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DISCLOSEABLE TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
P.B. GROUP LIMITED INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 23 October 2020 (after trading hours), the Company, the Vendor and the Guarantors entered into the Agreement. Under and pursuant to the terms and conditions of the Agreement, the Vendor has conditionally agreed to sell to the Company and the Company has conditionally agreed to purchase from the Vendor the Sale Share, representing the entire issued share capital of the Target Company at the consideration of HK\$9,000,000, which shall be satisfied by the allotment and issue by the Company to the Vendor (or its nominee(s)) of 125,000,000 Consideration Shares, at an issue price of HK\$0.072 per Consideration Share upon Completion.

Upon Completion, the Target Company and its wholly-owned subsidiaries will become a direct wholly-owned subsidiary and indirect wholly-owned subsidiaries of the Company, respectively, and the financial results of the Target Group will be consolidated into the accounts of the Group.

GEM LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) are 5% or more but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules, and is subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under the GEM Listing Rules.

Shareholders and potential investors should note that the Acquisition is subject to fulfilment of certain conditions precedent pursuant to the Agreement and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

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THE AGREEMENT

Date: 23 October 2020 (after trading hours)

Parties: (1) the Company as purchaser;
(2) the Vendor;
(3) the Guarantor A; and
(4) the Guarantor B.

(each a “**Party**”, collectively the “**Parties**”)

As at the date of this announcement, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, (a) the Vendor and the Guarantors, being the ultimate beneficial owners of the Vendor, are third parties independent of the Group and its connected persons (as defined under the GEM Listing Rules); and (b) the Vendor is an investment holding company and the Guarantors are merchants having businesses and investments in Hong Kong and the PRC. As at the date of this announcement, the Vendor is held as to 50% by Guarantor A and 50% by Guarantor B.

Assets to be acquired

Pursuant to the Agreement, the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, free from all encumbrances. The Target Company owns three subsidiaries, including Nikyo Insurance Brokers Limited (“**Nikyo Insurance**”), P.B. Investment Limited (“**P.B. Investment**”) and P.B. Charity Fund Limited (“**P.B. Charity**”).

Consideration

The Consideration payable by the Company to the Vendor is HK\$9,000,000, which shall be satisfied by the allotment and issue by the Company to the Vendor (or its nominee(s)) of 125,000,000 Consideration Shares, at an issue price of HK\$0.072 per Consideration Share upon Completion.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Vendor and the Company with reference to (i) the valuation of entire issued share capital of the Target Company in the amount of approximately HK\$11,123,000 as at 30 September 2020 as prepared by an independent professional valuer (the "Valuation"); and (ii) the net asset value of the Target Group as at 30 September 2020 at approximately HK\$10,658,000.

The Valuation is comprised of (1) fair value of Nikyo Insurance of approximately HK\$6,340,000 using market approach as at 30 September 2020, and (2) fair value of P.B. Investment of approximately HK\$4,783,000 under the asset-based approach as at 30 September 2020.

The Consideration Shares and the General Mandate

The Consideration Shares to be allotted and issued, assuming there will not be any issue or repurchase of Shares prior to Completion, will represent approximately 18.64% of the existing issued share capital of the Company and approximately 15.71% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be issued at the issue price of HK\$0.072 per Consideration Share which represents:

- (i) a premium of approximately 12.50% to the closing price of HK\$0.064 per Share as quoted on the Stock Exchange on the trading day immediately preceding the date of this announcement; and
- (ii) a premium of approximately 30.91% to the average closing price of HK\$0.055 per Share as quoted on the Stock Exchange for the five consecutive trading days ended on the trading day immediately preceding the date of this announcement.

The issue price was arrived at after arm's length negotiations between the Vendor and the Company with reference to the average closing prices for the last ten consecutive trading days immediately preceding the date of this announcement. The Directors consider that the issue price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be issued under the General Mandate and credited as fully paid upon their allotment and issue. As at the date of this announcement, no Shares had been issued under the General Mandate and 134,114,400 Shares remain available for issue under the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Consideration Shares and the allotment and issue of the Consideration Shares is not subject to Shareholders' approval.

