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YUGANG

YUGANG INTERNATIONAL LIMITED

(渝港國際有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00613)

MAJOR TRANSACTION SUBSCRIPTION OF SHARES IN THE TARGET COMPANY

INTRODUCTION

The Board announces that on 20 May 2019 (after trading hours), the Subscriber, an indirect wholly-owned subsidiary of the Company, entered into a Conditional Subscription Agreement with the Target Company to subscribe for 2,000 Subscription Shares at the Subscription Price of HK\$135,000 per Subscription Share. The aggregate consideration for the Subscription was HK\$270,000,000 (excluding transaction costs). As at the date of this announcement, the Target Company's total number of shares in issue is 1,800. Upon Completion, the Subscriber will hold approximately 52.63% of the enlarged (as enlarged by the Subscription) share capital of the Target Company which will become an indirect non-wholly owned subsidiary of the Company and the Target Group's financial results will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription are more than 25% but less than 100%, the Subscription constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under the Listing Rules.

* *For identification purposes only*

GENERAL

As no Shareholder is materially interested in the transactions contemplated under the Conditional Subscription Agreement and is required to abstain from voting at a general meeting of the Company approving the same, the Company has, pursuant to Rule 14.44 of the Listing Rules, obtained written approval of the Conditional Subscription Agreement from Future Capital Group Limited, a Shareholder holding 6,282,636,400 issued ordinary shares of the Company (representing approximately 67.51% of its entire issued share capital as at the date of this announcement). As such, the Company is exempted from convening a general meeting to approve the transactions contemplated under the Agreement.

A circular containing, among other things, further information of the Subscription will be despatched to the Shareholders on or before 11 June 2019.

INTRODUCTION

The Board announces that on 20 May 2019 (after trading hours), the Subscriber, a company incorporated in the Cayman Islands and an indirect wholly-owned subsidiary of the Company, entered into the Conditional Subscription Agreement with the Target Company to subscribe for 2,000 Subscription Shares at the Subscription Price of HK\$135,000 per Subscription Share. The aggregate consideration for the Subscription was HK\$270,000,000 (excluding transaction costs). Upon Completion, the Subscriber will hold approximately 52.63% of the enlarged (as enlarged by the Subscription) share capital of the Target Company.

THE CONDITIONAL SUBSCRIPTION AGREEMENT

Date

20 May 2019 (after trading hours)

Parties

- (1) the Subscriber: Planetree Cayman Limited, a company incorporated in the Cayman Islands and an indirect wholly-owned subsidiary of the Company; and
- (2) the Target Company: Liberty Capital Limited, a company incorporated in the Cayman Islands.

To the best knowledge, information and belief of the Board and after making all reasonable enquiries, the Target Company and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Subject Matter

Pursuant to the Conditional Subscription Agreement, the Target Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe 2,000 Subscription Shares of the Target Company at the Consideration of HK\$270,000,000. As at the date of this announcement, the Target Company's total number of shares in issue is 1,800. The 2,000 Subscription Shares represent approximately 52.63% of the enlarged (as enlarged by the Subscription) share capital of the Target Company.

Consideration

The Consideration is equivalent to HK\$135,000 per Subscription Share which represents a premium of approximately 2% to its net asset value. The price of the Subscription Shares and the aggregate consideration of HK\$270,000,000 were determined and agreed between the parties to the Conditional Subscription Agreement after arm's length negotiations taking into account the financial performance and position, infrastructure already in place of the Target Group, business outlook and future prospects of the Target Group as well as the fact that the Company will acquire a majority share control in the Target Company upon Completion.

Pursuant to the Conditional Subscription Agreement, a refundable deposit of HK\$50,000,000 will be paid to the Target Company within 5 business days from the execution of the said Conditional Subscription Agreement. Upon fulfillment of the conditions precedent, the Subscriber shall pay the balance of the Consideration, being HK\$220,000,000 in cash to the Target Company upon Completion.

The Consideration will be satisfied by the Group's internal resources.

Conditions Precedent

The Completion is conditional upon:

- (i) all requirements are satisfied by the Company to approve the Conditional Subscription Agreement and the transactions contemplated thereunder in accordance with the Listing Rules (if necessary);
- (ii) all other consents or approval of any relevant governmental authorities, regulatory bodies or other relevant third parties in Hong Kong or elsewhere which are required or appropriate for the entry into and the implementation of the Conditional Subscription Agreement having been obtained, including but not limited to the approval of the SFC under Part V of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) for any change in "substantial shareholder" of the relevant member(s) of the Target Group, if required;
- (iii) the due diligence investigation on the Target Group to be carried out pursuant to the Conditional Subscription Agreement having been completed to the satisfaction of the Subscriber in its sole discretion.

If the conditions precedent have not been fulfilled (or waived by the Subscriber except for the conditions precedent referred to in (i) and (ii) above which cannot be waived) on or before 5:00 p.m. (Hong Kong time) on 31 August 2019 (or such other date as the Company and the Subscriber may agree in writing), the Conditional Subscription Agreement shall thereupon terminate and the Target Company will refund the refundable deposit of HK\$50,000,000 to the Subscriber within 3 business days and thereafter neither party shall have any further claims against each other under the Conditional Subscription Agreement for costs, damages, compensation or otherwise, save in respect of antecedent breaches and claims.

