any time waive in writing any of the Conditions specified (to the extent it is capable of waiving) and such waiver may be made subject to such terms and conditions as are determined by the Company.

If all the Conditions have not been satisfied or waived (as the case may be) by 5:00 p.m. on the Long Stop Date, the Vendor shall forthwith refund the Deposit paid by the Company under the Agreement to the Company, then the Agreement other than clauses relating to costs, notices, confidentiality, general provisions and governing law and jurisdiction shall lapse and have no further effect and the parties shall be released from all obligations under it other than those obligations under the aforesaid clauses.

Profit Guarantee

The Vendor guarantees to the Company that the Net Profit shall not be less than the Guaranteed Profit for each of the relevant year during Profit Guarantee Period as set out in the following table:

Profit Guarantee Period	Guaranteed Profit (HK\$)
For the year ending 31 March 2021	25 million
For the year ending 31 March 2022	30 million
For the year ending 31 March 2023	35 million

The Net Profit generated in each year will not be carried forward to the next year for the purpose of calculating the agreed Guaranteed Profit. In the event that the actual Net Profit of the Target Group for any specific year shall be less than the agreed Guaranteed Profit, the Vendor agrees and undertakes that it shall compensate the Company for the relevant year, within 14 Business Days after the issue of the consolidated audited accounts of the Target Group for that year, based on the following formula:-

Amount of compensation (HK\$) = Amount of shortfall (each year) x 1.25 (the “**Compensation**”)

The Guaranteed Profit was determined with reference to, among other things, (i) the historical financial results and performance of the Target Subsidiary; (ii) the subsisting business contracts on hand of the Target Subsidiary; and (iii) the anticipated growth during the Profit Guarantee Period in the size of assets under management (“**AUM**”) of the funds managed by the Target Subsidiary.

The Vendor also warrants, guarantees and undertakes to the Company that (i) the Target Subsidiary’s issued share capital will remain in the sum of HK\$10 million upon Completion; and that (ii) for the period from 1 April 2020 until the Completion Date, (a) the Target Subsidiary shall not declare, pay or make any dividends or other distributions; and (b) except for those expenditures which are essential and necessary for the normal running and operation of the Target Subsidiary and in its ordinary course of business or are contemplated under the Agreement, the Target Subsidiary shall not make any extraordinary payments or otherwise from the revenue generated by the Target Subsidiary.

Completion

Completion shall take place on the date falling on the fifth day after the date on which the Conditions are satisfied or waived (as the case may be) or such other date as the Vendor and the Company may agree in writing.

Where Completion does not take place due to breach of any of the terms of the Agreement by or any default on the part of the Vendor, the Company shall have the right to rescind the Agreement, upon which the Vendor shall refund the Deposit to the Company and shall pay a sum equal to the Deposit to the Company as liquidated damages and thereafter the Agreement shall lapse and have no further effect and that each party shall be released from all obligations under it and shall have no claims arising out of or in connection with the Agreement against the other parties.

Where Completion does not take place due to breach of any of the terms of the Agreement by or any default on the part of the Company, the Vendor shall have the right to rescind the Agreement forthwith and forfeit the Deposit and thereafter the Agreement shall lapse and have no further effect and that each party shall be released from all obligations under it and shall have no claims arising out of or in connection with the Agreement against the other parties.

Upon Completion, the Target will become a direct wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group's financial statements.

Guarantee by the Guarantors

The Guarantors, on a joint and several basis, have agreed to guarantee the full, prompt and complete performance by the Vendor of all its obligations including but not limited to the payment of the Guaranteed Profit or the Compensation or any part of it under the Agreement and undertake with the Company that if the Vendor defaults in performing of any obligations under the Agreement or shall fail to pay any sum including but not limited to the payment of the Guaranteed Profit or the Compensation or any part of it under the Agreement, the Guarantors, on a joint and several basis, shall forthwith on demand by the Company perform such obligations of the Vendor or shall pay such sum to the Company.