The Consideration Shares shall rank pari passu with the existing Shares. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions Precedent

Completion is conditional upon the fulfilment (or waiver, if permitted) of the following conditions:

- (a) the Listing Committee having granted to the Company the approval for the listing of and permission to deal in the Consideration Shares, and all other consent and approval document involving the Stock Exchange;
- (b) due diligence on each members of the Target Group, including but not limited to, its state of affairs, assets and liabilities, financial position and business operation having been completed to the full satisfaction of the Company;
- (c) where applicable, all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Agreement and the transactions contemplated thereby having been obtained by the respective Parties to the Agreement; and
- (d) the warranties given or made by the Vendor under the Agreement remaining true and accurate in all material respects.

In the event that any of the conditions precedent has not been fulfilled (or waived by the Company in writing) on or before 30 November 2020 or such later date as the Vendor and the Company may agree in writing, the rights and obligations of the Parties under or pursuant to the Agreement shall forthwith cease and determine and the Agreement shall be of no further effect, save for any antecedent breach thereof.

Revenue Guarantee

Pursuant to the Agreement, the Vendor and the Guarantors warrant and guarantee to the Company that, the revenue of the Target Company as shown on the audited consolidated financial statements (to be prepared in accordance with the International Financial Reporting Standards) of the Target Company shall:

- (a) not less than HK\$10,000,000 for the financial year ending 31 December 2020; and
- (b) not less than HK\$19,000,000 for the financial year ending 31 December 2021 (collectively, the “**Performance Targets**” and each a “**Performance Target**”).

In the event that the actual revenue of the Target Company as shown in the audited consolidated financial statements of the Target Company is below the Performance Target for that relevant financial year, the Vendor and Guarantors shall delivery or procure the delivery of a banker’s draft for an amount representing the difference.

For the avoidance of doubt, the maximum aggregate liability of the Vendor and the Guarantors in respect of the revenue guarantee shall not exceed the Consideration.

Retention of Designated Key Personnel

Pursuant to the Agreement, the Vendor has agreed and undertaken to retain and procure all Designated Key Personnel to be retained by the respective members of the Target Group not less than two (2) years after the Completion Date.

Completion

Subject to the fulfilment (or, where applicable, waiver) of the conditions precedent, Completion shall take place on the Completion Date.

Upon Completion, the Target Company and its wholly-owned subsidiaries (ie. Nikyo Insurance, P.B. Investment and P.B. Charity) will become a direct wholly-owned subsidiary and indirect wholly-owned subsidiaries of the Company, respectively, and the financial results of the Target Group will be consolidated into the accounts of the Group.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Consideration Shares:

	(i) As at the date of this announcement		(ii) Immediately after the allotment and issue of the Consideration Shares	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Mr. Zhang Qiang	275,000,000	41.01	275,000,000	34.57
P.B. Capital Advanced Fund SPC – P.B. Capital Advanced Fund 1 Segregated Portfolio	111,762,000	16.67	111,762,000	14.05
Other public Shareholders	283,810,000	42.32	283,810,000	35.67
The Vendor	–	–	125,000,000	15.71
Total	<u>670,572,000</u>	<u>100</u>	<u>795,572,000</u>	<u>100</u>

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in the Cayman Islands with limited liability, which holds the entire issued share capital of Nikyo Insurance and P.B. Investment respectively. The Target Company is also the sole member of P.B. Charity.

Nikyo Insurance is a company incorporated in Hong Kong with limited liability and is a licensed insurance intermediary under the Insurance Ordinance (Cap. 41 of the Laws of Hong Kong). It is validly registered with a self-regulatory organization (namely Professional Insurance Brokers Association) in April 1995, which is before the commencement of the new regulatory regime for insurance intermediaries. It is also registered as an MPF Corporate Intermediary with the Mandatory Provident Fund Schemes Authority in accordance with the Mandatory Provident Fund Intermediary Certificate issued by the Mandatory Provident Fund Schemes Authority on 1 February 2000. Nikyo Insurance is a well-established wealth management company with a long history since 1995 to carry out long term (including linked long term) insurance & general insurance lines of business and MPF Schemes brokerage business.

