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ASIA CASSAVA RESOURCES HOLDINGS LIMITED

亞洲木薯資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 841)

**VERY SUBSTANTIAL TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND
SHAREHOLDER'S LOAN OWING BY 338 APARTMENT (BVI) LIMITED
AND
RESUMPTION OF TRADING**

THE ACQUISITION

The Board is pleased to announce that on 9 May 2018 (after trading hours of the Stock Exchange), the Purchaser, a non-wholly owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares and the Sale Loan, representing the entire issued share capital of and all the shareholder's loan owing by the Target Company.

The principal asset of the Target Company is the Property located at 338 Queen's Road Central, Sheung Wan, Hong Kong known as "Queen Central" or "338 Apartment", which is a commercial building with hotel license. A portion of the ground floor of the Property is currently leased out to a third party for operation of a chain restaurant while other parts of the Property are currently vacant. It is expected that the remaining part of the Property will be used as serviced apartments and/or offices after Completion.

The Consideration for the Acquisition is HK\$1,100,000,000, subject to upward or downward adjustment if the Net Asset Value of the Target Company as at close of business on the Completion Date is positive or negative respectively. The Consideration is to be settled in cash by stages.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition on the part of the Company and is subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, further details of the Acquisition, the accountant's report on the Target Company, the unaudited pro forma financial information of the Enlarged Group, the valuation report on the Property issued by an independent property valuer, and other information as required under the Listing Rules will be despatched to the Shareholders. The circular, together with a notice of the EGM and a form of proxy, are expected to be despatched to the Shareholders on or before 30 June 2018 as additional time is required for the preparation of the financial information on the Target Company and the valuation report on the Property.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Acquisition Agreement and therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Thursday, 10 May 2018 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Tuesday, 15 May 2018.

THE ACQUISITION

The Board is pleased to announce that on 9 May 2018 (after trading hours of the Stock Exchange), the Purchaser, a non-wholly owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares and the Sale Loan, representing the entire issued share capital of and all the shareholder's loan owing by the Target Company. Principal terms of the Acquisition Agreement are set out below.

ACQUISITION AGREEMENT

Date : 9 May 2018

Parties : (i) Profit Sky Corporation Limited (天潤興業有限公司), a non-wholly owned subsidiary of the Company, as purchaser; and
(ii) 338 Apartment Holdings (BVI) Limited as vendor.

The Purchaser is a company incorporated in Hong Kong with limited liability which, as at the date of this announcement, is owned as to 60% by Admiral Colour, a wholly-owned subsidiary of the Company, and as to 40% by the JV Partner, and which is intended by Admiral Colour and the JV Partner to be the holding company of the Target Company upon Completion.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding, and each of the Vendor, its ultimate beneficial owner(s) and their respective associates is not a connected person of the Company and is Independent Third Party as at the date of this announcement.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares and the Sale Loan, representing the entire issued share capital of and all the shareholder's loan owing by the Target Company. The principal asset of the Target Company is the Property.

The Sale Loan shall represent the aggregate amount owing by the Target Company to the Vendor as at Completion. It is contemplated that the Vendor will repay the outstanding amount owing in respect of the Existing Bank Loan on behalf of the Target Company with part of the Consideration prior to Completion. According to the unaudited financial statements of the Target Company for the three months ended 31 March 2018, the Sale Loan as at 31 March 2018 was approximately HK\$234.52 million (before taking into account the outstanding amount owing in respect of Existing Bank Loan of approximately HK\$499.35 million as at 31 March 2018).

Consideration

The Consideration for the Acquisition is HK\$1,100,000,000, subject to upward or downward adjustment as mentioned in this announcement below.

The Consideration was agreed after arm's length negotiation between the Purchaser and the Vendor having taken into account, among other things, (i) the prevailing market conditions and the estimated market value of the Property of approximately HK\$1,100,000,000; and (ii) the prospects of the Property.

According to the Shareholders' Agreement, Admiral Colour and the JV Partner shall provide to the Purchaser interest-free and unsecured shareholder's loan with no fixed terms of repayment in the amount of HK\$660,000,000 and HK\$440,000,000, respectively for the purpose of financing the Acquisition. The shareholder's loan to be provided by Admiral Colour to the Purchaser is intended be funded by the Group's internal resources and/or bank borrowings.