INFORMATION ON THE GROUP

The Company is an investment holding company incorporated in the Cayman Islands. The Group is engaged principally in the business of (i) provision of concrete placing and other ancillary services as a subcontractor; (ii) provision of new energy vehicle and logistics related services and finance leasing services; and (iii) provision of cross-border payment and money exchange services.

INFORMATION ON THE VENDOR

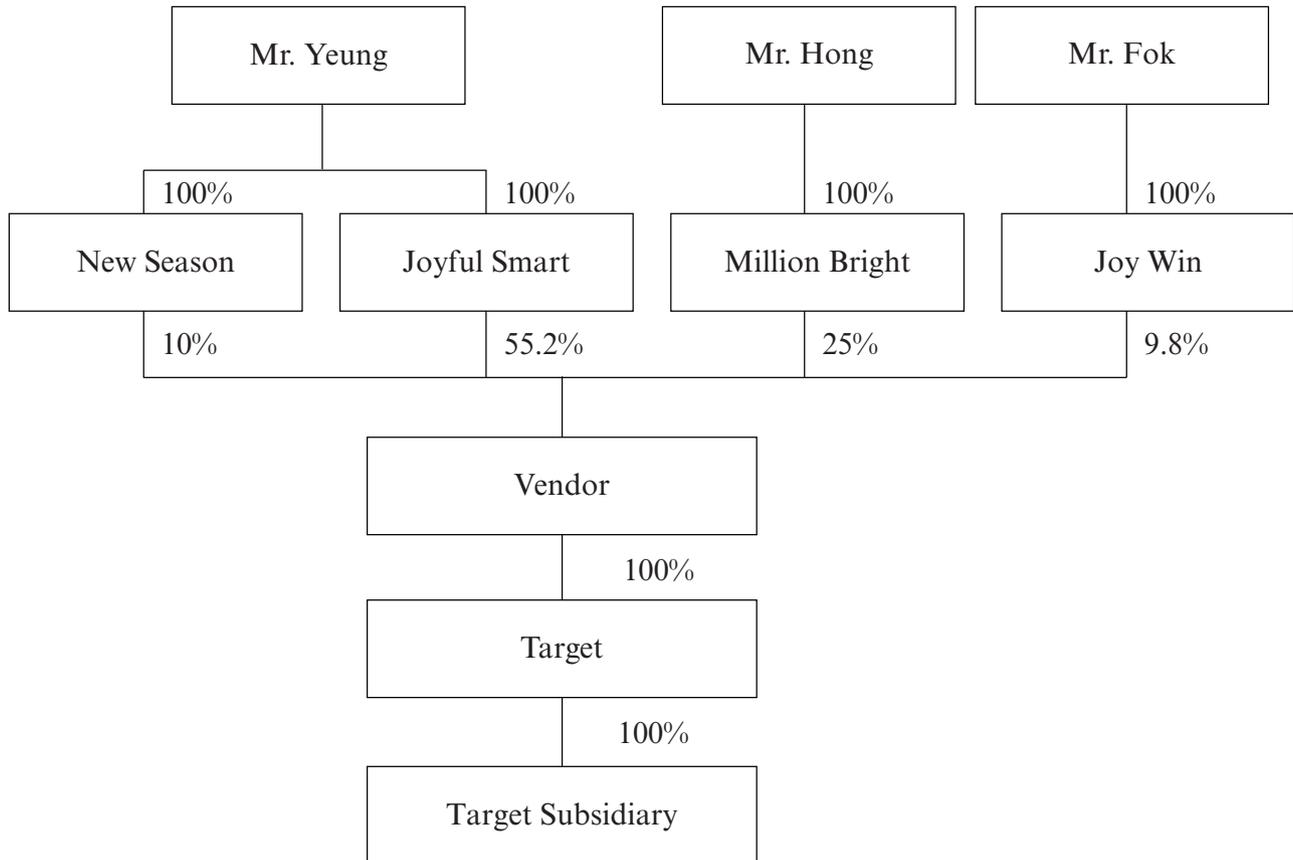
The Vendor is an investment holding company incorporated in the Cayman Islands.