P.B. Investment is a company incorporated in Hong Kong with limited liability and has been carried on business as a money lender under the Money Lenders Licence Ordinance since 2015. It focuses on the provision of short-term to long-term personal and corporate loans. As at 31 December 2018, 31 December 2019 and 30 September 2020, P.B. Investment had a loan portfolio with a total outstanding amount of approximately HK\$8,882,000, HK\$8,123,000 and HK\$7,617,000, respectively.

Additional background information of Nikyo Insurance and P.B. Investment is set out below:

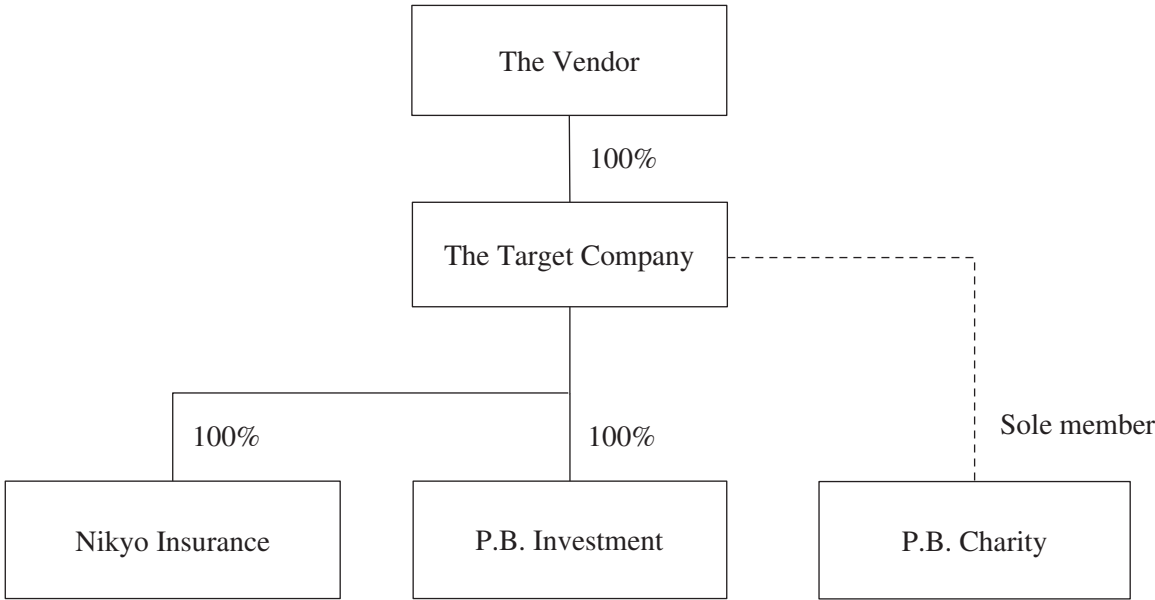
	Nikyo Insurance	P.B. Investment
Date of incorporation	9 February 1995	9 October 2015
Business scope	general insurance and long term (including linked long term) insurance brokerage services and MPF Schemes brokerage services	provision of short-term to long-term personal and corporate loans
Products offered/ services rendered	Nikyo Insurance offered brokerage services of the following types of products: (i) long term insurance (ii) general insurance (iii) MPF Schemes (iv) group insurance	personal loans and corporate loans

P.B. Charity is a company limited by guarantee without a share capital incorporated in Hong Kong, of which the Target Company is the sole member. It is a charitable institution which is exempt from tax under Section 88 of the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) since 2019. P.B. Charity had not commenced business operation since its incorporation and up to the date of this announcement.

