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中達集團控股有限公司

CENTRAL WEALTH GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

MAJOR TRANSACTION PROPOSED DISPOSAL OF THE TARGET COMPANY

On 4 February 2020 (after trading hours), the Group, through the Vendor, conditionally agreed to dispose to the Purchaser of the Sale Shares and the Sale Loan at the Consideration, subject to the fulfillment of the Conditions Precedent, by entering into the Preliminary SPA in respect of the Proposed Disposal.

As one of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Disposal exceeds 25% but all of them are less than 75%, the Proposed Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement and Shareholders' approval requirements under the Listing Rules. The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Proposed Disposal.

As the Completion is subject to the fulfilment of the Conditions Precedent, the Proposed Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 4 February 2020 (after trading hours), the Group, through the Vendor, conditionally agreed to dispose to the Purchaser of the Sale Shares and the Sale Loan, subject to the fulfillment of the Conditions Precedent, by entering into the Preliminary SPA in respect of the Proposed Disposal, the principal terms and conditions of which are set out below.

THE PRELIMINARY SPA

Date: 4 February 2020 (after trading hours)

Parties: (1) the Vendor; and
(2) the Purchaser.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter to be disposed of

Pursuant to the Preliminary SPA, the Vendor has conditionally agreed to:

- (i) dispose to the Purchaser, the Sale Shares comprising ten thousand (10,000) shares in the share capital of the Target Company; and
- (ii) assign to the Purchaser, the Sale Loan due and owing by the Target Company to the Vendor and its connected persons (if any) as at the Completion Date. For illustrative purpose, the Sale Loan amounted to approximately HK\$48,363,000 as at 31 December 2019.

Consideration

The Consideration for the Proposed Disposal is HK\$380,000,000, which shall be settled by the Purchaser in cash in the following manner:

- (a) as to HK\$5,000,000 as first deposit (“**First Deposit**”) upon execution of the Preliminary SPA;
- (b) as to HK\$52,000,000 as further deposit (“**Further Deposit**”) on or before 28 February 2020; and
- (c) as to HK\$323,000,000 at Completion, which shall not be later than 2:00 p.m. on or on a date before the Long Stop Date.

The First Deposit and the Further Deposit shall be paid by the Purchaser to the Vendor’s solicitors as stakeholder who shall not release the same to the Vendor until the Completion.

Prior to the receipt of the Further Deposit, the Vendor may, in its absolute discretion, terminate the Preliminary SPA and sell the Sale Shares and the Sale Loan to other parties provided that the Vendor shall return the First Deposit and pay an additional amount equal to the First Deposit to the Purchaser as compensation to the Purchaser. In such circumstances, the Purchaser shall not be entitled to claim other damages or seek specific performance of the Preliminary SPA.

If the Purchaser fails to pay the Further Deposit pursuant to the Preliminary SPA, the Vendor shall be entitled to terminate the Preliminary SPA, forfeit the First Deposit as compensation for its loss and sell the Sale Shares and the Sale Loan to other parties in its absolute discretion but it shall not be entitled to claim other damages or seek specific performance of the Preliminary SPA.

The Consideration was determined after arm's length negotiations between the parties to the Preliminary SPA with reference to (i) a preliminary valuation of the Property of HK\$390,000,000 as at 31 December 2019 conducted by an independent valuer and (ii) the current property market condition.

Director's Guarantee

The Vendor shall procure the relevant director(s) of the Vendor to provide personal guarantee(s) in respect of, among others, the tax and liabilities of the Target Company for a term of 2 years.

Conditions Precedent

The Proposed Disposal is subject to and conditional upon the satisfaction in full of the following conditions:

- (a) all necessary licence, consent, approval, authorisation, permission, waiver, order, exemption, qualification, registration, certificate, authority or other approval required to be obtained on the part of the Purchaser, the Vendor and the Target Company in respect of the Preliminary SPA and the transactions contemplated thereunder having been obtained, remaining in full force and effect and not being revoked;
- (b) the Shareholders having resolved at a general meeting of the Company to approve the Preliminary SPA and the transactions contemplated thereunder in accordance with the Listing Rules;
- (c) all the corporate guarantees provided by the Company for the Target Company having been unconditionally, absolutely and irrevocably released;
- (d) the Vendor having proved to the Purchaser that it is the legal and beneficial owner of the Sale Shares and the Sale Loan; and
- (e) the Vendor procuring the Target Company to, in accordance with section 13 and section 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong), give title and prove that the Target Company has good title of the Property.

Formal Agreement

The Vendor and the Purchaser shall negotiate in good faith and use all reasonable endeavours to enter into a formal agreement for the Proposed Disposal (the “**Formal Agreement**”) on or before 28 February 2020, which shall include the principal terms of the Preliminary SPA and other terms, representations and warranties customary to the transactions similar to the one contemplated under the Preliminary SPA.

In the event that the Vendor and the Purchaser shall fail to reach agreement on the terms of the Formal Agreement on or before 28 February 2020, the Preliminary SPA shall remain valid and in full force and effect and the parties to the Preliminary SPA shall continue to fulfill their respective obligations thereunder. Further announcement(s) will be made if and when the Formal Agreement is executed in compliance with the Listing Rules.

Completion

Completion shall take place on or before the Long Stop Date.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will be deconsolidated from the Group.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. The Target Company is the legal and beneficial owner of the Property.

