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PYI Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 498)

DISCLOSEABLE TRANSACTION IN RELATION TO THE SUBSCRIPTION OF ONE-THIRD INTEREST IN THE TARGET COMPANY

THE SUBSCRIPTION

On 9 March 2021 (after trading hours), the Subscriber and the Target Company entered into the Subscription Agreement pursuant to which, (i) the Subscriber has agreed to subscribe for and the Target Company has agreed to issue and allot 10,000 Subscription Shares at a Consideration of HK\$100,000,000; and (ii) upon Completion, the Subscriber shall be granted the Option to subscribe for a further 10,000 Option Shares at the subscription price of HK\$100,000,000. The Option Shares, together with the Subscription Shares, will represent 50% of the issued share capital of the Target Company as enlarged by the issue and allotment of the Subscription Shares and the Option Shares.

Completion has taken place simultaneously upon the signing of the Subscription Agreement on 9 March 2021 (and the Option has yet been exercised), upon which, the Subscriber held 10,000 shares of the Target Company, representing one-third (approximately 33.3%) of the enlarged issued share capital of the Target Company and accordingly the Target Company has become an associate of the Group.

SHAREHOLDERS' AGREEMENT

Pursuant to the Subscription Agreement, upon Completion, the Target Company, the Subscriber, and PHL (the other shareholder of the Target Company) 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 Company will make further announcement(s) and comply with all other applicable requirements under the Listing Rules, as and when appropriate, if the exercise of the Option constitutes a notifiable transaction of the Company under the Listing Rules when it is so exercised.

THE SUBSCRIPTION

On 9 March 2021 (after trading hours), the Subscriber and the Target Company entered into the Subscription Agreement pursuant to which, (i) the Subscriber has agreed to subscribe for and the Target Company has agreed to issue and allot 10,000 Subscription Shares at a Consideration of HK\$100,000,000; and (ii) upon Completion, the Subscriber shall be granted the Option to subscribe a further 10,000 Option Shares at the subscription price of HK\$100,000,000. The Option Shares, together with the Subscription Shares, will represent 50% of the issued share capital of the Target Company as enlarged by the issue and allotment of the Subscription Shares and the Option Shares.

Completion has taken place simultaneously upon the signing of the Subscription Agreement on 9 March 2021 (and the Option has yet been exercised), upon which, the Subscriber held 10,000 shares of the Target Company, representing one-third (approximately 33.3%) of the enlarged issued share capital of the Target Company and accordingly the Target Company has become an associate of the Group.

THE SUBSCRIPTION AGREEMENT

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

Date

9 March 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 10,000 Subscription Shares at a Consideration of HK\$100,000,000.

The Consideration

The Subscription Price is HK\$10,000 per Subscription Share and the Consideration is HK\$100,000,000. The Consideration has been fully paid by the Subscriber in cash.

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 with reference to (i) the Reference NAV Per Share (as defined below); and (ii) 10,000 Subscription Shares to be issued such that the Subscriber will be interested in one-third (approximately 33.3%) of the enlarged shareholding of the Target Company immediately after the Completion.

Immediately prior to the Completion, PHL, the then sole shareholder of the Target Company, has made cash contribution to the Target Company to subscribe for a further 10,000 shares of the Target Company (the "**PHL Cash Contribution**").

Immediately after the PHL Cash Contribution but prior to the Completion, (i) assets of the Target Company solely comprised cash; (ii) the Target Company recorded net asset value of HK\$200 million (without taking into account the Consideration to be paid by the Subscriber); (iii) there were 20,000 issued shares of the Target Company which were entirely held by PHL; and (iv) net asset value per share of the Target Company was HK\$10,000 (the "**Reference NAV Per Share**").

Immediately after the Completion, the net asset value of the Target Company increased to HK\$300 million (the "**Enlarged NAV**") and the Target Company was owned as to one-third (approximately 33.3%) by the Subscriber and as to two-third (approximately 66.7%) by PHL.

