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China Bio Cassava Holdings Limited

中國生物資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8129)

MAJOR TRANSACTION: THE ACQUISITION OF 70% OF THE ENTIRE ISSUED SHARE CAPITAL IN MASTER ACE GROUP CORPORATION

The Board announces that on 14 July 2017, the Vendor and the Company entered into the Sale and Purchase Agreement in relation to the acquisition of the Sale Shares and the Sale Loan for an aggregate consideration of HK\$18,227,000, which shall be settled by the Purchaser by way of cash Deposit and the issue of the Promissory Notes and cash upon Completion. The Acquisition is subject to the satisfaction of the conditions as set out in the paragraph headed “Conditions” below.

As certain of the relevant percentages regarding the Acquisition in aggregation with the Previous Acquisition exceed 25% but all below 100%, the Acquisition constitute a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

A circular containing, among other matters, further details of the Acquisition and the Promissory Notes and the notice of EGM will be despatched to the Shareholders on or before 29 September 2017.

As the Completion is subject to the fulfilment of the conditions, the Acquisition may or may not proceed. Shareholders and investors should exercise caution when dealing in securities of the Company.

Reference is made to the announcement of the Company dated 11 April 2017 in relation to, among others, the Previous Acquisition of 30% of the issued share capital of the Target Company. The Previous Acquisition has been completed on 26 April 2017 as announced in the announcement of the Company dated 26 April 2017.

The Board announces that on 14 July 2017, the Vendor and the Company entered into the Sale and Purchase Agreement in relation to the acquisition of the Sale Shares and the Sale Loan for an aggregate consideration of HK\$18,227,000, which shall be settled by the Purchaser by way of cash Deposit, the issue of the Promissory Notes and cash upon Completion. Set out below is the principal terms of the Sale and Purchase Agreement.

SALE AND PURCHASE AGREEMENT

Date: 14 July 2017 (after trading hours)

Parties: (1) The Vendor
(2) The Company as the Purchaser

The Vendor is an individual. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

Asset to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell (i) the Sale Shares, representing 70% of the entire issued share capital of the Target Company; and (ii) the Sale Loan.

Consideration

The aggregate consideration for the Acquisition shall be the sum of HK\$18,227,000 which said consideration payable by the Purchaser shall be settled in the following manner:

- (a) as to HK\$2,500,000, being the refundable deposit (the "**Deposit**") and the part payment towards the consideration for the sale and purchase of the Sale Shares and the Sale Loan, shall be payable by the Purchaser to the Vendor within ten (10) Business Days from the date of signing of the Sale and Purchase Agreement;
- (b) as to HK\$15,000,000, which shall be payable by the Purchaser by issuing the Promissory Notes in the principal amount of HK\$15,000,000 to the Vendor upon Completion; and
- (c) as to the remaining balance of HK\$727,000, which shall be payable by the Purchaser to the Vendor upon Completion.

The consideration was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement with reference to, among others, the Target Group's net asset value as at Management Accounts Date and the Profit Guarantee. The Directors (including the independent non-executive Directors) consider the consideration of the Acquisition to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

In the event that Completion does not take place on or before the Long Stop Date, or such later date as the Vendor and the Purchaser may agree in writing or Completion cannot take place in accordance with the conditions mentioned below, the Vendor shall refund the Deposit in full to the Purchaser. The Vendor irrevocably undertakes and guarantees the full refund of the Deposit in accordance with the Sale and Purchase Agreement.

Conditions

The Acquisition is conditional upon the satisfaction of the following:

- (a) the Purchaser being satisfied with the results of the due diligence review in particular the review of the assets, liabilities, operations and affairs of the Target Company as the Purchaser may reasonably consider appropriate;
- (b) all necessary consents and approvals required to be obtained on the part of the Vendor and the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained;
- (c) the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules at a general meeting of the Company to be convened and held of the necessary ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereby, and all other consents and acts required to be obtained by the Purchaser under the GEM Listing Rules and/or other applicable laws and regulations having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;
- (d) the approval from the Securities and Futures Commission in relation to the change of substantial shareholder (as defined in the SFO) of the Target Company having been obtained and not revoked, cancelled or lapsed;
- (e) all necessary consents, licenses and approvals from the shareholders, bankers, financial institutions and regulators required to be obtained on the part of the Vendor and the Target Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (f) QAML and QSCL remain holding valid and effective licenses to carry out relevant regulated activities under the SFO;
- (g) the Purchaser being satisfied that there has not been any material adverse change in respect of the Target Company since the date of the Sale and Purchase Agreement; and
- (h) the warranties provided by the Vendor under the Sale and Purchase Agreement remaining true, accurate and complete in all respects.

The Purchaser may waive in writing the conditions (a), (g) and/or (h) set out above. The other conditions set out above are incapable of being waived. The Purchaser has no current intention to waive any conditions. If the conditions set out above have not been satisfied on or before 31 December 2017, or such later date as the Vendor and the Purchaser may agree in writing (the “**Long Stop Date**”), subject to the refund of Deposit to the Purchaser, the Sale and Purchase Agreement shall cease and terminate and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies thereafter.

