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PYI Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 498)

DISCLOSEABLE TRANSACTION IN RELATION TO THE SUBSCRIPTION OF 27.3% INTEREST IN THE TARGET COMPANY

THE SUBSCRIPTION

On 23 February 2021 (after trading hours), the Subscriber and the Target Company entered into the Subscription Agreement pursuant to which, the Subscriber has agreed to subscribe for and the Target Company has agreed to issue and allot 31,500 Subscription Shares at a Consideration of HK\$100,000,000.

Completion has taken place simultaneously upon the signing of the Subscription Agreement on 23 February 2021, upon which, the Subscriber held 31,500 shares of the Target Company, representing approximately 27.3% of the enlarged issued share capital of the Target Company and accordingly the Target Company has become an associate of the Group.

THE SHAREHOLDERS' AGREEMENT

Pursuant to the Subscription Agreement, upon Completion, the Target Company, the Subscriber, and the existing shareholders of the Target Company, namely Victor Choice Global Limited and Mr. David Ki have entered into the Shareholders' Agreement to regulate the respective rights and obligations of the shareholders of the Target Company and the conduct of the affairs (including but not limited to the ownership, management and operations) of the Target Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription exceeds 5% but all of them are less than 25%, the Subscription constitutes a discloseable transaction of the Company and is therefore subject to the relevant reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE SUBSCRIPTION

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THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below:

Date

23 February 2021

Parties

- (1) The Subscriber; and
- (2) The Target Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Target Company and its ultimate beneficial owner(s) is an Independent Third Party.

The Subscription

Pursuant to the Subscription Agreement, the Target Company has agreed to issue and allot and the Subscriber has agreed to subscribe for 31,500 Subscription Shares at a Consideration of HK\$100,000,000.

The Consideration

The Subscription Price is approximately HK\$3,174.6 per Subscription Share and the Consideration is HK\$100,000,000. The Consideration has been settled by the Subscriber in cash upon Completion.

The Consideration was funded by internal resources of the Group.

Basis of Consideration

The Consideration was determined after arm's length negotiations between the parties to the Subscription Agreement after taking into consideration various factors, among other things, (i) the licensed status of the Target Group (through its indirect wholly-owned subsidiary, namely Hope Securities Limited) to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities

under the SFO; (ii) unaudited consolidated net asset value of the Target Group of approximately HK\$266.5 million as at 31 December 2020; (iii) the valuation of 27.3% equity interest of the Target Group (before the Subscription) of approximately HK\$74 million as at 31 December 2020 (the “**Valuation**”) as prepared by an independent professional valuer based on the market approach; (iv) the business prospects of the Target Group; and (v) the factors stated in the section headed “Reasons for the Subscription” set out below.

In view of the above, the Directors consider that the Consideration is fair and reasonable.

Completion

Completion has taken place simultaneously upon the signing of the Subscription Agreement on 23 February 2021, upon which, the Subscriber held 31,500 shares of the Target Company, representing approximately 27.3% of the enlarged issued share capital of the Target Company and accordingly the Target Company has become an associate of the Group.

THE SHAREHOLDERS’ AGREEMENT

Pursuant to the Subscription Agreement, upon Completion, the Target Company, the Subscriber, and the existing shareholders of the Target Company, namely Victor Choice Global Limited (“**Victor Choice**”) and Mr. David Ki (“**Mr. Ki**”) have entered into the Shareholders’ Agreement to regulate the respective rights and obligations of the shareholders of the Target Company and the conduct of the affairs (including but not limited to the ownership, management and operations) of the Target Company.

The material terms of the Shareholders’ Agreement are summarised below:

Date

23 February 2021

Parties

- (i) the Subscriber;
- (ii) Victor Choice;
- (iii) Mr. Ki; and
- (iv) the Target Company (together the “**Parties of the Shareholders’ Agreement**”).

