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## **TFG INTERNATIONAL GROUP LIMITED**

**富元國際集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 542)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CHINA CULTURAL TOURISM GROUP LIMITED**

On 15 June 2023 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company), the Vendor and the Company entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital of the Target Company at the Consideration of RMB169,324,150 (equivalent to HK\$188,627,103). The Consideration will be satisfied by (i) the issue and allotment of 740,808,000 Consideration Shares at the Issue Price of HK\$0.2 per Consideration Share by the Company to the Vendor (or its nominee) amounting to approximately RMB133,000,000, or if the Regulatory Approval cannot be obtained within three months (or such later date as agreed by the Parties) from the date of the Agreement, the payment of cash in the amount of RMB133,000,000; and (ii) the payment of cash in the amount of RMB36,324,150.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the financial statements of the Group.

The 740,808,000 Consideration Shares represent (i) approximately 10.66% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.64% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company from the date of this announcement to the date of allotment and issue of the Consideration Shares). The Consideration Shares will be allotted and issued pursuant to the General Mandate and will rank *pari passu* in all respects among themselves and with the Shares in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent under the Agreement. As Completion may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

On 15 June 2023 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company), the Vendor and the Company entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital of the Target Company at the Consideration of RMB169,324,150 (equivalent to HK\$188,627,103). The Consideration will be satisfied by (i) the issue and allotment of 740,808,000 Consideration Shares at the Issue Price of HK\$0.2 per Consideration Share by the Company to the Vendor (or its nominee) amounting to approximately RMB133,000,000, or if the Regulatory Approval cannot be obtained within three months (or such later date as agreed by the Parties) from the date of the Agreement, the payment of cash in the amount of RMB133,000,000; and (ii) the payment of cash in the amount of RMB36,324,150.

## **THE AGREEMENT**

The principal terms of the Agreement are summarised below:

### **Date**

15 June 2023

### **Parties**

- (a) Vendor: High Summit Global Limited
- (b) Purchaser: TFG Cultural Tourism Group Limited
- (c) The Company

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

## **Assets to be acquired**

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital of the Target Company.

## **Consideration**

The consideration for the Acquisition is RMB169,324,150 (equivalent to HK\$188,627,103), which shall be settled in the following manner:

- (a) RMB36,324,150 shall be paid in cash by the Purchaser to the Vendor within seven (7) Business Days from the date of signing of the Agreement; and
- (b) RMB133,000,000 either by (i) the allotment and issue of 740,808,000 Consideration Shares, credited as fully paid, at the Issue Price of HK\$0.2 per Consideration Share by the Company to the Vendor (or its nominee) within fifteen (15) Business Days from the date of Completion, or (ii) if the Regulatory Approval cannot be obtained within three months (or such later date as agreed by the Parties) from the date of the Agreement, the payment in cash by the Purchaser to the Vendor on the date of Completion.

The Consideration will be funded by internal resources of the Group.

## **Settlement of indebtedness**

As at the date of the Agreement, Jiangmen Quanlin Outdoor Sports Development Co., Ltd.\* (江門市泉林戶外運動發展有限公司), a member of the Target Group, is indebted to Zhuhai Tiandi Enterprise Co., Ltd.\* (珠海市田地企業有限公司) (“**Zhuhai Tiandi**”), an Independent Third Party, for an amount of RMB180,228,843 (the “**Indebtedness**”). Pursuant to the Agreement, the Purchaser has agreed to settle the Indebtedness, of which RMB13,675,850 shall be repaid within seven (7) Business Days from the date of the Agreement and RMB166,552,993 shall be repaid within twelve (12) months from the date of the Agreement. At the time the Purchaser is to repay the aforementioned RMB166,552,993 to Zhuhai Tiandi, the Vendor must ensure that Zhuhai Tiandi settles the debt of RMB44,552,993 owed by Zhuhai Tiandi to Taishan Nanfang Property Investment and Development Co., Ltd.\* (台山市南方房地產投資開發有限公司), a member of the Target Group.

## **Basis of determination of the Consideration**

The Consideration was determined after arm’s length negotiation between the Group and the Vendor with reference to (i) the appraised value of the Project Lands as at 30 April 2023 of approximately RMB310,000,000, as assessed by an independent professional valuer; (ii) the net indebtedness owed to Zhuhai Tiandi by the Target Group in the amount of RMB135,675,850 which shall be settled by the Purchaser as disclosed in the paragraph headed “Settlement of indebtedness” above; and (iii) the benefits of the Acquisition brought about to the Group upon Completion as set out in the paragraph headed “Reasons for and benefits of the Acquisition” below in this announcement.