INFORMATION ON THE TARGET GROUP

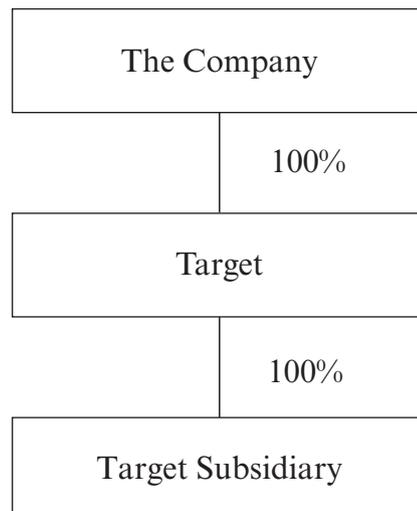
Corporate structure

The following charts show the group structure of the Target Group (i) as at the date of this announcement; and (ii) immediately after Completion:-

As at the date of this announcement:



Immediately after Completion:



The Target is a limited liability company incorporated under the laws of BVI on 3 January 2020. Following a group restructuring, the Target became the holding company of the Target Subsidiary on 9 July 2020.

The Target Subsidiary is a limited liability company incorporated under the laws of Hong Kong on 11 July 2018.

The Guarantors are the ultimate beneficial owners of the Target as at the date of this announcement.

Business

The Target is an investment holding company. The Target Subsidiary is a corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising in securities) and Type 9 (asset management) regulated activities under the SFO and is principally engaged in the provision of securities brokerage, placing and underwriting, investment advisory, discretionary investment management and fund management services in Hong Kong. During the year ended 31 March 2020, the Target Subsidiary completed 13 placing/underwriting engagements for initial public offerings (“**IPO**”) in Hong Kong. The Target Subsidiary is the investment manager for three funds, two of which primarily focus on investing in unlisted mortgage debts and/or mortgage backed securities, and the other fund is at startup which primarily focuses on investments in the cultural and/or entertainment industry. As at the date of this announcement, the aggregate AUM of the three funds amounts to approximately HK\$1.6 billion.

Financial information

As the Target only became the holding company of the Target Subsidiary on 9 July 2020, no consolidated accounts were prepared.

Set out below is a summary of the unaudited financial information of the Target for the period from the date of its incorporation on 3 January 2020 to 31 March 2020:

**From the date of
incorporation on
3 January 2020 to
31 March 2020**
HK\$’000
(unaudited)

Loss before taxation	(10.4)
Loss after taxation	(10.4)

Save for investment holding in the Target Subsidiary, the Target did not conduct any business during the period from the date of its incorporation to the date of this announcement. As at 30 June 2020, the Target had net liabilities amounted to approximately HK\$10,400.

Set out below is a summary of the audited financial information of the Target Subsidiary for the period from the date of its incorporation on 11 July 2018 to 31 March 2019 and for the year ended 31 March 2020:

	From the date of incorporation on 11 July 2018 to 31 March 2019	For the year ended 31 March 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	—	30,885
Profit/(loss) before taxation	(2,119)	19,093
Profit/(loss) after taxation	(2,119)	16,427

The Target Subsidiary did not conduct any business before obtaining its licenses from the SFC on 11 February 2019. It did not generate any revenue and only recorded operating expenses during the period from its incorporation date to 31 March 2019. During the year ended 31 March 2020, its revenue was mainly generated from placing and underwriting commission and investment advisory income. The fund management business and the AUM have been building up since the last quarter of 2019. As at 30 June 2020, the unaudited net assets of the Target Subsidiary amounted to approximately HK\$28.2 million.

