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GOLDLION HOLDINGS LIMITED

金利來集團有限公司

(Incorporated in Hong Kong under the Hong Kong Companies Ordinance)

(Stock code: 00533)

POSSIBLE MAJOR TRANSACTION ENTERING INTO OF THE INVESTMENT AGREEMENT

THE INVESTMENT AGREEMENT

The Board is pleased to announce that on 13 January 2022, Goldlion Far East, an indirect wholly-owned subsidiary of the Company, entered into the Investment Agreement with the Guangzhou Committee, pursuant to which (i) Goldlion Far East has conditionally agreed to invest in the Project through the Project Company, an indirect wholly-owned subsidiary of the Company, with an investment of no less than RMB330 million (equivalent to approximately HK\$402.6 million) after the land use rights over the Project Land has been obtained by the Project Company; and (ii) the Guangzhou Committee has conditionally agreed to assist Goldlion Far East to implement the Project.

The Project is subject to the condition that the Project Company has obtained the land use rights over the Project Land successfully. The Project will involve the set-up of an international trade and consumption integrated headquarters in the Zone to achieve offline store and e-commerce business management and operation, centralized domestic products procurement, and the provision of regional headquarters settlement services and modern intelligent distribution services.

LISTING RULES IMPLICATIONS

Since the Project is subject to the obtaining of the land use rights over the Project Land by the Project Company successfully, based on the preliminary calculations of the Company, as one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the entering into of the Investment Agreement exceeds 25% but are all less than 100%, the Project, if materializes, will constitute a major transaction of the Company and be subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

If the Project Company obtains the land use rights over the Project Land successfully, Goldlion Far East will thereupon become unconditionally obliged to proceed with the Project and will not, at that time, be able to seek the approval of the Shareholders which is required under Chapter 14 of the Listing Rules. Accordingly, the Directors would like to seek the Shareholders' prior approval for authorization to be granted to the Directors in respect of the investment in the Project.

As no Shareholder is materially interested in the Investment Agreement and no Shareholder is required to abstain from voting at a general meeting of the Company approving the transactions contemplated under the Investment agreement, and the Company has, pursuant to Rule 14.44 of the Listing Rules, obtained written approvals of the transactions contemplated under the Investment Agreement from Top Grade Holdings Limited, Silver Disk Limited and Keysonic Development Limited, a closely allied group of Shareholders holding a total of 613,034,750 issued ordinary shares of the Company (representing approximately 62.42% of its entire issued share capital). As such, the Company is exempt from convening a general meeting to approve the transactions contemplated under the Investment Agreement.

A circular containing further information on the Investment Agreement is expected to be despatched to the Shareholders on or before 8 February 2022.

There is no guarantee and/or assurance that the Project Company will eventually obtain the land use rights of the Project Land and therefore the Project may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE INVESTMENT AGREEMENT

The Board is pleased to announce that on 13 January 2022, Goldlion Far East, an indirect wholly-owned subsidiary of the Company, entered into the Investment Agreement with the Guangzhou Committee, pursuant to which (i) Goldlion Far East has conditionally agreed to invest in the Project through the Project Company, an indirect wholly-owned subsidiary of the Company, with an investment of no less than RMB330 million (equivalent to approximately HK\$402.6 million) after the land use rights over the Project Land has been obtained by the Project Company; and (ii) the Guangzhou Committee has conditionally agreed to assist Goldlion Far East to implement the Project.

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

Date

13 January 2022

Parties

- (i) Goldlion Far East; and
- (ii) the Guangzhou Committee

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Guangzhou Committee and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Term

The Investment Agreement shall be valid for 20 years from the date of signing.

The Project

The Project is subject to the condition that the Project Company has obtained the land use rights over the Project Land successfully. The Project will involve the set-up of an international trade and consumption integrated headquarters in the Zone to achieve offline store and e-commerce business management and operation, centralized domestic products procurement, and the provision of regional headquarters settlement services and modern intelligent distribution services.

The Project Land

Pursuant to the Investment Agreement, the Project Land is a piece of modern logistics storage land with a total site area of approximately 66 mu (畝) which shall be used for the Project.

Investment amount

Goldlion Far East has conditionally agreed to invest through the Project Company no less than RMB330 million (equivalent to approximately HK\$402.6 million) as the fixed assets of the international trade and consumption integrated headquarters at the Project Land. Such investment amount is estimated based on the scale of the Project taking into account the cost in obtaining the land use rights of the Project Land and the construction of plant and supporting facilities and the investment on new technology. The investment amount will be funded by the internal resources of the Group.