Consideration adjustment

The Consideration shall be adjusted (i) upwards by adding the amount of Net Asset Value if it is a positive amount, or (ii) downwards by deducting the absolute value of the amount of the Net Asset Value if it is a negative amount.

The Net Asset Value is equivalent to the total assets of the Target Company (for the avoidance of doubt, excluding the value of the Property and any deferred tax assets) minus the total liabilities of the Target Company (other than the liability in respect of the Existing Bank Loan, the Sale Loan and any deferred tax liabilities).

For the purpose of determining the amount of adjustment, the Vendor shall prepare and deliver to the Purchaser (i) a pro forma statement of financial position of the Target Company as at the close of business on the Completion Date (the "**Pro Forma Completion Accounts**") on or before five Business Days prior to (but excluding) the Completion Date; and (ii) a statement of financial position of the Target Company as at the close of business on the Completion Date by no later than 30 Business Days after (and exclusive of) the Completion Date, which shall then be reviewed and if thought fit, agreed by the Purchaser (the "**Completion Accounts**").

Payment of Consideration

The Consideration is to be settled by the Purchaser in cash as follows: (i) the Deposit in the aggregate sum of HK\$110 million has been paid on or before the date of signing of the Acquisition Agreement; and (ii) remaining balance of the Consideration as adjusted by the Net Asset Value as set out in the Pro Forma Completion Accounts shall be paid at Completion in the following manner:

- (a) a sum equal to the outstanding amount owing in respect of the Existing Bank Loan and the amount payable to fully release and discharge the existing security documents which were provided as security for the Existing Bank Loan shall be made payable by the Purchaser directly to The Hongkong and Shanghai Banking Corporation Limited for the Vendor to procure and effect the repayment of the Existing Bank Loan and the full release and discharge of the existing security documents; and
- (b) the remaining balance shall be paid by the Purchaser to the Vendor's solicitor as its agent.

The Consideration shall be further adjusted (i) upwards by the amount (if any) by which the Net Asset Value determined by reference to the Completion Accounts is more than the Net Asset Value as set out in the Pro Forma Completion Accounts; or (ii) downwards by the amount (if any) by which the Net Asset Value determined by reference to the Completion Accounts is less than the Net Asset Value as set out in the Pro Forma Completion Accounts. Such difference in the Consideration is to be paid by the Purchaser to the Vendor (in the case of an upward adjustment) or by the Vendor to the Purchaser (in the case of a downward adjustment) within five Business Days after the agreement or determination of the Completion Accounts in accordance with the terms and conditions of the Acquisition Agreement.

Conditions precedent

Completion is conditional upon the following conditions being satisfied on or before the Completion Date:

- (a) the Target Company being able to show and give good title to the Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong) subject to the terms and conditions of the Acquisition Agreement;
- (b) there being no breach of any representations and warranties given by the Vendor which might have a material adverse effect on the transactions contemplated under the Acquisition Agreement; and
- (c) the approval of the transactions contemplated under the Acquisition Agreement by the Shareholders as required by the Listing Rules having been obtained.

The Purchaser may at any time waive in writing any condition set out in paragraphs (a) or (b) above on such terms as it may decide.

The Vendor shall use all reasonable endeavours to procure the satisfaction of the conditions set out in paragraphs (a) and (b) above as soon as reasonably practicable and in any event on or before the Completion Date, and the Purchaser shall use all reasonable endeavours to procure the satisfaction of the condition set out in paragraph (c) above as soon as reasonably practicable and in any event no later than 6 September 2018.

If any of the conditions set out in paragraphs (a) or (b) above has not been satisfied on or before the Completion Date, then unless the parties otherwise agree in writing, the Purchaser may on that date by notice to the Vendor terminate the Acquisition Agreement, in which case the Vendor shall return the Deposit (without any interest or cost) to the Purchaser.

On the other hand, if the condition set out in paragraph (c) above has not been satisfied on or before 6 September 2018, then unless the parties otherwise agree in writing, the Vendor may on that date by notice to the Purchaser terminate the Acquisition Agreement, in which case the Deposit shall be forfeited to the Vendor as damages.