The Directors consider that the Consideration is fair and reasonable after taking into account the following: (i) the Subscription Price of HK\$10,000 per Subscription Share is equivalent to the Reference NAV Per Share; and (ii) the Consideration represents one-third (approximately 33.3%) of the Enlarged NAV, which such ratio is equivalent to the Subscriber's shareholding in the Target Company after the Completion.

Completion

Completion has taken place simultaneously upon the signing of the Subscription Agreement on 9 March 2021 (and the Option has yet been exercised), upon which, the Subscriber held 10,000 shares of the Target Company, representing one-third (approximately 33.3%) of the enlarged issued share capital of the Target Company and accordingly the Target Company has become an associate of the Group.

The Option

Upon the Completion, the Target Company has granted the Option to the Subscriber pursuant to the Subscription Agreement. The Subscriber is granted the Option which is exercisable at any time after the date of grant up to (and inclusive of) 31 December 2021 (the “**Option Period**”) to subscribe a further 10,000 Option Shares at the subscription price of HK\$100,000,000. The Option Shares, together with the Subscription Shares, will represent 50% of the issued share capital of the Target Company as enlarged by the issue and allotment of the Subscription Shares and the Option Shares.

The Subscriber may, but is not obliged to, exercise the Option at any time during the Option Period.

THE SHAREHOLDERS’ AGREEMENT

Pursuant to the Subscription Agreement, upon Completion, the Target Company, the Subscriber, and PHL (the other shareholder of the Target Company) 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

9 March 2021

Parties

- (i) the Subscriber;
- (ii) PHL; and
- (iii) the Target Company (together the “**Parties of the Shareholders’ Agreement**”).

Principal business

The Target Company shall continue to engage in money lending business.

Board composition

Each shareholder of the Target Company shall be entitled to nominate such proportion of the directors of the Target Company as most closely reflects that shareholder’s shareholding in the Target Company and to remove from office and replace any person so nominated.

The board of directors of the Target Company (the “**Member Board**”) shall initially comprise three directors and shall not at any time comprise more than ten directors, except with the approval of all the shareholders of the Target Company. For the initial composition of the Member Board with 3 directors, PHL shall be entitled to nominate two directors to Member Board while the Subscriber shall nominate one director to the Member Board. The first chairman of the Member Board shall be nominated by PHL.

Selling restrictions

Each shareholder 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 share 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:

PHL’s investment costs.	HK\$200,000,000
The Subscriber’s investment costs.	HK\$100,000,000

All distribution of dividends made by the Target Company to the shareholders of the Target Company shall only be made within 2 months after the audited financial statements of the Target Company become available for the relevant financial year.

Financing

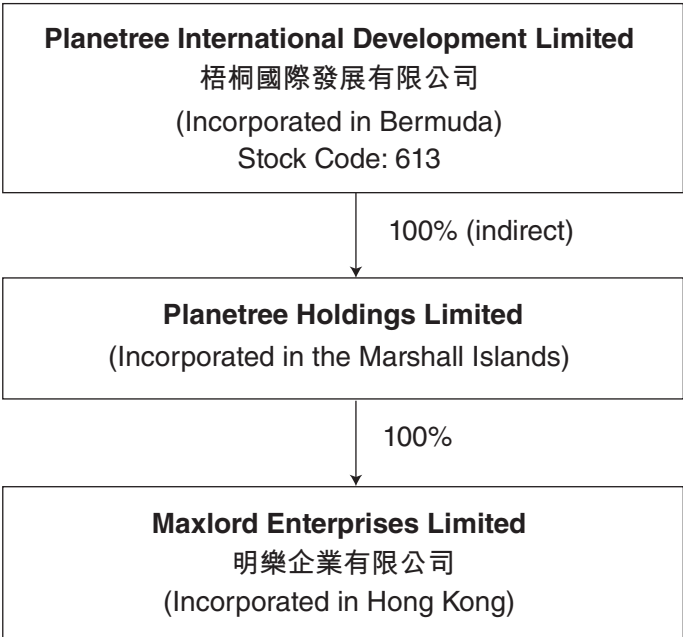
Notwithstanding any provision to the contrary in the Shareholders' Agreement, save and except for exercising the Option, the Parties of the Shareholders' Agreement mutually agree that no shareholder of the Target Company shall be called upon to provide any funding or financial assistance (whether by way of injection of capital or loans or otherwise) to the Target Company on or before 31 December 2021 unless all shareholders of the Target Company agree otherwise in writing. The shareholders of the Target Company agree that commencing from 1 January 2022, the Target Company may raise further capital from any of the shareholders of the Target Company by way of capital injection or loans or otherwise subject to the ordinary resolution of the shareholders of the Target Company.