Completion

Completion is expected to take place on the third Business Day after the fulfilment (or waiver) of the conditions (or such later date as the parties to the Sale and Purchase Agreement may agree) mentioned above.

Upon Completion, the Target Company will become a wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated with the Group.

PROFIT GUARANTEE

Pursuant to the Sale and Purchase Agreements, the Vendor irrevocably warrants and guarantees to the Purchaser that

- (i) the audited consolidated net profits before tax and excluding any extraordinary or exceptional items of the Target Group will not be less than zero for the financial year ending 31 December 2017 (the “**2017 Guaranteed Profit**”); and
- (ii) the audited consolidated net profits before tax and excluding any extraordinary or exceptional items of the Target Group will not be less than HK\$5,000,000 for the financial year ending 31 December 2018 (the “**2018 Guaranteed Profit**”, together with 2017 Guaranteed Profits as the “**Guaranteed Profits**”)

If the actual audited consolidated net profits before tax and excluding any extraordinary or exceptional items of the Target Group for the financial year ending 31 December 2017 (the “**2017 Actual Results**”) shall be less than zero for the financial year ending 31 December 2017, then subject to that the maximum aggregate liability of the Vendor in respect of the Profit Guarantee shall not exceed HK\$20 million, the Vendor shall pay the Purchaser an amount calculated as follows:

$$A = (2017 \text{ Actual Results (expressed in positive figure)}) \times 5$$

where A is the amount payable to the Purchaser.

If the actual audited consolidated net profits before tax and excluding any extraordinary or exceptional items of the Target Group for the financial year ending 31 December 2018 (the “**2018 Actual Profit**”) is less than the 2018 Guaranteed Profit, then subject to the maximum aggregate liability of the Vendor in respect of the Profit Guarantee shall not exceed HK\$20 million, the Vendor shall pay the Purchaser an amount calculated as follows:

$$A = (2018 \text{ Guaranteed Profit} - 2018 \text{ Actual Profit}) \times 5$$

where A is the amount payable to the Purchaser.

For the avoidance of doubt, should the Target Group record a loss in its audited consolidated financial statements for the year ending 31 December 2018, the 2018 Actual Profit shall be deemed as zero.

The Vendor may elect to set off the outstanding Promissory Notes against the amount payable by the Vendor in respect of the Profit Guarantee on a dollar-to-dollar basis.

THE PROMISSORY NOTES

The terms of the Promissory Notes have been negotiated on an arm’s length basis and the principal terms of which are summarised below:

Issuer

The Purchaser

Principal amount

HK\$15,000,000

Interest

The Promissory Notes will carry interest at the interest rate of 6% per annum. Interest shall be payable annually in arrears.

The interest rate was determined after arm’s length negotiations with reference to the lending rate of loans of financial institutions.

Maturity

A fixed term of two years from the date of issue of the Promissory Notes.

Early repayment

The Purchaser could, at its option, early repay the Promissory Notes with outstanding interest accrued thereon in whole or in part in integral multiples of principal amount of HK\$1 million by giving a prior ten Business Days' written notice to the Vendor.

Transferability

The Promissory Notes are transferrable in integral multiples of principal amount of HK\$1 million.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in British Virgin Islands with limited liability and is principally engaged in investment holdings. Immediately prior to the entering into of the Sale and Purchase Agreement, the Target Company is held as to 70% by the Vendor and 30% by the Company. After Completion of the Acquisition, the Purchaser shall be interested in the entire issued share capital of the Target Company.

The Target Company currently holds the entire issued share capital of QSCL and QAML.

QSCL is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Target Company. QSCL is a licensed corporation to carry out type 1 (dealing in securities) regulated activities under the SFO.

QAML is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Target Company. QAML is a licensed corporation to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

Set below is the financial information of the Target Group as extracted from its Management Accounts:

| | For the six months ended 30 June 2017 HK\$ |
|----------------------|---|
| Loss before taxation | 847,000 |
| | As at 30 June 2017 HK\$ |
| Net assets value | 6,100,000 |

The accountant's report of the Target Company shall be included in the circular to be despatched to the Shareholders in respect of the Acquisition.

INFORMATION OF THE VENDOR

The Vendor is the founder of the Target Company. As at the date of this announcement, the Target Company has 50,000 shares of US\$1.00 each in issue, as to 35,000 shares (i.e. the Sale Shares) of which are owned by the Vendor and as to 15,000 shares of which are owned by the Company upon completion of the Previous Acquisition.

The Vendor is a merchant and is an Independent Third Party. The Vendor has nine years of experience in the securities and asset management industry. Other than her involvement in the Target Group, the Vendor is not engaged in any other business which is involved in the type 1 (dealing in securities), type 4 (advising on securities) or type 9 (asset management) regulated activities under the SFO.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the computer software and embedded systems development, sales and licensing of the software and systems and provision of financing services.