Completion of the Acquisition

Completion shall take place on 8 October 2018 or such other date as the Vendor and the Purchaser may agree in writing.

If the completion obligations of the Vendor are not complied with on the Completion Date, the Purchaser may by notice to the Vendor terminate the Acquisition Agreement, in which case the Vendor shall return the Deposit (without any interest or cost) to the Purchaser. On the other hand, if the completion obligations of the Purchaser are not complied with on the Completion Date, the Vendor may by notice to the Purchaser terminate the Acquisition Agreement, in which case the Deposit shall be forfeited to the Vendor as damages.

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into those of the Group.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

Information on the Target Company

The Target Company is a company incorporated in the British Virgin Islands with limited liability. The principal asset of the Target Company is the Property located at 338 Queen's Road Central, Sheung Wan, Hong Kong known as "Queen Central" or "338 Apartment". The sole business of the Target Company since the date of its incorporation has been the acquisition, holding, management, leasing and maintenance of the Property and other ancillary purposes relating to the Property (including the obtaining of financing relating to the foregoing).

Financial information of the Target Company

Set out below is the financial information extracted from the audited financial statements of the Target Company for the period from 8 December 2015 (its date of incorporation) to 31 December 2016 and its unaudited financial statements for the financial year ended 31 December 2017 prepared in accordance with the International Financial Reporting Standards:

	For the period from 8 December 2015 (its date of incorporation) to 31 December 2016 (audited) (HK\$'000)	For the year ended 31 December 2017 (unaudited) (HK\$'000)
Net profit/(loss) before taxation and extraordinary items	(2,509)	(19,472)
Net profit/(loss) after taxation and extraordinary items	119,485	73,917

According to the unaudited financial statements of the Target Company for the year ended 31 December 2017, the Target Company's net assets attributable to shareholder was approximately HK\$193,402,000 as at 31 December 2017.

Information on the Property

The Property is located at 338 Queen's Road Central, Sheung Wan, Hong Kong and is known as "Queen Central" or "338 Apartment". It comprises a 25-storey (including ground floor and upper ground floor) commercial building with hotel license. A portion of the ground floor of the Property is currently leased out to a third party for operation of a chain restaurant while other parts of the Property are currently vacant. It is expected that the remaining part of the Property will be used as serviced apartments and/or offices after Completion.

The preliminary estimated market value of the Property is approximately HK\$1,100,000,000. The Company will engage an independent property valuer to conduct an independent valuation of the Property. The valuation report on the Property will be set out in the circular to be despatched to the Shareholders.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group are (i) the procurement and sale of dried cassava chips; (ii) property investment investing in office space and industrial properties; and (iii) hotel operations in the PRC.

The Group has been engaging in the property investment business since listing, and the existing investment properties portfolio of the Group consists of five commercial properties and one car parking space in Hong Kong, one industrial property in the PRC and one warehouse in Thailand.

The Board has no intention to dispose of or terminate or reduce the scale of the existing principal business of the Group. The Acquisition is in line with the Group's strategy of exploring new business opportunities and represents an expansion of the Group's existing property investment business. The Directors are optimistic to the property market in Hong Kong and are of the view that the Acquisition represents a valuable investment opportunity for the Group to participate in the Hong Kong property market. It is believed that the Group will have the benefits from the possible appreciation of the Property in future, while at the same time, it is expected that the Property can provide the Group with an additional and stable income and grant it the ability to mitigate the effects of market fluctuations in and avoid reliance on its dried cassava chips and hotel operation businesses.

The Directors are of the view that the entering of the Acquisition Agreement is on normal commercial terms and the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition on the part of the Company and is subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Acquisition Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and therefore no Shareholder is required to abstain from voting at the EGM. Each of Mr. Chu Ming Chuan (an executive Director and the chairman of the Board) and Art Rich Management Limited (a company which is owned as to 97% by Mr. Chu Ming Chuan and 3% by his spouse, Ms. Ng Nai Nar), being the legal and beneficial owners holding 135,520,715 and 225,000,000 Shares, representing approximately 23.18% and 38.48% of the entire issued share capital of the Company as at the date of this announcement, respectively, has undertaken that he/it shall vote in favour of the ordinary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

A circular containing, among other things, further details of the Acquisition, the accountant's report on the Target Company, the unaudited pro forma financial information of the Enlarged Group, the valuation report on the Property issued by an independent property valuer, and other information as required under the Listing Rules will be despatched to the Shareholders. The circular, together with a notice of the EGM and a form of proxy, are expected to be despatched to the Shareholders on or before 30 June 2018 as additional time is required for the preparation of the financial information on the Target Company and the valuation report on the Property.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Acquisition Agreement and therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Thursday, 10 May 2018 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Tuesday, 15 May 2018.