INFORMATION OF THE PARTIES

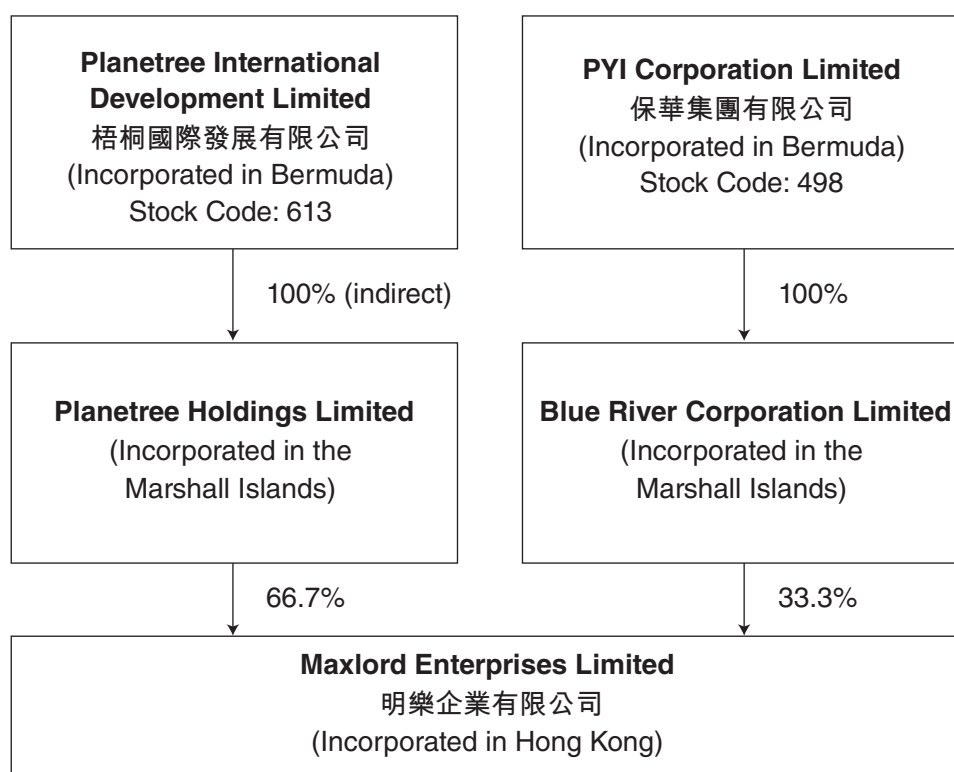
Shareholding Structure of the Target Company

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

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



(ii) **Shareholding structure of the Target Company upon the Completion**



Information of the Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of Planetree International Development Limited (stock code: 613), a company listed on the Main Board of the Stock Exchange. The Target Company is a licensed money lender carrying out money lending business in Hong Kong.

Financial Information of the Target Company

The table below sets out the financial information of the Target Company for the financial years ended 31 December 2019 and 2020.

	For the year ended	
	31 December 2020	31 December 2019
	<i>(Unaudited)</i>	<i>(Audited)</i>
	HK\$'000	HK\$'000
Net profit before taxation	5,231	8,932
Net profit after taxation	5,231	8,932

According to the management accounts of the Target Company for the two months ended 28 February 2021, the unaudited net asset value of the Target Company as at 28 February 2021 was approximately HK\$84.8 million.

Information of PHL

PHL is a company incorporated in the Marshall Islands with limited liability. The principal business of PHL is investment holding.

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, *inter alia*, 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.