The Directors consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Conditions precedent**

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (a) the Purchaser having completed the due diligence on the Target Group (including but not limited to legal, financial and commercial aspects) and having been satisfied with the results of the due diligence;
- (b) the legal opinion (whose format and content are satisfactory to the Purchaser) on the Target Company's compliance with the BVI laws and regulations having been issued by the BVI legal advisers designated by the Purchaser; and
- (c) the Regulatory Approval having been obtained.

As at the date of this announcement, all the conditions above except the condition specified in paragraph (c) have been fulfilled. In the event that the Regulatory Approval cannot be obtained within three months (or such later date as agreed by the Parties) from the date of the Agreement, the Vendor has the right to request that the Purchaser settles RMB133,000,000 of the Consideration in cash in lieu of Consideration Shares.

### **Completion**

Completion shall take place on the fifth (5<sup>th</sup>) business day after the fulfillment or waiver (as the case may be) of the aforesaid conditions precedent, or such other date as the Purchaser may determine.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the financial statements of the Group.

### **Termination**

If the Purchaser fails to, among other things, observe its payment obligations in the Agreement, or deliver the share certificate in respect of the Consideration Shares, provided that such failure persists over three months after demand of the Vendor, the Vendor shall have the right to terminate the Agreement. Under such circumstances, the Purchaser shall indemnify the Vendor against all costs and expenses incurred in connection with the negotiation, preparation, execution and termination of the Agreement (including legal fees), and pay the Vendor RMB10,000,000 as liquidated damages.

If it is revealed that the Vendor has breached the warranties or agreements contained in the Agreement after the date of Completion, the Vendor shall compensate the Purchaser for all losses and damages suffered. The Purchaser has the right to deduct from the Consideration any expense that must be paid to third parties due to the Vendor's breach of the Agreement.

If the Vendor breaches the Agreement in material aspects or refuses to perform the Agreement, resulting in termination of the Agreement, the Vendor shall pay the Purchaser RMB10,000,000 as liquidated damages.

Upon termination of the Agreement, the Vendor shall return any amount of the Consideration received to the Purchaser, while the Purchaser shall return the entire issued share capital of the Target Company to the Vendor.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the existing shareholding structure of the Company and the effect of allotment and issue of the Consideration Shares on the shareholding structure of the Company after Completion is set out as below:

Shareholders	As at the date of this announcement		After the allotment and issue of the Consideration Shares <sup>(Note 1)</sup>	
	Number of shares	Approximate %	Number of shares	Approximate %
All Great International Holdings Limited <sup>(Note 2)</sup>	3,087,027,152	44.44%	3,087,027,152	40.16%
Yang Lijun <sup>(Note 2)</sup>	11,608,000	0.17%	11,608,000	0.15%
Public Shareholders	3,847,714,888	55.39%	3,847,714,888	50.05%
Vendor	—	—	740,808,000	9.64%
<b>Total number of issued shares</b>	<b><u>6,946,350,040</u></b>	<b><u>100.00%</u></b>	<b><u>7,687,158,040</u></b>	<b><u>100.00%</u></b>

Notes:

- (1) Assuming there is no change in total issued share capital of the Company other than allotment and issue of all Consideration Shares from the date of this announcement and up to the date of allotment and issue of the Consideration Shares.
- (2) All Great International Holdings Limited (“**All Great**”) is owned as to 51% by Jade Leader International Investment Limited (“**Jade Leader**”), 35% by Honor Huge Investment Holdings Limited (“**Honor Huge**”) and 14% by Ever Star International Investment Limited (“**Ever Star**”). Mr. Yang Lijun, an executive Director and Chairman of the Board, is the sole beneficial owner of Jade Leader. Mr. Yang Lijun is the sole ultimate beneficial owner of the entire issued share capital of each of Honor Huge and Ever Star, which was interested in 35% and 14% of the issued share capital of All Great respectively. Accordingly, Mr. Yang Lijun was deemed to be interested in the 3,087,027,152 shares of the Company held by All Great pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

## **THE CONSIDERATION SHARES**

The Consideration Shares will be issued at the Issue Price of HK\$0.2 per Consideration Share, which represents:

- (i) a discount of approximately 11.50% to the closing price per Share of HK\$0.2260 as quoted on the Stock Exchange on 14 June 2023, being the date immediately preceding the date of the Agreement;
- (ii) a discount of approximately 10.00% to the average closing price per Share of approximately HK\$0.2222 as quoted on the Stock Exchange for the five (5) consecutive trading days immediately preceding the date of the Agreement; and
- (iii) a discount of approximately 11.50% to the average closing price per Share of approximately HK\$0.2260 as quoted on the Stock Exchange for the twenty (20) consecutive trading days immediately preceding the date of the Agreement.