Principal business

The Target Company shall continue to engage in investment holding in various subsidiaries which are principally engaged in securities brokerage, money lending, asset management, financial services and securities trading businesses.

Board composition

Victor Choice shall be entitled to nominate two directors to the board of directors of the Target Company (the “**Member Board**”) while the Subscriber shall nominate one director to the Member Board and Mr. Ki shall not be entitled to nominate any director to the Member Board. The first chairman of the Member Board shall be nominated by Victor Choice.

Selling restrictions

Each shareholders of the Target Company agrees that it will not pledge or otherwise encumber any of the shares of the Target Company or transfer all or part of the shares of the Target Company except with the prior written consent of the other shareholders of the Target Company.

If any shareholder of the Target Company proposes to sell or otherwise deal with or dispose of any shares or other equity interest of the Target Company (the “**Offered Shares**”) to any third party, then the other shareholders of the Target Company shall have a right of first refusal to purchase such Offered Shares in accordance with the Shareholders’ Agreement.

Dividend Policy

To the extent permitted by law and having regard to the capital expenditure and working capital requirements of the Target Company, the profit after taxation of the Target Company shall be shared by way of dividends among the shareholders of the Target Company in proportion to their respective shareholdings in the Target Company except for the first three financial years as stated below.

Pursuant to the Shareholders’ Agreement, the Target Company shall during the first three financial years commencing from the date of the Shareholders’ Agreement distribute dividends to all the shareholders of the Target Company in the guaranteed amount at the rate of 4% per annum of such shareholder’s initial investment costs in the Target Company as follows:

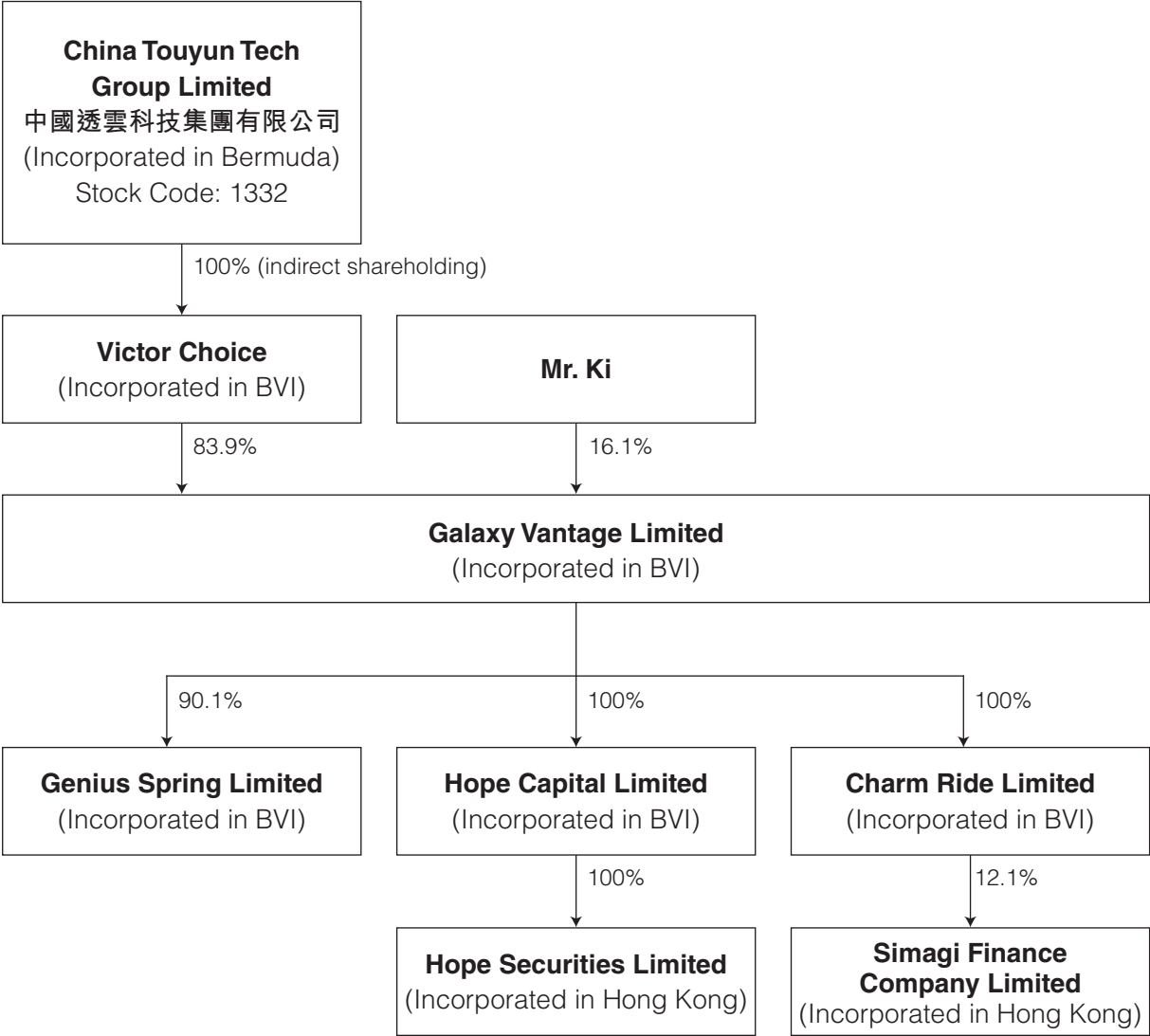
Victor Choice’s investment costs	HK\$227,000,000
Mr. Ki’s investment costs	HK\$41,000,000
the Subscriber’s investment costs	HK\$100,000,000

