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Tou Rong Chang Fu Group Limited

投融長富集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 850)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 23 February 2018 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure, on a best effort basis not less than six Placées who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 1,510,144,764 Placing Shares at the Placing Price of HK\$0.1 per Placing Share.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of 1,510,144,764 Placing Shares under the Placing represents (i) approximately 20% of the existing issued share capital of the Company of 7,550,723,821 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares.

The Placing Price of HK\$0.1 per Placing Share represents: (i) a discount of approximately 12% to the closing price of HK\$0.114 per Share as quoted on the Stock Exchange on 23 February 2018, being the date of the Placing Agreement; and (ii) a discount of approximately 12% to the average closing price of approximately HK\$0.114 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Shares will be allotted and issued pursuant to the General Mandate and accordingly, the issue of the Placing Shares is not subject to further Shareholders' approval. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Assuming all the Placing Shares are fully placed, it is expected that the maximum gross proceeds from Placing will be approximately HK\$151 million. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the Placing of approximately HK\$2.5 million, are estimated to be approximately HK\$148.5 million. The Company intends to apply the net proceeds from the Placing as to: (i) approximately HK\$74 million as general working capital for the trading and financial services businesses of the Group; and (ii) approximately HK\$74.5 million for potential acquisitions which may include the Possible Acquisition. The Group is currently exploring suitable acquisition opportunities and no binding agreements have been entered into as at the date of this announcement.

Shareholders and potential investors of the Company should note that completion of the Placing is subject to the fulfilment of the conditions set out in the Placing Agreement. The Placing 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.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 23 February 2018 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to 1,510,144,764 Placing Shares at the Placing Price of HK\$0.1 per Placing Share.

Details of the Placing Agreement are set out below:

The Placing Agreement

Date: 23 February 2018 (after trading hours)

Parties: (i) the Company (as the issuer); and
(ii) Caitong International Securities Company Limited (as the Placing Agent).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Pursuant to the terms of the Placing Agreement, the Placing Agent will receive a placing commission of 1.0% of the amount which is equal to the Placing Price multiplied by the number of Placing Shares actually placed by the Placing Agent. The placing commission in respect of the Placing was negotiated on arm's length basis between the Company and the Placing Agent and was determined with reference to, among other things, the prevailing commission rate charged by other placing agents and the price performance of the Shares.

The Directors consider that the placing commission in respect of the Placing is fair and reasonable based on the current market conditions.

Placees

The Placing Shares will be placed to not less than six Placees who shall be professional, institutional and/or other investors, and who and whose ultimate beneficial owners are Independent Third Parties. Upon completion of the Placing, it is expected that none of the Placees will become a substantial shareholder of the Company. If any of the Placees will become a substantial shareholder of the Company after completion of the Placing, further announcement will be made by the Company.

Number of Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of 1,510,144,764 Placing Shares under the Placing represents (i) approximately 20% of the existing issued share capital of the Company of 7,550,723,821 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares.

The maximum aggregate nominal value of the maximum number of 1,510,144,764 Placing Shares will be approximately HK\$15,101,448.

Ranking of the Placing Shares

The Placing Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.1 per Placing Share represents: (i) a discount of approximately 12% to the closing price of HK\$0.114 per Share as quoted on the Stock Exchange on 23 February 2018, being the date of the Placing Agreement; and (ii) a discount of approximately 12% to the average closing price of approximately HK\$0.114 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to, among other things, the prevailing market prices and the recent trading performance of the Shares. The Directors (including the independent non-executive Directors) consider that the Placing Price and the terms of the Placing Agreement are on normal commercial terms and are fair and reasonable based on the current market conditions and that the Placing is in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

The Placing is conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting approval for the listing of, and the permission to deal in, the Placing Shares;
- (ii) all necessary consents, approvals, authorisations and/or waivers on the part of each of the Placing Agent and the Company having been obtained by the Company to effect the execution, completion and performance of the obligations and other terms of the Placing Agreement; and
- (iii) the Placing Agent having received from the Company certified board resolutions approving the Placing and the entering into of the Placing Agreement.

