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FINSOFT FINANCIAL INVESTMENT HOLDINGS LIMITED

匯財金融投資控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8018)

(1) NON-FULFILLMENT OF EBITDA GUARANTEE; AND (2) DISCLOSEABLE AND CONNECTED TRANSACTION: THE ENTERING INTO OF THE DEED OF SETTLEMENT

References are made to the announcements of the Company dated 8 July 2020, 23 July 2020 and 24 March 2023, respectively, in relation to the Acquisition (“**Announcements**”). Terms used herein shall have the same meaning as defined in the Announcements unless otherwise stated.

(1) NON-FULFILLMENT OF EBITDA GUARANTEE

Pursuant to the Agreement, the Vendor unconditionally and irrevocably guaranteed and warranted to the Company that the Audited EBITDA shall be of no less than HK\$8,000,000 (“**Guaranteed EBITDA**”).

Based on the Target Audited Accounts, the aggregate Audited EBITDA was a negative figure, which is less than the Guaranteed EBITDA. Accordingly, pursuant to the Agreement, the Vendor shall compensate the Company a sum in cash of HK\$7,344,000 (“**Compensation Sum**”).

(2) DISCLOSEABLE AND CONNECTED TRANSACTION

On 30 June 2023 (after trading hours), the Company, the Vendor and the Guarantor entered into a deed of settlement (“**Deed of Settlement**”) in relation to the settlement arrangement of the Compensation Sum in the following manner:

- (a) HK\$2,344,000 shall be paid to the Company by either (i) a cheque drawn on a licensed bank in Hong Kong in favour of the Company; or (ii) bank transfer to the designated account (“**Designated Account**”) as specified by the Company (or such other accounts as may be directed by the Company from time to time), upon execution of the Deed of Settlement; and
- (b) the remaining sum of HK\$5,000,000 (“**Deferred Payment**”) together with all interest accrued thereon shall be paid to the Company by either (i) a cheque drawn on a licensed bank in Hong Kong in favour of the Company; or (ii) bank transfer to the Designated Account within 2 years upon execution of the Deed of Settlement (“**Settlement Date**”).

GEM LISTING RULES IMPLICATIONS

The Deferred Payment arrangement under the Deed of Settlement constitutes provision of financial assistance by the Company to the Vendor. As one of the relevant applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the provision of financial assistance is more than 5% but all of them are less than 25%, the entering into of the Deed of Settlement constitutes a discloseable transaction for the Company under the GEM Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

In addition, as at the date of this announcement, the Target Company, a non-wholly owned subsidiary of the Company, is owned as to 49% by the Vendor and 51% by the Company. Accordingly, the Vendor is the substantial shareholder of the Target Company and connected person of the Company at subsidiary level, and the transaction under the Deed of Settlement constitutes a connected transaction under Chapter 20 of the GEM Listing Rules. By virtue of Rule 20.99 of the GEM Listing Rules, since (i) the Vendor is a connected person at subsidiary level; (ii) the Board has approved the transaction under the Deed of Settlement; and (iii) all independent non-executive Directors have confirmed that the terms of the Deed of Settlement are fair and reasonable and the Deed of Settlement is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the transaction under the Deed of Settlement is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As disclosed in the Announcements, the Company, the Vendor and the Guarantor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire the Sale Shares, representing 51% of the issued share capital of the Target Company, at the consideration of HK\$16,320,000 (subject to adjustment), in which part of the Consideration is determined by reference to an adjustment mechanism set out in the Agreement. As at the date of this announcement, \$7,344,000, being the sum of the Deposit and the part payment of the Consideration, has been paid by the Company to the Vendor in accordance to the Agreement.

(1) NON-FULFILLMENT OF THE EBITDA GUARANTEE

Pursuant to the Agreement, the Vendor unconditionally and irrevocably guaranteed and warranted to the Company that the Audited EBITDA shall be of no less than the Guaranteed EBITDA.

Based on the Target Audited Accounts, the aggregate Audited EBITDA was a negative figure, which is less than the Guaranteed EBITDA. Accordingly, pursuant to the Agreement, the Vendor shall compensate the Company the Compensation Sum.

(2) DISCLOSEABLE AND CONNECTED TRANSACTION

On 30 June 2023 (after trading hours), the Company, the Vendor and the Guarantor entered into the Deed of Settlement in relation to the settlement arrangement of the Compensation Sum.

THE DEED OF SETTLEMENT

The principal terms of the Deed of Settlement are set out as follows:

Date: 30 June 2023 (after trading hours)

Parties: (i) The Company
(ii) The Vendor
(iii) The Guarantor

Settlement Arrangement

The Compensation Sum is HK\$7,344,000, which shall be paid by the Vendor to the Company in the following manner:

- (a) HK\$2,344,000 shall be paid to the Company by either (i) a cheque drawn on a licensed bank in Hong Kong in favour of the Company; or (ii) bank transfer to the Designated Account as specified by the Company (or such other accounts as may be directed by the Company from time to time), upon execution of the Deed of Settlement; and
- (b) the Deferred Payment of HK\$5,000,000 together with all interest accrued thereon shall be paid to the Company by either (i) a cheque drawn on a licensed bank in Hong Kong in favour of the Company; or (ii) bank transfer to the Designated Account within the Settlement Date.