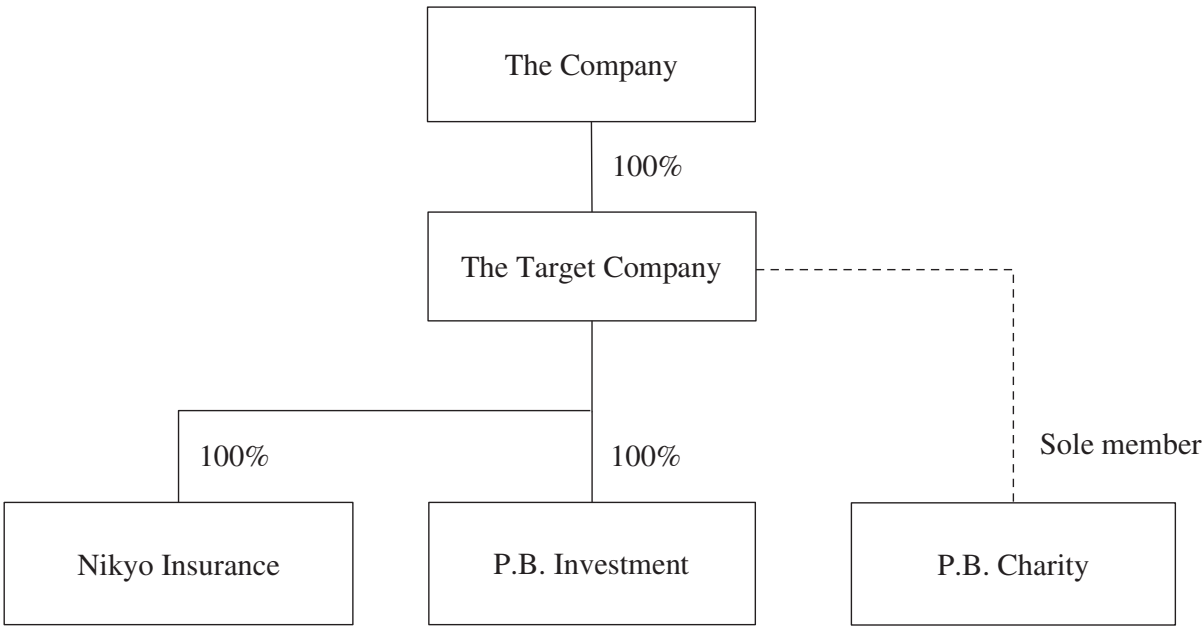
SHAREHOLDING STRUCTURE OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group:

Immediately prior to Completion



Immediately After Completion



FINANCIAL INFORMATION OF THE TARGET GROUP

Based on the unaudited consolidated financial statements of the Target Company, a summary of the financial information of the Target Company for the financial years ended 31 December 2018 and 31 December 2019 is set out below:

	For the year ended 31 December 2018 Unaudited Approx HK\$	For the year ended 31 December 2019 Unaudited Approx HK\$
Loss before taxation	2,864,000	1,000,000
Loss after taxation	2,660,000	880,000

The unaudited consolidated net assets value of the Target Company is approximately HK\$10,658,000 as at 30 September 2020.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and its subsidiary is principally engaged in bentonite mining, production and sales of drilling mud, pelletising clay and financial service business.

As mentioned in the interim report of the Company for the six months ended 30 June 2020, the Group saw a decrease in sales of both drilling mud and pelletising clay for the first six months of 2020 as compared to the corresponding period in 2019. It was also set out in the business review in the annual report of the Company for the year ended 31 December 2019, that the investment prospects of the energy industry continued to be uncertain. The Directors consider that the provision of financial guarantee services will better utilize the Group's surplus cash with reasonable return and its commencement marked the Group's first step into the financial services businesses. The Group has been exploring suitable opportunities to commence and develop business of provision of financial services in Hong Kong. As the Target Group possesses the necessary licenses in carrying various regulated activities in Hong Kong, including those for money lending and insurance brokerage business, the Board is of the view that the Acquisition provides the Group with an expedient way to diversify its businesses into the financial services sector by directly investing and operating the Target Group and expects that the Acquisition, if completed, will provide the Group with a good investment opportunity to broaden the revenue base and maximize the return to the Company and the Shareholders in the long run.

The Board also considers that Mr. Pang Ho Yin (“**Mr. Pang**”), an executive Director, has over 20 years of experience in insurance and wealth management industry and had held senior position in Manulife (International) Limited and New York Life Insurance Worldwide Limited (2 famous multinational insurance companies) in the past. Mr. Pang is also the general manager of Nikyo Insurance, a subsidiary of the Target Company. With Mr. Pang’s experience and the involvement of Mr. Pang in the management of the Target Group, it would be more effective and efficient for the Company to manage and monitor the business and operation of the Target Group. In addition, the Company intends to retain the existing staff and management of the Target Group after Completion and does not expect that there will be any interruption to the operations of the Target Group after the Completion.