INFORMATION OF THE PARTIES

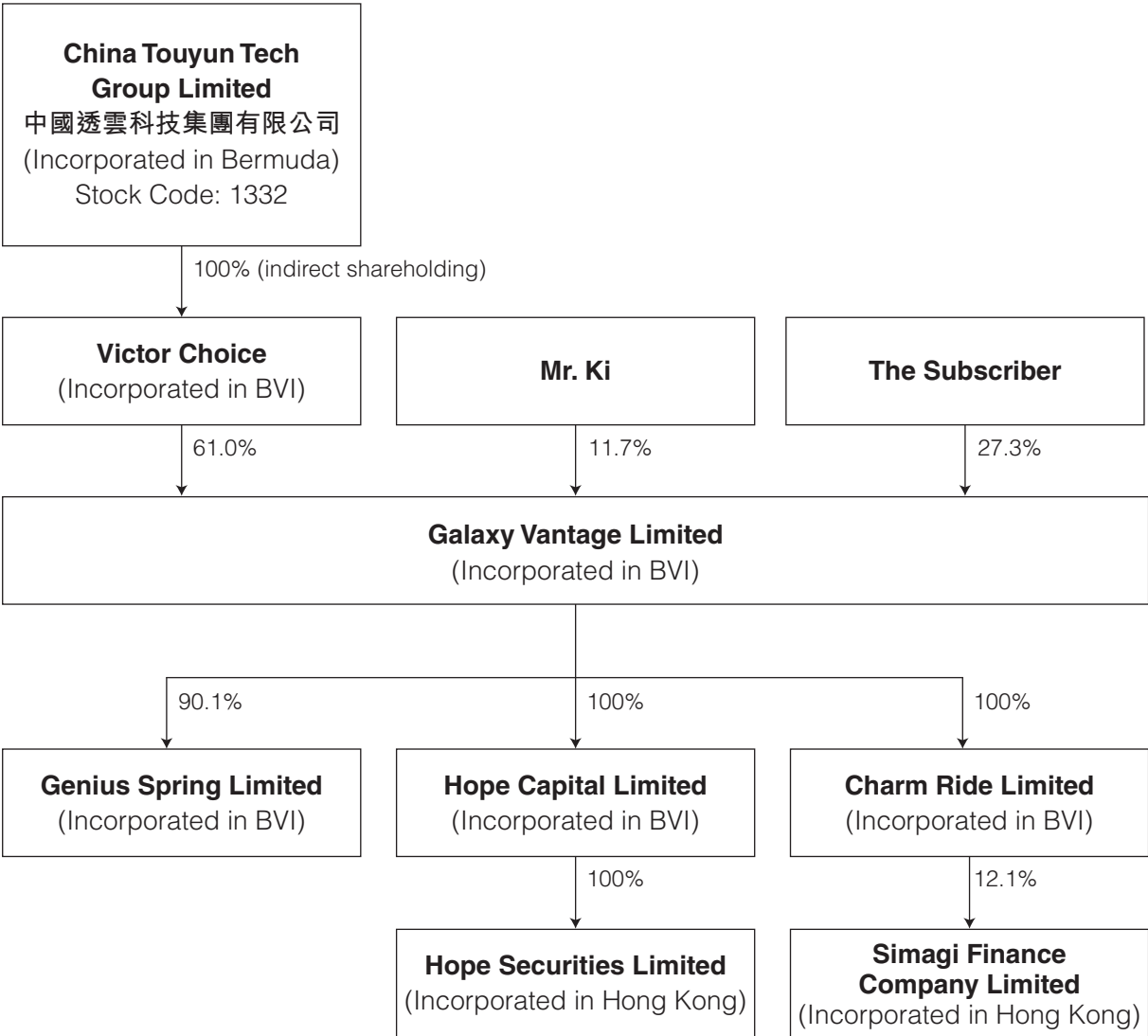
Shareholding Structure of the Target Group