Interest on the Deferred Payment shall be accrued at the rate 10% per annum (“**Interest Rate**”) based on the actual outstanding balance of the Deferred Payment. Interest shall accrue daily and be calculated on the basis of the actual number of days elapsed and a 365-day year and shall be payable on a quarterly basis. Such rate was determined after arm’s length negotiation with reference to, among other things, (i) the prevailing market practices; (ii) the interest rate offered by the Company to its money lending clients; and (iii) the reasons for and benefits of entering into the Deed of Settlement as stated under the section headed “Reasons for and benefits of entering into the Deed of Settlement” below.

If the Vendor fails to pay any Deferred Payment (including interest) on the Settlement Date, the Vendor shall pay, in addition to such sum, default interest on such sum from the date immediately following such due date of repayment to the date of actual payment (both days inclusive) at the Interest Rate.

The Compensation Sum was determined in accordance to the terms of the Agreement with reference to, among other things, (i) the non-fulfillment of the Guaranteed EBITDA as stated under the section headed “Non-fulfillment of the EBITDA Guarantee” above; (ii) the possibility of the recovery of the Deferred Payment; (iii) the time and costs that are expected to be incurred by the Group if the Company takes legal action against the Vendor to enforce the Agreement; and (iv) the reasons for and benefits of entering into the Deed of Settlement as stated under the section headed “Reasons for and benefits of entering into the Deed of Settlement” below.

Early repayment

The Vendor is entitled to make early repayment of the Deferred Payment and all accrued interest in full or in part before the Settlement Date by giving the Company not less than seven Business Days prior written notice and the date on which the early repayment is to be made, and the Vendor shall, on the date of early payment, pay the Company all accrued interest on the amount to be early repaid.

Guarantee provided by the Guarantor

In consideration of the settlement arrangement of the Compensation Sum and the Vendor entering into the Deed of Settlement, the Guarantor has unconditionally and irrevocably guaranteed to the Company the due and punctual performance of all obligations of the Vendor under the Deed of Settlement.

INFORMATION OF THE PARTIES INVOLVED IN THE DEED OF SETTLEMENT

The Group is principally engaged in the provision of financial trading software solutions, provision of other IT and internet financial platforms services, money lending business and assets investments in Hong Kong.

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

The Vendor is a company incorporated in the Republic of Seychelles with limited liability and is principally engaging in investment holding. The Vendor is wholly-owned by Ms. Chung Elizabeth Ching Yee, the Guarantor, who is a merchant.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DEED OF SETTLEMENT

The Company has been using its best endeavour to reach an agreement with the Vendor on the payment of the Compensation Sum. Taking into account that (i) the Vendor required additional time to arrange necessary fund flow for the payment of the Compensation Sum and requested to settle such sum by installments; (ii) the Company could receive a one-off payment of HK\$2,344,000, being the partial Compensation Sum, upon execution of the Deed of Settlement; and (iii) the entering into of the Deed of Settlement will allow the Group to receive additional interest income, the Directors consider that the Target Company's inability to achieve the Guaranteed EBITDA would not affect the Group's principal businesses, the terms of the Deed of Settlement are fair and reasonable, the transaction contemplated thereunder is on normal commercial terms and in the interest of the Company and its shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The Deferred Payment arrangement under the Deed of Settlement constitutes provision of financial assistance by the Company to the Vendor. As one of the relevant applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the provision of financial assistance is more than 5% but all of them are less than 25%, the entering into of the Deed of Settlement constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

In addition, as at the date of this announcement, the Target Company, a non-wholly owned subsidiary of the Company, is owned as to 49% by the Vendor and 51% by the Company. Accordingly, the Vendor is the substantial shareholder of the Target Company and connected person of the Company at subsidiary level, and the transaction under the Deed of Settlement constitutes a connected transaction. By virtue of Rule 20.99 of the GEM Listing Rules, since (i) the Vendor is a connected person at subsidiary level; (ii) the Board has approved the transaction under the Deed of Settlement; and (iii) all independent non-executive Directors have confirmed that the terms of the Deed of Settlement are fair and reasonable and the Deed of Settlement is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the transaction under the Deed of Settlement is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

* *For identification purpose only*

By order of the Board
Finsoft Financial Investment Holdings Limited
Ms. Tin Yat Yu Carol
Chairman

Hong Kong, 30 June 2023

As at the date of this announcement, the Board consists of Ms. Tin Yat Yu Carol being an executive Director and the chairman of the Board, Mr. Chan Wai Lung being an executive Director and the chief executive officer of the Company, Ms. Lam Ching Yee and Ms. Lin Ting being the executive Directors, and Mr. Hon Ming Sang, Ms. Lee Kwun Ling, May Jean and Ms. Lo Wing Sze BBS, JP being the 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 "Latest Listed Company Information" page of the website of The Stock Exchange of Hong Kong Limited at <https://www.hkexnews.hk> for a minimum period of seven days from the date of its publication and on the website of the Company at www.finsofthk.com.