Possible continuing connected transactions

As mentioned in the paragraph headed “Business” above, the Target Subsidiary acts as the investment manager for three funds. As advised by the Vendor, the associates of certain directors of the Target Subsidiary controls 30% or more of the voting rights of the funds. Following Completion, the aforementioned directors of the Target Subsidiary will become connected persons of the Company at subsidiary level pursuant to Rule 14A.06 of the Listing Rules. Accordingly, the investment management agreements in respect of acting as the investment manager of the funds and the transactions contemplated thereunder (the “**IM Engagement**”) may constitute continuing connected transactions between the Company and its connected persons at subsidiary level. Subject to Completion and the results of the due diligence investigation in respect of the Target Group, the Company shall comply with the relevant requirements as stipulated under Chapter 14A of the Listing Rules (where applicable) in respect of the IM Engagement and other possible connected transactions (if any) identified. Further announcement(s) will be made by the Company in this regard as and when appropriate.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is committed to seek business opportunities and intends to acquire high quality business and asset with good potential for expansion of the Group's business in order to diversity the Group's income stream and enhance the Shareholders' value.

The Target Subsidiary is a financial institution providing a wide range of services to high net worth customers and professional investors. In particular, it specialises in the provision of placing and underwriting services for IPO in Hong Kong. Despite the COVID-19 pandemic impacting the global IPO markets and the number of new listings on the Stock Exchange was only 64 companies for the six months ended 30 June 2020 as compared to 84 companies during the same period in the previous year, the amount of fund raised from IPO increased by 22% to approximately HK\$87.6 billion during the six months ended 30 June 2020, as compared to approximately HK\$71.8 billion in the first half of 2019. Although the IPO market has been experiencing fluctuations in this year, in view of the continuous demand in the IPO fund raising, the Board is optimistic about the prospect of the placing and underwriting services of the Target Group.

The funds managed by the Target Subsidiary focusing on mortgage backed securities have built up to a size of AUM of approximately HK\$1.6 billion in the second quarter of 2020. According to the residential mortgage survey conducted by the Hong Kong Monetary Authority, the number of mortgage applications increased by approximately 51.7% from 9,115 applications to 13,829 applications during the period from January 2020 to June 2020. As at 30 June 2020, the outstanding value of mortgage amounted to approximately HK\$1,514.9 billion. Further, the local mortgage loans in Hong Kong are characterized by low delinquency ratio and default rate with high loan-to-value ratio. Having considered the strong and persistent demand for mortgage loans in Hong Kong, the Board is of the view that the funds could continue building up its portfolio of quality assets and increase the AUM, and thereby the income generated therefrom could have potential for continuous growth.

Mr. Yeung is the co-founder and chief executive officer of the Target Subsidiary. He has over 20 years of global financial market experiences and is well-versed in the market knowledge. Upon Completion, Mr. Yeung shall be retained as a senior management of the Target Group and shall be responsible to the Board. He will be responsible for strategic planning and business development of the Target Group. The existing management of the Target Subsidiary possesses extensive knowledge and in-depth experience in the financial industry in Hong Kong, in particular in fund management of mortgage backed securities. In view of the diverse business backgrounds of the members of the Board, the Directors believe they could apply such skills and management experience in overseeing the business of the Target Group. The Board believes that with the leverage of the listing platform of the Company, the fund management business of the Target Group represents a viable business opportunity which contributes to the future prospects of the Group.

Having considered the performance of the Target Subsidiary for the year ended 31 March 2020 as well as the Profit Guarantee provided by the Vendor, the Board considers that the Acquisition represents a good opportunity to tap into the financial industry and can enhance the profitability of the Group. Accordingly, the Board considers that the Agreement is on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As one of the applicable percentage ratios in respect of the Acquisition is more than 5% but all applicable ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfilment or waiver (as the case may be) of the Conditions under the Agreement. As the Acquisition may or may not materialise, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITION

In this announcement the following expressions shall have the following meanings, unless the context otherwise requires:

“Acquisition”	the purchase of the Sale Share by the Company from the Vendor pursuant to the Agreement
“Agreement”	the conditional share purchase agreement dated 6 August 2020 and entered into among the Company, the Vendor and the Guarantors in respect of the Acquisition
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Chong Kin Group Holdings Limited, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange (stock code: 1609)
“Completion”	completion of the sale and purchase of the Sale Share pursuant to the Agreement
“Completion Date”	the date which is on the fifth (5) day after the date on which the Conditions are satisfied or waived (as the case may be) or such other date as the Vendor and the Purchaser may agree in writing
“Condition(s)”	the conditions set out in the Agreement