The Issue Price was arrived at after arm's length negotiations among the Purchaser, the Vendor and the Company with reference to the prevailing market price of the Shares and the current market conditions. The Directors consider the Issue Price is fair and reasonable.

### **Number of Consideration Shares**

The Consideration Shares comprising 740,808,000 Shares represent (i) approximately 10.66% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.64% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company from the date of this announcement to the date of allotment and issue of the Consideration Shares).

### **Ranking**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue.

### **Mandate to issue the Consideration Shares**

The Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 20% of the total number of the issued Shares as at the date of passing the resolution. The maximum number of Shares that can be issued under the General Mandate is 1,389,270,008 Shares. As at the date of this announcement, the Company has not allotted and issued any Share pursuant to the General Mandate and the General Mandate is sufficient for the allotment and issue of the Consideration Shares.

## INFORMATION ON THE TARGET GROUP

### Corporate information

#### *Target Company*

The Target Company is a limited liability company established in the BVI on 20 December 2016. It is principally engaged in investment holding. As at the date of this announcement, the Target Company is wholly owned by the Vendor.

#### *Subsidiaries of the Target Company*

<b>Name of company</b>	<b>Place of incorporation</b>	<b>Date of incorporation</b>	<b>Shareholder (% of shareholding)</b>	<b>Principal business</b>
China Cultural Tourism Group (Overseas) Limited (中國文旅集團(海外)有限公司) (formerly known as Pacific East (H.K.) Limited (利東(香港)有限公司))	Hong Kong	5 December 2016	Target Company (100%)	Investment holding
Zhuhai Hengqin Lidong Tourism Development Co., Ltd.* (珠海橫琴利東旅遊發展有限公司)	PRC	4 April 2018	China Cultural Tourism Group (Overseas) Limited (中國文旅集團(海外)有限公司) (100%)	Tourism management services
Jiangmen Quanlin Outdoor Sports Development Co., Ltd.* (江門市泉林戶外運動發展有限公司)	PRC	30 March 2016	Zhuhai Hengqin Lidong Tourism Development Co., Ltd.* (珠海橫琴利東旅遊發展有限公司) (100%)	Outdoor sports clothing, camping equipment; rental and services of outdoor activity venues
Taishan Nanfang Property Investment and Development Co., Ltd.* (台山市南方房地產投資開發有限公司)	PRC	9 November 2004	Jiangmen Quanlin Outdoor Sports Development Co., Ltd.* (江門市泉林戶外運動發展有限公司) (100%)	Property investment

## Financial information

Based on the unaudited consolidated financial statements of the Target Group, the financial information of the Target Group for the year ended 31 December 2022 and the four months ended 30 April 2023 are set out as follows:

	<b>For the four months ended 30 April 2023</b>	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue	Nil	Nil	Nil
Loss before taxation	79,945	1,489	2,933
Loss after taxation	79,945	1,489	2,933

As at 30 April 2023, based on the unaudited consolidated financial statements of the Target Group, the Target Group had unaudited consolidated total assets and net liabilities of approximately RMB37,232,000 and approximately RMB98,642,000 <sup>(Note)</sup>, respectively.

*Note:* The net liabilities of approximately RMB98,642,000 has not reflected the latest appraised value of the Project Lands as at 30 April 2023 of approximately RMB310,000,000.

## Information on the Project Lands

As at the date of this announcement, the Target Group holds the Project Lands, comprising nine parcels of lands situated at Xiatangwan, Shaju Villagers' Committee, Beidou Town, Taishan, Guangdong Province, PRC (中國廣東省台山市北陡鎮沙咀村委會下塘灣) with total site area of approximately 534,191 sq. m. for tourism and commercial uses. Pursuant to the State-owned Land Use Certificates (國有土地使用證) and the Certificate of Real Estate Ownership (不動產權證) in relation to the Project Lands, land use rights in respect of the Project Lands have been granted to Taishan Nanfang Property Investment and Development Co., Ltd.\* (台山市南方房地產投資開發有限公司) up to 2044. According to the relevant planning conditions of the Project Lands as approved by the government authority, the Project Lands will be developed into a leisure and health resort featuring a range of amenities, including apartments, hotels, and various leisure and commercial facilities. The Construction Land Planning Permits (建設用地規劃許可證) in respect of certain parcels of the Project Lands have already been granted.

## INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the BVI with limited liability. It is principally engaged in investment holding. As at the date of this announcement, the Vendor is wholly owned by Chen Kai Jun (陳凱君), who is an individual investor.