The following diagram illustrates the shareholding structures of the Target Group prior to the Completion and immediately after the Completion:

(i) Shareholding structure of the Target Group prior to the Completion



(ii) Shareholding structure of the Target Group immediately after the Completion



Information of the Target Company and the Target Group

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is an indirect 83.9% owned subsidiary of China Touyun Tech Group Limited (stock code: 1332), a company listed on the Stock Exchange. The Target Company is principally engaged in investment holding. The Target Group, through its indirect wholly-owned subsidiary, Hope Securities Limited, holds the licences to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advise on futures contracts) and Type 9 (asset management) regulated activities under the SFO in Hong Kong and is principally engaged in the provision of one-stop integrated financial services.

The Target Group also possesses a diversified portfolio of listed securities for trading purpose. As at 18 February 2021, the Target Group's investment portfolio consists of listed equity securities in Hong Kong covering various industries such as property investment and development, medical services and hotels, which amounted to approximately HK\$160 million.

In addition, the Target Group effectively invests in approximately 12.1% interest in Simagi Finance Company Limited, a company incorporated in Hong Kong with limited liability which holds valid money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and is principally engaged in the business of money lending services.

It is the business strategy of the Target Group to further strengthen its integrated financial services platform by deploying the proceeds from the Subscription as follows: (i) expanding the securities margin financing business, such as expansion of margin loan portfolio and provision of IPO margin financing; and (ii) diversifying the scope of securities brokerage business and to participate in placement and underwriting activities in various fund raising exercises.

Financial Information of the Target Group

The table below sets out the unaudited consolidated financial information of the Target Group for the financial year ended 31 December 2019 and 2020:

	For the year ended	
	31 December	31 December
	2020	2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before taxation	(14,855)	(1,242)
Net loss after taxation	(14,855)	(1,242)

According to the management accounts of the Target Group for the year ended 31 December 2020, the unaudited net asset value of the Target Group as at 31 December 2020 was approximately HK\$266.5 million.

Information of the existing shareholders of the Target Company

Victor Choice is a company incorporated in the BVI with limited liability. The principal business of Victor Choice is investment holding.

Mr. Ki is a businessman in Hong Kong.