It is expected that the actual total amount of investment to be made by the Group in the Project shall not be significantly greater than RMB330 million (equivalent to approximately HK\$402.6 million). The Company will make further announcement (at the time if material increase in the amount of investment is incurred) with respect to different classification of the transaction under the Investment Agreement if and as required under the Listing Rules.

Undertakings by Goldlion Far East

Pursuant to the Investment Agreement, Goldlion Far East undertook to increase the registered capital of the Project Company to RMB165 million (equivalent to approximately HK\$201.3 million) in which Goldlion Far East shall inject US\$15 million (equivalent to approximately HK\$117 million) into the Project Company, amounting to 60% of the registered capital of the Project Company, before 20 December 2021 (the “**Capital Injection**”). The Capital Injection was completed on 13 December 2021.

Goldlion Far East also undertook to ensure that the Project shall be completed within 5 years from the handover of the Project Land by the Guangzhou Committee, with (i) the aggregated annual total revenue and tax contributions of the Project Company and not more than three of its associated companies be no less than RMB2 billion (equivalent to approximately HK\$2.44 billion) and RMB35 million (equivalent to approximately HK\$42.7 million) respectively; and (ii) the tax contributions of the Project Company upon obtaining the Project Land to the completion of the construction of the Project be no less than RMB14 million (equivalent to approximately HK\$17.08 million) for each complete tax year.

Goldlion Far East also conditionally agreed that the Project Company will not carry out the following actions within 20 years from the date of the Investment Agreement:

- (i) move out of the Zone;
- (ii) reduce their registered share capital;
- (iii) amend their taxation and unification obligations within the Zone;
- (iv) transfer its share capital resulting in Goldlion Far East losing actual control over the Project Company; and
- (v) save for ownership reform, public or non-public issuance of shares, transfer of assets and production capacity without the prior written consent from the Guangzhou Committee.

Save for events of force majeure, should the Project Company and three of its associated companies fail to make 80% of the annual tax contributions as agreed in the Investment Agreement upon completion of the Project, the Project Company will be required to pay liquidated damages for breach of contract each year based on the agreed amount of tax contributions.

Termination

The Investment Agreement shall lapse and be of no further effect if:

- (i) the Project Company fails to obtain the Project Land within 2 years from the date of the Investment Agreement;
- (ii) Goldlion Far East fails to make the Capital Injection into the Project Company before 20 December 2021; or
- (iii) the Project Company fails to complete the registration procedures in the Zone within 1 month from the date of the Investment Agreement.

INFORMATION ON THE GROUP, GOLDLION FAR EAST AND THE PROJECT COMPANY

The principal activities of the Group are distribution and manufacturing of garments, leather goods and accessories, licensing of brand name, and property investment and development.

Goldlion Far East is principally engaged in property investment and licensing of brand name.

The Project Company is principally engaged in e-commerce business.

INFORMATION ON THE GUANGZHOU COMMITTEE

The Guangzhou Committee is a governmental organ of the Guangzhou Municipal People's Government and is principally engaged for the overall planning of the development and construction of the Zone.

REASONS FOR AND BENEFITS OF THE INVESTMENT AGREEMENT

The Group has been engaged in the distribution of apparel and accessories products in the PRC for years, from which significant returns have been generated. Efficient management of logistics and supply chain is essential to the success of the business. However, as the warehouse of the Group at Yuan Village, Guangzhou was no longer able to cope with the business needs particularly following the growth of the e-commerce sales, the Group had leased external logistics centre and transferred the Yuan Village property into an investment property in 2018. Due to the restrictions of the lease and supporting facilities, the Group has been proactively looking for a suitable site for the construction of a logistics centre and supply chain facilities so as to facilitate a modern, intelligent and digital logistics and distribution depot for business expansion and reduction of rental expenses for the existing logistics centre.

The Group is also planning to transfer its product distribution, procurement, product design, exhibition and other operating functions into the depot upon completion of the Project, which will be beneficial for improving its operational efficiency and will save the operating expenses of these functions.

Besides, the Project Land is located at the Airport Economic Zone of Guangzhou Baiyun International Airport, which is a transportation hub of the Guangdong-Hong Kong-Macao Greater Bay Area. The Project will enable the Group to increase its logistics efficiency and reduce its operating cost.