The Directors have always been proactive in seeking opportunities for diversifying of the scope of business of the Group and are optimistic to the future of Hong Kong securities and financial industry. The Directors considered that the Acquisition represents an investment opportunity to participate in Hong Kong securities and financial industry.

Whilst the Group has no previous experience in this business sector, the Company has nonetheless been successful in retaining the experienced employees of QSCL and QAML through the Acquisition. The Target Group recently entered into a management contract with an investment fund to provide management service on a portfolio of approximately HK\$100 million and to earn 2% as management fee. Additionally, the Profit Guarantee provides the Target Group a guaranteed income of not less than HK\$5,000,000 for the financial year ending 31 December 2018. With those experienced employees and the Profit Guarantee given by the Vendor, the Directors consider that the Acquisition represents an opportunity for the Group to diversify its current business and the business prospects of the Target Group is promising.

In view of the Profit Guarantee, the future business prospects of the Target Group and the opportunity in tapping into the Hong Kong securities and financial industry, the Directors believe that it is an appropriate time to invest and extend the Group's scope of business. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Sale and Purchase Agreement are reasonable and fair and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATION

As certain of the relevant percentages regarding the Acquisition in aggregation with the Previous Acquisition exceed 25% but all below 100%, the Acquisition constitute a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. The

Acquisition is subject to the approval of Shareholders. To the best belief, information and knowledge of the Directors, after making reasonable enquiries, no Shareholders have a material interest in the Acquisition and are required to abstain from voting at the EGM.

An EGM will be convened and held for the Shareholders to, among other things, consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder including the Acquisition.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the accountants report on the Target Group; and (iii) a notice of the EGM, is expected to be despatched to the Shareholders on or before 29 September 2017 in accordance to the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

| | |
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| “Acquisition” | the acquisition by the Purchaser of the Sale Shares and the Sale Loan subject to and upon the terms and conditions of the Sale and Purchase Agreement |
| “associates” | has the meaning ascribed to this term under the GEM Listing Rules |
| “Board” | the board of Directors from time to time |
| “Business Day” | a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours |
| “Company” or “Purchaser” | China Bio Cassava Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM |
| “Completion” | completion of the Acquisition in accordance with the Sale and Purchase Agreement |
| “Directors” | directors of the Company |
| “EGM” | the extraordinary general meeting of the Company to be held and convened to consider and approve the Acquisition |
| “GEM” | the Growth Enterprise Market of the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |

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| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the GEM Listing Rules |
| “Management Accounts” | the unaudited consolidated management accounts of the Target Group up to 30 June 2017 and the statement of financial position of the Target Group as at 30 June 2017 |
| “Management Accounts Date” | 30 June 2017 |
| “PRC” | the People’s Republic of China |
| “Previous Acquisition” | the previous acquisition of 30% of the issued share capital of the Target Company as announced by the Company on 11 April 2017 |
| “Profit Guarantee” | the profit guarantee given by the Vendor under the Sale and Purchase Agreement |
| “Promissory Notes” | the promissory notes in the principal amount of HK\$15,000,000 to be issued by the Company in favour of the Vendor pursuant to the Sale and Purchase Agreement |
| “QAML” | Quasar Asset Management Limited (駿昇資產管理有限公司), a company incorporated in Hong Kong with limited liability whose entire issued share capital is owned by the Target Company |
| “QSCL” | Quasar Securities Co., Limited (駿昇証券有限公司), a company incorporated in Hong Kong with limited liability whose entire issued share capital is owned by the Target Company |
| “Sale and Purchase Agreement” | the conditional sale and purchase agreement dated 14 July 2017 and entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Shares and the Sale Loan |
| “Sale Loan” | all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor and her associates on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on Completion, which amounts to approximately HK\$727,000 as at the date of the Sale and Purchase Agreement |
| “Sale Shares” | 35,000 shares in the issued share capital of the Target Company, representing 70% of the entire issued share capital of the Target Company |

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| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Shareholders” | holders of the Shares |
| “Shares” | ordinary shares of HK\$0.01 each in the capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Master Ace Group Corporation, a company incorporated in the British Virgin Islands with limited liability |
| “Target Group” | Target Company, QSCL and QAML |
| “Vendor” | Cheng Pui Ling (鄭佩玲), a Hong Kong resident |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “%” | per cent. |

By order of the Board
China Bio Cassava Holdings Limited
TANG LAP CHIN RICHARD
Executive Director

Hong Kong, 14 July 2017

As at the date of this announcement, the Board comprises Mr. Poon Yu Keung, Mr. Hung Ching Fung, Mr. Tang Lap Chin Richard and Mr. Ng Chung Yuen Frank as executive Directors, Mr. Chow Wing Tung, Mr. Ko Wai Lun Warren and Mr. Yam Chiu Fan Joseph as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 GEM website at <http://www.hkgem.com> on the “latest company announcements” page for at least 7 days from the day of its posting and on the Company’s website at www.bio-cassava.com.