As at the date of this announcement, Mr. Ki had options granted by the Target Company which Mr. Ki can top up his shareholding in the Target Company up to 23% of the enlarged issued share capital thereof immediately after the exercise of such options (the “Options”) (after taken into account the number of the Subscription Shares and the shares to be issued upon exercise of the Options). Assuming that the Options are exercised to the fullest extent (assuming no change in the number of shares of the Target Company after the Completion other than from exercise of the Options), the shareholding of Victor Choice, Mr. Ki and the Subscriber in the Target Company will be approximately 53.2%, 23.0% and 23.8% respectively. As such, the Subscriber’s shareholding in the Target Company will be reduced from approximately 27.3% to 23.8% upon exercise of the Options.

Information of the Company and the Subscriber

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in ports and logistics facilities in the Yangtze River region of China, land and property development and investment in association with ports and infrastructure development, as well as securities trading and investment, and provision of loan financing services. It also provides comprehensive engineering and property-related services through Paul Y. Engineering Group Limited.

The Subscriber, an indirect wholly-owned subsidiary of the Company, is incorporated in Marshall Islands with limited liability. The Subscriber principally engages in investment holding.

REASONS FOR THE SUBSCRIPTION

The Group has been constantly looking for new opportunities in order to enhance value of the Shareholders. The Directors consider that it will be beneficial for the Group to seek suitable investment opportunity from time to time to expand and diversify its existing business portfolio into business area with growth potential and broaden its source of income.

As disclosed in the interim report of the Group for the six months ended 30 September 2020, revenue and gross profit of the Group declined by approximately 25% and 13% respectively from the corresponding period in 2019. For the six months ended 30 September 2020, despite the negative impacts on the global economy and financial markets posed by the unsettled China-US tension and COVID-19 pandemic, panic on the securities market has gradually stabilised during the period and securities trading and investment business of the Group had turnaround and recorded an operating gain of around HK\$287 million.

Whilst the business climates in both local market and worldwide were challenging in the past year, the Group is confident that the financial market will be one of the cornerstones of economy in Hong Kong and shall continue to serve as one of the world’s leading fund-raising platform.

As disclosed in “Market statistics 2020” published by the Stock Exchange, Hong Kong ranked the second globally in IPO fund-raising in 2020 in terms of equity funds raised, reaching the figure of US\$46.9 billion. Also, according to data of the Stock Exchange, average daily turnover of the Hong Kong stock market as at 30 November 2020 was HK\$128.4 billion, representing an increase of approximately 47.2% compared with HK\$87.2 billion as at 31 December 2019.

Therefore, the Board considers integrated financial services as a promising new line of business given the prospect of the Hong Kong stock market.

The Target Group is an established financial institution which possesses comprehensive SFC regulatory licenses (Types 1, 2, 4, 5 & 9) to provide integrated financial services to customers, including securities brokerage, margin financing and asset management services (collectively, the “**Integrated Financial Services**”). The Target Group also possesses a diversified portfolio which mainly comprises listed equity investment in Hong Kong for generating dividend income and/or gains on securities trading. Moreover, the Target Group also participates in money lending business through strategical investment.

With the proceeds from the Subscription, the Target Group is provided with additional capital for pursuing further development, investment and participation in the Integrated Financial Services. Eventually, the Target Group will become a one-stop investment platform offering a wide spectrum of integrated financial services and products to its client and it may result in cross-selling opportunities across its different business lines.

Based on the foregoing, the Board considers that the Target Group will be able to take advantage of the growth potential of the Hong Kong stock market and the Subscription will provide an opportunity for the Group to diversify its business portfolio to participate in the integrated financial services sector and related business. In addition, the Subscription represents a milestone of the Group to tap into integrated financial services business in Hong Kong and to gain knowledge, expertise and network in the field, as well as to bring returns to the Group by dividends and share of profit from the Group’s investment in the Target Group.