## **INFORMATION ON THE PURCHASER, THE COMPANY AND THE GROUP**

The Purchaser is a company incorporated in the BVI with limited liability, which is a direct wholly-owned subsidiary of the Company and is engaged in investment holding.

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in property development and hotel business in the PRC.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Target Group is a developer of cultural tourism business with a focus in areas with development potential in Guangdong Province, the PRC, to engage in planning and development of cultural tourism and resort properties, including cultural tourism, hotel consultancy, attraction consultancy, travel agency and related attraction management services.

The Target Group's businesses are located in the Guangdong coastal tourist district, located within one of the most vibrant economic regions in China — the radial region at the Guangdong-Hong Kong-Macao Greater Bay Area. The outline of the development of Guangdong-Hong Kong-Macao Greater Bay Area clearly states that the Group will promote the development of quality tourism along the coastal area, so as to accelerate the comprehensive development of “ocean-island-coastal” tourism and improve the infrastructure and public service system of the waterfront tourist area. With the recovery of the tourism market and supportive policies, it enjoys a vast future market development prospects.

The Group will be able to acquire and develop the Project Lands owned by the Target Group through the Acquisition. The Project Lands will be developed into a leisure and wellness resort that will offer a variety of leisure and commercial facilities including apartment and hotel, coupled with the Target Group's existing businesses, which will capture its shares in the cultural tourism sector and will represent a significant development opportunity. The launch of the Taishan Beidouwen project under the Target Group is an important starting point for the Group to achieve leapfrog development, marking a new breakthrough in the Company's business layout. It will help the Group to grasp the development opportunities of the cultural tourism market in such region, so as to broaden the Company's business scope, enhance its profitability and market competitiveness, and help the Company to open up new growth space.

As the Chinese economy is recovering steadily, while the hotel and tourism markets are also returning to normal. The Group will capitalise on opportunities from the Acquisition, so as to accelerate and consolidate its hotel and tourism business and identify viable cultural tourism investment projects to drive both organic growth and outward expansion. Meanwhile, the Group will actively facilitate the construction of Taishan Beidouwen project to maximize returns to the Shareholders.

Based on the above, the Directors consider that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent under the Agreement. As Completion may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the entire issued share capital in the Target Company by the Purchaser
“Agreement”	the sale and purchase agreement entered into among the Purchaser, the Vendor and the Company on 15 June 2023 in relation to the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for general business during their normal business hours)
“BVI”	the British Virgin Islands
“Company”	TFG International Group Limited 富元國際集團有限公司, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Acquisition, being RMB169,324,150
“Consideration Shares”	740,808,000 new Shares to be issued by the Company to the Vendor (or its nominee) at the Issue Price as partial settlement of the Consideration

“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 30 May 2023, pursuant to which the Directors are allowed to allot and issue up to 1,389,270,008 Shares, representing 20% of the then total number of Shares on the date of passing such resolution
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meaning ascribed to it under the Listing Rules)
“Issue Price”	HK\$0.2 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Parties”	collectively, the Purchaser, the Vendor and the Company, being the parties to the Agreement, and “Party” means any one of them
“PRC”	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Project Lands”	the nine parcels of lands situated at Xiatangwan, Shaju Villagers’ Committee, Beidou Town, Taishan, Guangdong Province, PRC (中國廣東省台山市北陡鎮沙咀村委會下塘灣)
“Purchaser”	TFG Cultural Tourism Group Limited (富元文旅集團有限公司) (formerly known as China Ready Meals Group Limited 中國預製菜集團有限公司), a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Regulatory Approval”	the approval granted by the Listing Committee of the Stock Exchange of Hong Kong for the listing of and dealing in the Consideration Shares
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square meter
“Target Company”	China Cultural Tourism Group Limited 中國文旅集團有限公司 (formerly known as Daray Investment Limited (大河投資有限公司) and Gold Maritime Holdings Limited (金萬控股有限公司)), a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	High Summit Global Limited (高峰環球有限公司), a company incorporated in the BVI with limited liability
“%”	per cent

*In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “\*” is for identification purposes only.*

*For the purpose of this announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.114.*

By order of the Board  
**TFG International Group Limited**  
**YANG Lijun**  
*Chairman*

Hong Kong, 15 June 2023

*As at the date of this announcement, the Board comprises Mr. YANG Lijun (Chairman), Mr. GAO Jingyao and Mr. TAM Ka Wai being the executive Directors, Mr. WONG Yuk Lun, Alan being the non-executive Director, and Ms. CHAN Chu Hoi, Ms. CHAN Hoi Ling and Ms. SO Wai Lam being the independent non-executive Directors.*