The Directors are of the view that the terms of the Investment Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since the Project is subject to the obtaining of the land use rights over the Project Land by the Project Company successfully, based on the preliminary calculations of the Company, as one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the entering into of the Investment Agreement exceeds 25% but are all less than 100%, the Project, if materializes, will constitute a major transaction of the Company and be subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

If the Project Company obtains the land use rights over the Project Land successfully, Goldlion Far East will thereupon become unconditionally obliged to proceed with the Project and will not, at that time, be able to seek the approval of the Shareholders which is required under Chapter 14 of the Listing Rules. Accordingly, the Directors would like to seek the Shareholders' prior approval for authorization to be granted to the Directors in respect of the investment in the Project.

As no Shareholder is materially interested in the Investment Agreement and no Shareholder is required to abstain from voting at a general meeting of the Company approving the transactions contemplated under the Investment agreement, and the Company has, pursuant to Rule 14.44 of the Listing Rules, obtained written approvals of the transactions contemplated under the Investment Agreement from Top Grade Holdings Limited, Silver Disk Limited and Keysonic Development Limited, a closely allied group of Shareholders holding a total of 613,034,750

issued ordinary shares of the Company (representing approximately 62.42% of its entire issued share capital). As each of Silver Disk Limited and Keysonic Development Limited is a wholly-owned subsidiary of Top Grade Holdings Limited since the year 2008 and their respective shareholding in the Company has remained unchanged since the year 2008, Top Grade Holdings Limited, Silver Disk Limited and Keysonic Development Limited therefore constitute a closely allied group of Shareholders pursuant to Rule 14.45 of the Listing Rules. Set out below is the shareholding information of Top Grade Holdings Limited, Silver Disk Limited and Keysonic Development Limited as at the date of this announcement:

| Name | Number of Shares held as beneficial owner | Approximate percentage of shareholding |
|------------------------------|--|---|
| Top Grade Holdings Limited | 407,418,750 | 41.48% |
| Silver Disk Limited | 160,616,000 | 16.35% |
| Keysonic Development Limited | 45,000,000 | 4.58% |

As such, the Company is exempt from convening a general meeting to approve the transactions contemplated under the Investment Agreement.

A circular containing further information on the Investment Agreement is expected to be despatched to the Shareholders on or before 8 February 2022.

There is no guarantee and/or assurance that the Project Company will eventually obtain the land use rights of the Project Land and therefore the Project may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

| | |
|---------------------|---|
| “Board” | the board of Directors; |
| “Company” | Goldlion Holdings Limited (stock code: 00533), a company incorporated in Hong Kong, the Shares of which are listed on the Main Board of the Stock Exchange; |
| “Director(s)” | the director(s) of the Company; |
| “Goldlion Far East” | Goldlion (Far East) Limited (金利來(遠東)有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company; |
| “Group” | the Company and its subsidiaries; |

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|------------------------|--|
| “Guangzhou Committee” | the Guangzhou Airport Economic Zone Management Committee* (廣州空港經濟區管理委員會), a governmental organ of the Guangzhou Municipal People’s Government responsible for the overall planning of the development and construction of the Zone; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong; |
| “Investment Agreement” | the investment agreement dated 13 January 2022 entered into between Goldlion Far East and the Guangzhou Committee, pursuant to which Goldlion Far East has conditionally agreed to invest in the Project; |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| “PRC” | the People’s Republic of China; |
| “Project” | the proposed investment pursuant to the Investment Agreement by Goldlion Far East in the Project Company for the set-up of an international trade and consumption integrated headquarters in the Zone to achieve offline store and e-commerce business management and operation, centralized domestic products procurement, and the provision of regional headquarters settlement services and modern intelligent distribution services; |
| “Project Company” | Guangzhou Goldlion E-commerce Company Limited* (廣州金利來電子商務有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company; |
| “Project Land” | a piece of modern logistics storage land with a total site area of approximately 66 mu (畝) located in the Zone; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Shareholders” | holders of the ordinary share(s) of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “US\$” | United States dollar, the lawful currency of the United States of America; |
| “Zone” | Guangzhou Airport Economic Zone* (廣州空港經濟區), a national economic and demonstration zone located in the northern part of Guangzhou, the PRC; |
| “%” | per cent. |

By order of the Board
Kam Yiu Kwok
Company Secretary

Hong Kong, 13 January 2022

As at the date of this announcement, the Directors of the Company comprise Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan as executive Directors; Mr. Ng Ming Wah, Charles as a non-executive Director; and Dr. Lau Yue Sun, Mr. Li Ka Fai, David and Mr. Ngan On Tak as independent non-executive Directors.

For the purpose of this announcement, amounts denominated in RMB and US\$ have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.22 and US\$1 = HK\$7.8 respectively. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

** For identification purpose only*