Pursuant to the dividend policy as stipulated under the Shareholders’ Agreement, subject to the conditions as set out thereunder, the Group will receive guaranteed amount of dividend of 4% per annum of its investment in the Target Company under the Subscription during the first three financial years commencing from the date of the Shareholders’ Agreement. As such, it will result in potential dividend income to the Group for recouping its investment in the Target Group.

In addition, the Group recorded sizeable net current assets of approximately HK\$2.5 billion as at 30 September 2020. The Group also held a portfolio for its securities business which mainly comprises investments in debt instruments and equity instruments that are held for trading which aggregated to approximately HK\$732.5 million as at 30 September 2020, representing substantial growth of around 66% as compared to 31 March 2020.

The Group anticipates that by leveraging on the expertise of the professionals of the Target Group who have practical investment experience and expertise in asset management business and financial services industry, it will enable the Group to generate satisfactory return for its securities business. In order to ensure that the resources of the Group are being utilised efficiently and effectively and with the view of maximising the investment return, the Group intends to engage the Target Group to provide asset management services for its investment portfolio. Concurrently, capitalising on the capability of the Target Group in providing asset management services to third party clients in return for asset management fee, the Group will also share the profit of the Target Group deriving from its asset management services.

Moreover, the Subscription is a strategic step which places the Group in a better position to evaluate the possibilities and merits of acquiring further interest in the Target Group in the future subject to among others, the then performance and prospect of the Target Group and the Group's business strategy.

Based on the foregoing, the Board is of the view that the Subscription is on normal commercial terms, and that the terms are fair, reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription exceeds 5% but all of them are less than 25%, the Subscription constitutes a discloseable transaction of the Company and is therefore subject to the relevant reporting and announcement requirements under Chapter 14 of the Listing Rules.

OTHER INFORMATION

As stated in the announcement of the Company dated 22 February 2021, the Company proposed termination of the share financing plan of the Company (the "**Previous Plan**"). Upon Completion, the Group will co-operate with Hope Securities Limited, the operating arm of the Target Group, such that relevant eligible persons (including employees, directors, consultants, advisers, agents of the Group) under the Previous Plan will be able to obtain funding from Hope Securities Limited for financing their acquisition of the Shares at preferential terms.

DEFINITIONS

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

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	PYI Corporation Limited (stock code: 498), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription pursuant to the Subscription Agreement
“Consideration”	the total consideration of HK\$100,000,000 to be received by the Target Company for the Subscription
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	the third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of par value of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement entered into among the Target Company, the Subscriber, Victor Choice Global Limited and Mr. David Ki upon Completion in connection with the conduct of the affairs of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	Blue River Investments Limited, a non-resident domestic company incorporated in Marshall Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Subscription”	the subscription of approximately 27.3% of the enlarged issued share capital of the Target Company by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 23 February 2021 entered into between the Subscriber and the Target Company relating to the Subscription
“Subscription Price”	approximately HK\$3,174.6 per Subscription Share
“Subscription Shares”	the 31,500 ordinary share(s) of US\$1.0 each of the Target Company to be allotted and issued by the Target Company to the Subscriber pursuant to the Subscription Agreement
“Target Company”	Galaxy Vantage Limited, a company incorporated in BVI with limited liability with 83,935 ordinary shares of US\$1.00 each in issue before the Subscription
“Target Group”	the Target Company and its subsidiaries
“%”	per cent

By Order of the Board
PYI Corporation Limited
Lau Tom Ko Yuen
Chairman

Hong Kong, 23 February 2021

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

Executive Directors:

Mr. Lau Tom Ko Yuen
(Chairman)

Mr. Marc Andreas Tschirner
(Managing Director)

Mr. Au Wai June

Non-Executive Director:

Mr. Kwong Kai Sing, Benny

Independent Non-Executive Directors:

Mr. Ma Ka Ki

Mr. William Nicholas Giles

Mr. Leung Chung Ki