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

REASONS FOR THE SUBSCRIPTION

As disclosed in the Company's interim report for the 6 months ended 30 September 2020, the Group completed very substantial disposals of its Jiaxing Port and Yichang Port Group. Despite an one-off disposal gain was recorded, the Group still recorded an overall 25% decrease in its consolidated revenue. The Group provides loan financing services through operation of treasury business. However, given the difference in terms of risk level and nature in loan financing services and customary treasury activities, inclusion of the loan financing business within the treasury business cannot provide a clear delineation of different business units of the Group. The Group's strategy in attaining the objective of treasury management through provision of loan financing is proved to be undesirable. During the period, the treasury business of the Group recorded operating loss of HK\$64 million which was mainly attributable to the expected credit loss provision of HK\$75 million on loans and related receivables. In the course of recent operations review by the new management, it comes to the attention that the Group does not hold any valid money lenders licence and the recoverability of the outstanding loans is in doubt. Accordingly, the Company is in the course of restructuring its loss making business, of which the liquidation of PYI Management Limited also forms part. Details of the liquidation of PYI Management Limited are disclosed in the Company's separate announcement on 9 March 2021.

In the course of seeking new opportunities to revitalize the Group's operations, the management of the Group conducted due diligence in the Target Company. The Target Company is a licensed money lender carrying out money lending business in Hong Kong. As at 28 February 2021, it has a net asset value of approximately HK\$84.8 million. For the two financial years ended 31 December 2019 and 2020, the Target Company recorded net profits of approximately HK\$8.9 million and HK\$5.2 million respectively.

The Directors intend to capitalise on the expertise and competitive strength of the Target Company (which demonstrated profit-making financial track record in its money lending operation), so as to improve, develop and expand the Group's loan financing business. The Group will participate in the loan financing business by being a shareholder of companies with good operating conditions. The Board believes that the

Group’s investment in the Target Company will strengthen its co-operation with the Target Company. The partnership with the Target Company may create various benefits to the Group, such as (i) enabling the Group to benefit from the expanding customers network and clientele of the Target Company; (ii) share and exchange of business information and management expertise between the parties; (iii) referring to each other potential business opportunities; and (iv) if considered appropriate, joint participation in loan transaction for risk allocation and profit sharing.

In addition, 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 Company.

The Board considers that the terms of the Subscription Agreement are on normal commercial terms, negotiated at arm’s length basis. The Board also considers the Subscription Agreement (including its terms) are fair and reasonable and it is in the best interests of the Company and the Shareholders as a whole to enter into the Subscription Agreement to invest in 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 Company will make further announcement(s) and comply with all other applicable requirements under the Listing Rules as and when appropriate if the exercise of the Option constitutes a notifiable transaction of the Company under the Listing Rules when it is so exercised.

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
- “Company” PYI Corporation Limited (stock code: 498), an exempted 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)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Option”	the option granted to the Subscriber by the Target Company upon Completion pursuant to the Subscription Agreement pursuant to which the Subscriber may exercise the option to subscribe a further of 10,000 Option Shares at the subscription price of HK\$100,000,000 on or before 31 December 2021
“Option Share(s)”	10,000 ordinary share(s) of the Target Company to be allotted and issued by the Target Company to the Subscriber upon exercise of the Option
“PHL”	Planetree Holdings Limited, a company incorporated in the Marshall Islands with limited liability
“Share(s)”	share(s) of par value of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement entered into among the Target Company, the Subscriber and PHL 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 Corporation Limited, a non-resident domestic company incorporated in the Marshall Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Subscription”	the subscription of one-third (approximately 33.3%) of the enlarged issued share capital of the Target Company by the Subscriber pursuant to the Subscription Agreement

“Subscription Agreement”	the subscription agreement dated 9 March 2021 entered into between the Subscriber and the Target Company relating to the Subscription
“Subscription Price”	HK\$10,000 per Subscription Share
“Subscription Share(s)”	the 10,000 ordinary share(s) of the Target Company to be allotted and issued by the Target Company to the Subscriber pursuant to the Subscription Agreement
“Target Company”	Maxlord Enterprises Limited, a company incorporated in Hong Kong with limited liability
“%”	per cent

By Order of the Board
PYI Corporation Limited
Ho Sze Nga, Maggie
Company Secretary

Hong Kong, 9 March 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