DEFINITIONS

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

“Acquisition”	the proposed acquisition by the Purchaser of the Sale Shares and the Sale Loan, representing the entire issued share capital of and all the shareholder’s loan owing by the Target Company, from the Vendor in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 9 May 2018 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“Admiral Colour”	Admiral Colour Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (not being a Saturday, Sunday, public holiday or days on which typhoon signal No. 8 or above or black rainstorm warning is hoisted in Hong Kong at any time from 9:00 a.m. to 5:30 p.m.) on which banks are generally open for general banking business (excluding internet banking business) in Hong Kong
“Company”	Asia Cassava Resources Holdings Limited (亞洲木薯資源控股有限公司), a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement

“Completion Accounts”	has the meaning ascribed to it under the section headed “Acquisition Agreement – Consideration Adjustment” in this announcement
“Completion Date”	8 October 2018 or such other date as the Vendor and the Purchaser may agree in writing on which Completion takes place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration to be paid by the Purchaser for the Acquisition, being HK\$1,100,000,000 subject to upward or downward adjustment if the Net Asset Value of the Target Company as at close of business on the Completion Date is positive or negative respectively
“Deposit”	the deposit in the aggregate sum of HK\$110 million which has been paid on or before the date of signing of the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Acquisition Agreement and the transactions contemplated thereunder
“Enlarged Group”	the Group as enlarged by the Acquisition
“Existing Bank Loan”	the HK\$530,000,000 secured term loan facility granted by a syndicate of lenders to the Target Company as borrower pursuant to the facility agreement entered into between, among others, the Target Company as borrower and The Hongkong and Shanghai Banking Corporation Limited as the facility agent and security agent and, where the context shall so require, the outstanding amount of the principal sum and any interest accrued thereon
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“JV Partner”	Profit Summit Business Limited (盈峰貿易有限公司), a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Lin Tsz Fung, who is a private investor
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Asset Value”	the total assets of the Target Company (for the avoidance of doubt, excluding the value of the Property and any deferred tax assets) minus the total liabilities of the Target Company (other than the liability in respect of the Existing Bank Loan, the Sale Loan and any deferred tax liabilities)
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pro Forma Completion Accounts”	has the meaning ascribed to it under the section headed “Acquisition Agreement – Consideration Adjustment” in this announcement
“Property”	a property located at 338 Queen’s Road Central, Sheung Wan, Hong Kong which is known as “Queen Central” or “338 Apartment”
“Purchaser”	Profit Sky Corporation Limited (天濶興業有限公司), a company incorporated in Hong Kong with limited liability which, as at the date of this announcement, is owned as to 60% by Admiral Colour, a wholly-owned subsidiary of the Company, and as to 40% by the JV Partner
“Sale Loan”	the loan owing by the Target Company to the Vendor as at Completion

“Sale Shares”	100 issued ordinary shares in the capital of the Target Company, representing the entire issued share capital thereof
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement dated 10 May 2018 and entered into between Admiral Colour and the JV Partner in relation to, among other matters, the business, affairs, operation and management of the Purchaser
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	338 Apartment (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability which, as at the date of this announcement, is wholly-owned by the Vendor
“Vendor”	338 Apartment Holdings (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board
Asia Cassava Resources Holdings Limited
Chu Ming Chuan
Chairman

Hong Kong, 14 May 2018

As at the date of this announcement, the Company’s executive Directors are Mr. Chu Ming Chuan, Ms. Liu Yuk Ming and Ms. Lam Ching Fun and the Company’s independent non-executive Directors are Professor Fung Kwok Pui and Mr. Yue Man Yiu Matthew.