Taking into account the revenue guarantee provided by the Vendor and Guarantors (details of which are set out in the section headed “**Revenue Guarantee**” above), the Directors consider that the Acquisition and the revenue guarantee could effectively improve the revenue base of the Group, enhance the cash flow position of the Group and provide a new source of profit growth to the Group.

In addition, the Directors consider that it is in the interest of the Company and its Shareholders as a whole to retain more cash for general working capital requirements and the future business development of the Group after the completion of the Acquisition. The Directors are of the view that the settlement of the Consideration by way of allotment and issue of the Consideration Shares allows the Group to (i) complete the Acquisition without cash outlay; (ii) avoid increasing its liabilities; (iii) avoid undermining the ability of the Group to pay its current liabilities when they become due with only quick assets; and (iv) maintain the cash position of the Group, so that it could be more flexible and efficient for the management of the Group to have readily available and accessible cash resources for daily business operation and future development of the businesses of the Group in Hong Kong and the PRC, particularly in the current market and economic condition.

Based on the above, the Board considers that the terms and conditions of the Agreement and the transactions contemplated thereunder are on normal commercial terms and the Acquisition is fair and reasonable and in the interests of the Group and the Shareholders as a whole. None of the Directors have a material interest in the Agreement and the transactions contemplated thereunder which required any of the Directors to abstain from voting on the resolutions in relation to the Agreement and the transactions contemplated thereunder.

GEM LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) are 5% or more but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules.

Shareholders and potential investors should note that the Acquisition is subject to fulfilment of certain conditions precedent pursuant to the Agreement and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share by the Company from the Vendor subject to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 23 October 2020 entered into among the Vendor, the Company and the Guarantors in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	any day other than a Saturday, Sunday or other day on which commercial banks in Hong Kong are required or authorized by law or executive order to be closed or on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. Hong Kong time
“Company”	HangKan Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8331)
“Completion”	completion of the Acquisition which shall take place on the Completion Date
“Completion Date”	the date or before the 3rd Business Day after the fulfilment and/or waiver by the Company (as the case may be) of all conditions precedent contained in the Agreement or such other date as the Parties may agree in writing
“Consideration”	HK\$9,000,000, being the consideration for the Acquisition
“Consideration Share(s)”	the 125,000,000 new Shares to be allotted and issued by the Company at the issue price of HK\$0.072 to the Vendor as the Consideration
“Designated Key Personnel”	each of the directors and key personnel of the Target Group as specified in the Agreement
“Director(s)”	the director(s) of the Company

“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“General Mandate”	the general unconditional mandate granted by the Shareholders to the Board at the annual general meeting of the Company held on 30 June 2020 to allot, issue and deal with up to 134,114,400 new Shares
“Group”	the Company and its subsidiaries
“Guarantor A”	Mr. Chan Man Fung
“Guarantor B”	Mr. Pui Wai Lun
“Guarantors”	Guarantor A and Guarantor B
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the listing committee of the Stock Exchange
“MPF Schemes”	Mandatory Provident Fund Schemes
“Sale Share”	1 ordinary share of the Target Company
“Share(s)”	the ordinary share(s) with a par value of HK\$0.01 each in the issued share capital of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	P.B. Group Limited, a company incorporated in the Cayman Islands with limited liability
“Target Group”	the Target Company, Nikyo Insurance, P.B. Investment and P.B. Charity

“Vendor”	P.B. Asia Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is held as to 50% by Guarantor A and 50% by Guarantor B
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
HangKan Group Limited
SU Chun Xiang
Executive Director

23 October 2020

As at the date of this announcement, the Board comprises (i) two executive Directors, namely Mr. SU Chun Xiang and Mr. PANG Ho Yin; and (ii) three independent non-executive Directors, namely Mr. LEE Ming Tung, Mr. CHOW Chi Hang Tony and Mr. ZHANG Kun.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the day of its publication. This announcement will also be published on the Company’s website at www.ourhkg.com.