In the event that any of the above conditions is not fulfilled by 9 March 2018 (or such later date as may be agreed between the parties to the Placing Agreement in writing), all rights, obligations and liabilities of the parties to the Placing Agreement in relation to the Placing shall cease and determine and none of the parties thereto shall have any claim against any other party in respect of the Placing save for any antecedent breaches.

Completion of the Placing

Completion of the Placing shall take place on a date falling within seven Business Days (or on such other date as may be agreed between the Company and the Placing Agent) following the fulfilment of all the conditions set out in the Placing Agreement.

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

General Mandate to issue the Placing Shares

The Placing Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 1,510,144,764 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of all the Placing Shares. As such, the issue of the Placing Shares is not subject to further Shareholders' approval. The General Mandate will be utilised as to 100% upon the allotment and issue of all the Placing Shares.

Termination

The Placing Agent shall be entitled by notice in writing to the Company at any time prior to the Completion Date to terminate the Placing Agreement upon the occurrence of any of the following events which, in the reasonable opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions, affairs or prospects of the Group taken as a whole or the success of the Placing or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement:

- (A) there develops, occurs or comes into force:
 - (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a material change in, or which may result in a material change in, political, economic, fiscal, financial, regulatory or stock market conditions in Hong Kong or any other jurisdiction relevant to the Group; or

- (ii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - (iii) any material change in conditions of local, national or international securities markets occurs in Hong Kong, the PRC or the United States of America; or
 - (iv) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group; or
 - (v) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or any other jurisdiction relevant to the Group; or
- (B) any material breach of any of the representations, warranties and undertakings by the Company set out in the Placing Agreement which, if remediable, is not duly rectified by the Company within seven Business Days of written notice being given to the Company of such breach by the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement, which in each case, if remediable, is not duly rectified by the Company within seven Business Days of written notice being given to the Company of such breach by the Placing Agent; or
- (C) there is any material adverse change in the financial position of the Group taken as a whole.

Upon giving of the above mentioned notice by the Placing Agent to the Company, the Placing Agreement shall terminate and be of no further effect and all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement; and any out-of-pocket expenses which have been properly and reasonably incurred under the terms of the Placing Agreement prior to such termination.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in trading of commodities and chemical products, property investment, money lending business, brokerage of securities, asset management, insurance brokerage and exploitation and sale of crude oil.

The Directors are of the view that the Placing can strengthen the financial position of the Group and provide additional working capital to the Group to meet any future development and obligations. The Placing also represents good opportunities to broaden the shareholders' base and the capital base of the Company. The Directors (including the independent non-executive Directors) consider that the Placing is in the interests of the Company and the Shareholders as a whole.

Assuming all the Placing Shares are fully placed, it is expected that the maximum gross proceeds from Placing will be approximately HK\$151 million. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the Placing of approximately HK\$2.5 million, are estimated to be approximately HK\$148.5 million. The Company intends to apply the net proceeds from the Placing as to: (i) approximately HK\$74 million as general working capital for the trading and financial services businesses of the Group; and (ii) approximately HK\$74.5 million for potential acquisitions which may include the Possible Acquisition. The Group is currently exploring suitable acquisition opportunities and no binding agreements have been entered into as at the date of this announcement.

The Directors (including the independent non-executive Directors) consider that the Placing represents an opportunity to raise additional funding for the business operations of the Group and will strengthen the Group's financial position, and enlarge shareholders' base of the Company which may in turn enhance the liquidity of the Shares, and provide working capital to the Group to meet any financial obligations of the Group.

The Directors (including the independent non-executive Directors) consider that the Placing Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Placing Agent and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