Completion

Completion shall take place at 5:00 p.m. (Hong Kong time) on the fifth (5th) business day from the date on which all of the conditions precedent shall have been satisfied or waived by the Subscriber (or such other date as the Company and the Subscriber may agree). Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and the Target Group's financial results will be consolidated into the accounts of the Group.

INFORMATION OF THE PARTIES

The Company and the Subscriber

The Company is incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the principal activities of the Group are (i) treasury management; (ii) money lending; and (iii) property leasing.

As disclosed in the Company's announcement dated 3 May 2019 and as stated in the composite document in relation to the conditional mandatory cash offer of the Company dated 28 March 2019, the controlling shareholder of the Company intended to formulate long-term business plans and strategy of the Company, explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification would be appropriate in order to enhance the long-term growth potential of the Company.

The Subscriber is a company incorporated in the Cayman Islands and an indirect wholly-owned subsidiary of the Company.

Information of the Target Company

The Target Company is an investment holding company incorporated in the Cayman Islands. Its subsidiaries principally engage in the business of investment holding, property investment, SFC with License to carry out licence Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts) and Type 9 (Asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Target Group contemplates to apply for SFC License to carry out Type 7 regulated activities (providing automated trading services). Accordingly, the Target Group has engaged a well known professional firm as the consultant to apply for SFC Type 7 regulated activity licence, and has recruited as well as in the process of recruiting additional personnel for such activities.

Set out below is extract of the unaudited financial information of the Target Group for the two years ended 31 December 2018 respectively:

	For the year ended 31 December	
	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Profit/(Loss) before tax	(2,400.5)	13,508.1
Profit/(Loss) after tax	(2,401.9)	13,508.1

The latest available unaudited consolidated net assets value of the Target Group as at 31 March 2019 was approximately HK\$129.5 million. Because of the issue and allotment of new shares of the Target Company subsequent to 31 March 2019, the unaudited consolidated net assets value of the Target Group as at 9 May 2019 has been increased to approximately HK\$238.3 million by including the additional share capital raised.

OTHER INFORMATION

Prior to the Subscription, the Company had previously extended an unsecured revolving line of credit to the Target Company as follows:

Date of loan agreement: 19 December 2018

Principal amount: up to HK\$50,000,000

Final repayment date: the date falling two years from the date of the loan agreement

Interest rate: 16% per annum

Currently there is no outstanding amount drawn from the above facility.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The principal activities of the Group are (i) treasury management; (ii) money lending; and (iii) property leasing.

As disclosed in the Company's announcement dated 3 May 2019 and as stated in the composite document in relation to the conditional mandatory cash offer of the Company dated 28 March 2019, the controlling shareholder of the Company intended to formulate long-term business plans and strategy of the Company, explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification would be appropriate in order to enhance the long-term growth potential of the Company.

The Subscription will allow the Company to take control of a well-established operating brokerage business with experienced personnel and with in place infrastructure. The brokerage business will augment well with the Company's current businesses in treasury management and money lending. The Subscription will also allow the Company to be engaged in the financial services business which is in line with its stated goal of diversifying into other business to enhance the long-term growth potential of the Company.

The Directors consider that the Subscription and the terms of the Conditional Subscription Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription are more than 25% but less than 100%, the Subscription constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under the Listing Rules.

GENERAL

As no Shareholder is materially interested in the transactions contemplated under the Conditional Subscription Agreement and is required to abstain from voting at a general meeting of the Company approving the same, the Company has, pursuant to Rule 14.44 of the Listing Rules, obtained written approval of the Conditional Subscription Agreements from Future Capital Group Limited, a Shareholder holding 6,282,636,400 issued ordinary shares of the Company (representing approximately 67.51% of its entire issued share capital as at the date of this announcement). As such, the Company is exempted from convening a general meeting to approve the transactions contemplated under the Agreement.

A circular containing, among other things, further information of the Subscription will be despatched to the Shareholders on or before 11 June 2019.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“business day”	a day (other than a Saturday or Sunday or Public Holiday) on which banks are open for business in Hong Kong
“Company”	Yugang International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 00613)
“Completion”	completion of the Subscription pursuant to the Conditional Subscription Agreement
“Conditional Subscription Agreement”	the agreement dated 20 May 2019 entered into between the Subscriber and the Target Company in relation to the Subscription
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Subscription, being HK\$270,000,000
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SFC”	Securities and Futures Commission
“Shareholder(s)”	the holder of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Planetree Cayman Limited, a company incorporated in the Cayman Islands and an indirect wholly-owned subsidiary of the Company
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Conditional Subscription Agreement

“Subscription Share(s)”	the 2,000 ordinary share(s) of US\$1.00 each in the share capital of the Target Company to be allotted and issued by the Target Company to the Subscriber or its nominee pursuant to the Conditional Subscription Agreement
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Company”	Liberty Capital Limited, a company incorporated in the Cayman Islands
“Target Group”	Target Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

By order of the Board
Yugang International Limited
Cheung Ka Yee
Executive Director

Hong Kong, 20 May 2019

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Lam Hiu Lo
Mr. Liang Kang
Ms. Cheung Ka Yee
Ms. Tsang Wing Man

Independent Non-Executive Directors:

Mr. Chan Sze Hung
Mr. Ha Kee Choy, Eugene
Mr. Kwong Kai Sing, Benny