The Target Company is currently holding the Property located at No. 2, Lincoln Road, Kowloon, Hong Kong. The Property is a house with a gross floor area of approximately 6,702 sq. ft. and a saleable area of approximately 6,659 sq. ft. The Property comprises a 3-storey garden house with a swimming pool on the ground floor with an internal staircase and a lift. The Property is currently used for domestic purpose. The Group acquired the Vendor and the Target Company in 2016 at a consideration of HK\$227,000,000. For details, please refer to the circular of the Company dated 31 March 2017.

Financial Information of the Target Company

The following table sets out the financial information of the Target Company:

	For the year ended 31 December 2018 (Audited) HK\$'000	For the year ended 31 December 2019 (Unaudited) HK\$'000
Net profit/(loss) before taxation	4,506	(49,461)
Net profit/(loss) after taxation	4,506	(49,461)

As at 31 December 2019, the unaudited net asset value of the Target Company was approximately HK\$185,286,000.

INFORMATION ABOUT THE PURCHASER

The Purchaser is an independent third party to the Group and incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

INFORMATION ABOUT THE VENDOR AND THE GROUP

The Vendor is a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

The Group is principally engaged in securities and futures dealing business, financial investments, property investments and money lending business.

FINANCIAL IMPACT ON THE GROUP

It is expected that the Group will record a loss on the Proposed Disposal in the amount of approximately HK\$10,369,000, which is calculated based on (i) the Consideration; (ii) the carrying value of the Sale Loan; (iii) the unaudited net asset value of the Target Company; and (iv) the estimated transaction costs in relation to the Proposed Disposal. The actual loss on the Proposed Disposal to be recorded by the Group is subject to audit and may be different from the expected amount as stated above.

The proceeds received from the Proposed Disposal will be used for the general working capital for the Group and the Board will continue to seek other investment opportunities to increase the return to the Shareholders.

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Hong Kong economy contracted in 2019. Exports and domestic demand worsened significantly. The social issues happened in 2019 and the recent outbreak of Wuhan coronavirus have heavily damaged the economy of Hong Kong and China. In light of the current property market condition, the Board expected that the residential property market in Hong Kong will further deteriorate in the coming future. Thus, the Board considers that the Proposed Disposal and the disposal of the Property represent an appropriate opportunity to realise the Group's investment.

The Board considers the terms of the Proposed Disposal and the Preliminary SPA (including the Consideration) are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Disposal exceeds 25% but all of them are less than 75%, the Proposed Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement and Shareholders' approval requirements under the Listing Rules.

SGM

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Proposed Disposal.

A circular containing, among other things, (i) further details of the Proposed Disposal; (ii) financial information of the Group; (iii) valuation report on the Property to be prepared by an independent professional valuer to the Company; and (iv) other information as required to be contained in the circular under the Listing Rules together with a notice of the SGM and a form of proxy will be despatched to the Shareholders on or before 20 March 2020 as the Formal Agreement is expected to be executed on or before 28 February 2020 and additional time is required to finalise the circular after the execution of the Formal Agreement.

As Completion is subject to the fulfilment of the Conditions Precedent, the Proposed Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

DEFINITION

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Board”	board of Directors
“Business Day(s)”	day(s) on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or public holiday)
“Company”	Central Wealth Group Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 139)
“Completion”	completion of the Proposed Disposal in accordance with the Preliminary SPA
“Completion Date”	the date on which the Completion takes place
“Conditions Precedent”	conditions for Completion set forth in the paragraph headed “Conditions Precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$380,000,000, being the aggregate consideration for the Proposed Disposal under the Preliminary SPA
“Director(s)”	director(s) of the Company
“Formal Agreement”	has the meaning as defined in the paragraph headed “Formal Agreement” in this announcement

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	2 July 2020 or such later date as the Vendor and the Purchaser may from time to time agree in writing
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules
“Preliminary SPA”	preliminary sale and purchase agreement dated 4 February 2020 entered into between the Vendor and the Purchaser in relation to the Proposed Disposal
“Property”	property owned by the Target Company and located at No. 2, Lincoln Road, Kowloon, Hong Kong
“Proposed Disposal”	proposed disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser on and subject to the terms and conditions of the Preliminary SPA and the performance of the transactions contemplated thereunder
“Purchaser”	Million Fortune Well Limited (福萬順有限公司), a company incorporated in the British Virgin Islands with limited liability
“Sale Loan”	all loan due or owing by the Target Company to the Vendor and its connected persons on or at any time prior to Completion
“Sale Shares”	ten thousand (10,000) shares in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of this announcement
“SGM”	special general meeting of the Company to be held and convened to consider and approve the Proposed Disposal and the transactions contemplated thereunder
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Metro Victor Limited (進鴻有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Vendor”	Sky Eagle Global Limited (天鷹環球有限公司), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“sq. ft.”	square feet
“%”	per cent.

By order of the Board
Central Wealth Group Holdings Limited
Chen Xiaodong
Chairman

Hong Kong, 4 February 2020

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

Executive Directors

Mr. Chen Xiaodong (*Chairman*)
Mr. Xu Ke (*Chief Executive Officer*)
Mr. Yu Qingrui
Ms. Lam Hay Yin

Independent non-executive Directors

Mr. Kwok Chi Kwong
Mr. Wu Ming
Mr. Liu Hongwei