CHANGES IN SHAREHOLDING STRUCTURE

The changes in the shareholding structure of the Company as a result of the Placing (assuming that there are no other changes in the issued share capital of the Company from the date of this announcement up to and immediately after completion of the Placing) are as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the Placing (assuming all the Placing Shares are fully placed)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Tou Rong Chang Fu (HK) Holding Co., Limited (<i>Note 1</i>)	2,000,000,000	26.49	2,000,000,000	22.07
Mr. Poon Sum (<i>Note 2</i>)	131,922,453	1.75	131,922,453	1.46
Ever Source Enterprises Limited (<i>Note 2</i>)	344,378,558	4.56	344,378,558	3.80
Mr. Wong Kwok Leung (<i>Note 3</i>)	116,285	0.00	116,285	0.00
Mr. Poon Wai Kong (<i>Note 4</i>)	7,900,000	0.10	7,900,000	0.09
Mr. Chan Shu Kin (<i>Note 5</i>)	61,500	0.00	61,500	0.00
Mr. Cheung Kwan Hung (<i>Note 6</i>)	234,000	0.00	234,000	0.00
Sub-total	<u>2,484,612,796</u>	<u>32.90</u>	<u>2,484,612,796</u>	<u>27.42</u>
Public Shareholders				
The Places	–	–	1,510,144,764	16.67
Other public Shareholders	<u>5,066,111,025</u>	<u>67.10</u>	<u>5,066,111,025</u>	<u>55.91</u>
Total	<u>7,550,723,821</u>	<u>100.00</u>	<u>9,060,868,585</u>	<u>100.00</u>

Notes:

1. Tou Rong Chang Fu (HK) Holding Co., Limited held 2,000,000,000 Shares. The issued share capital of Tou Rong Chang Fu (HK) Holding Co., Limited is owned as to 100% by Hangzhou Tou Rong Chang Fu Financial Services Group Limited, a company established in the PRC with limited liability, which in turn is owned as to 90% by Mr. Li Zhenjun, being an executive Director and chairman of the Board. Accordingly, Mr. Li is deemed to be interested in the 2,000,000,000 Shares held by Tou Rong Chang Fu (HK) Holding Co., Limited under the SFO.
2. Ever Source Enterprises Limited is beneficially owned as to 50% by Time Concord Limited, a company incorporated in the British Virgin Islands and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, who was an executive Director until 28 August 2017 and is a director of certain subsidiaries of the Company, and as to 50% by Guidance Investments Limited, a company incorporated in the British Virgin Islands and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sau Tin, the elder brother of Mr. Poon Sum. Accordingly, Mr. Poon is deemed to be interested in 344,378,558 shares held by Ever Source Enterprises Limited under the SFO.
3. Mr. Wong Kwok Leung is an executive Director.
4. Mr. Poon Wai Kong is an executive Director.
5. Mr. Chan Shu Kin is an independent non-executive Director.
6. Mr. Cheung Kwan Hung is an independent non-executive Director.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Directors confirm that the Company has not conducted any fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

Shareholders and potential investors of the Company should note that completion of the Placing is subject to the fulfilment of the conditions set out in the Placing Agreement. The Placing 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.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“AGM”	the annual general meeting of the Company held on 28 August 2017
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Company”	Tou Rong Chang Fu Group Limited, an exempted company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion Date”	the date of completion of the Placing which shall be within seven Business Days (or on such other date as may be agreed between the Company and the Placing Agent) following the fulfillment of all the conditions specified in the Placing Agreement
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted by the Shareholders to the Directors by a resolution of the Shareholders passed at the AGM to allot, issue and deal with up to 20% of the issued Shares as at the date of the AGM (i.e. a maximum of 1,510,144,764 Shares)

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any person or entity whom the Placing Agent and/or any of its agent(s) has procured to subscribe for any of the Placing Shares
“Placing”	the placing of the Placing Shares by the Placing Agent on a best-effort basis pursuant to the terms and conditions set out in the Placing Agreement
“Placing Agent”	Caitong International Securities Company Limited, licensed corporation to carry on business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 23 February 2018 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.1 per Placing Share
“Placing Share(s)”	up to 1,510,144,764 new Shares to be placed pursuant to the Placing Agreement and to be issued under the General Mandate

“Possible Acquisition”	the possible acquisition by the Group from Mr. Yang Laihao (羊來好) and Mr. Yang Bingjin (羊炳金) of the equity interests in a company, details of which are set out in the announcement of the Company dated 31 May 2017
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning as ascribed to it in the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Tou Rong Chang Fu Group Limited
Li Zhenjun
Chairman

Hong Kong, 23 February 2018

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Li Zhenjun, Mr. Wong Kwok Leung and Mr. Poon Wai Kong; and (ii) three independent non-executive Directors, namely Mr. Chan Shu Kin, Mr. Cheung Kwan Hung and Mr. Chiu Wai Piu.