“Consideration”	the consideration of HK\$112,000,000 for the acquisition of the Sale Share pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Employee”	Mr. Yeung
“Group”	the Company and its subsidiaries
“Guaranteed Profit”	the guaranteed Net Profit during the Profit Guarantee Period as set out in the paragraph headed “Profit Guarantee” in this announcement
“Guarantor(s)”	together, Mr. Yeung, Mr. Hong and Mr. Fok, on a joint and several basis
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Independent Valuer”	Cushman & Wakefield (HK) Limited, an independent professional valuer
“Joy Win”	Joy Win Ventures Limited, a company incorporated under the laws of BVI and the entire share capital of which is held by Mr. Fok as at the date of this announcement
“Joyful Smart”	Joyful Smart Investments Limited (怡明投資有限公司), a company incorporated under the laws of BVI and the entire share capital of which is held by Mr. Yeung as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange
“Long Stop Date”	means 1 March 2021 or such later date to be agreed between the Company and the Vendor in writing
“Material Adverse Change”	any change which has a material and adverse effect on the financial position, business or operations of the Target Group

“Million Bright”	Million Bright Enterprises Limited (百輝企業有限公司), a company incorporated under the laws of BVI and the entire share capital of which is held by the Mr. Hong as at the date of this announcement
“Mr. Fok”	Mr. Fok Kenny Tsz Chun (霍子俊), who indirectly holds 9.8% of the beneficial interest in the Vendor as at the date of this announcement
“Mr. Hong”	Mr. Hong Ching Wei (洪清偉), who indirectly holds 25% of the beneficial interest in the Vendor as at the date of this announcement
“Mr. Yeung”	Mr. Yeung Wan Yiu (楊雲耀), who indirectly holds 65.2% of the beneficial interest in the Vendor as at the date of this announcement
“Net Profit”	consolidated net profit (after taxation and excluding any profit (or loss) deriving from activities not within the ordinary and usual course of business)
“New Season”	New Season International Limited, a company incorporated under the laws of BVI and the entire share capital of which is held by Mr. Yeung as at the date of this announcement
“Profit Guarantee”	the guarantee provided by the Vendor in respect of the Net Profit during the Profit Guarantee Period
“Profit Guarantee Period”	the three years ending 31 March 2023
“Sale Share”	issued one ordinary share in the share capital of the Target legally and beneficially owned and held by and registered in the name of the Vendor, representing the entire issued share capital of the Target
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any subsidiary legislation made thereunder amended, consolidated or substituted from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target”	Grand Well Ventures Limited (宏康創投有限公司), a company incorporated under the laws of BVI and the entire share capital of which is held by the Vendor as at the date of this announcement
“Target Group”	the Target and the Target Subsidiary
“Target Subsidiary”	GLAM Capital Limited (港利資本有限公司), a company incorporated under the laws of Hong Kong and the entire share capital of which is held by the Target as at the date of this announcement
“Vendor”	GLAM Capital Group Company Limited (港利資本控股有限公司), a company incorporated under the laws of Cayman Islands for which Mr. Yeung, Mr. Hong and Mr. Fok respectively indirectly holds 65.2%, 25% and 9.8% of the beneficial interest as at the date of this announcement
“HK\$”	the lawful currency of Hong Kong
“%”	per cent

By order of the Board
Chong Kin Group Holdings Limited
Zhang Jinbing
Chairman and Chief Executive Officer

Hong Kong, 6 August 2020

As at the date hereof, the Board comprises three executive Directors, namely Mr. Zhang Jinbing, Mr. Ni Biao and Mr. Yang Rui; one non-executive Director, Mr. Yan Haiting; and three independent non-executive Directors, namely Dr. Zhu Zhengfu, Dr. Li Yifei and Mr. Tam Ping Kuen Daniel.