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Wealthy Way Group Limited

富道集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3848)

**DISCLOSEABLE TRANSACTION
NON-RECOURSE FACTORING TRANSACTIONS ON
CREDITOR'S RIGHT UNDER FINANCIAL LEASING AGREEMENT**

The Board hereby announces that CWW Leasing and the Factoring Company entered into the Factoring Agreement on 9 April 2021 (after trading hours), pursuant to which the CWW Leasing has agreed to transfer the creditor's rights and relevant rights of the Financial Leasing Receivables under the Financial Leasing Agreement to the Factoring Company, and the Factoring Company has agreed to receive such creditor's rights and relevant rights of the Financial Leasing Receivables and to provide CWW Leasing with factoring facilities of RMB99 million in cash with no interest and no recourse right attached. The amount of such factoring facility has also been received and will be fully utilised by CWW Leasing as at the date of this announcement.

As one or more applicable ratios of the transactions under the Factoring Agreement and the entering into the transaction under the Factoring Agreement is higher than 5% but less than 25%, the entering into the Factoring Agreement constitutes a discloseable transaction under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

Pursuant to the Agreement, CWW Leasing (which is an indirect wholly-owned subsidiary of the Company) had acquired Leased Assets of RMB280.0 million from the Lessee and leased back to the Lessee bearing interest at a rate of 4.89% per annum in 2017. As at the date of this announcement, the Lessee failed to repay in total of around RMB85.1 million for the Financial Leasing Agreement on time.

On 1 February 2021, the Company became aware that the Lessee had received a notice for debt restructuring and reorganisation filed by its debtors to Hainan Higher People's Court* (海南省高級人民法院). For details, please refer to the previous announcement of the Company on 1 February 2021.

THE FACTORING AGREEMENT

The Board hereby announces that CWW Leasing entered into the Factoring Agreement with the Factoring Company, on 9 April 2021 (after trading hours), pursuant to which CWW Leasing has agreed to transfer the creditor's rights and relevant rights of the Financial Leasing Receivables under Financial Leasing Agreement to the Factoring Company, and the Factoring Company has agreed to receive such creditor's rights and relevant rights of the Financial Leasing Receivables and to provide CWW Leasing with factoring facilities of approximately RMB99 million in cash with no interest and no recourse right attached. The amount of such factoring facility has also been received and will be fully utilised by CWW Leasing as at the date of this announcement.

The principal terms of the Factoring Agreement is summarized as follows:

Date

9 April 2021

Parties

- (1) CWW Leasing, an indirect wholly owned subsidiary of the Company; and
- (2) The Factoring Company: Shenzhen Kuai Yin Commercial Factoring Company Limited* (深圳市快銀商業保理有限公司), a company incorporated in Shenzhen, the PRC with limited liability, which the ultimate beneficial owner is Guan Yun Guang* (關運光), an Independent Third Party.

After making all reasonable enquiries, to the best of the Directors' knowledge, information and belief, the Factoring Company and their ultimate beneficial owners are all independent third parties of the Company and its connected persons (as defined under the Listing Rules).

Factoring Facilities

Pursuant to the Factoring Agreement, the Factoring Company will provide factoring facility services for the Financial Leasing Receivables with an aggregate factoring facilities of RMB99 million to CWW Leasing with no interest and no recourse right attached. The amount of such factoring facility has also been received and will be fully utilised by CWW Leasing as at the date of this announcement. Upon the completion of transaction under the Factoring Agreement, the factoring facilities will be utilised to repay the corresponding bank loans.

Factoring Period

The factoring period under the Factoring Agreement is from the payment date of factoring facilities to 8 April 2022.

Type of Factoring

No recourse right is attached. If the Lessee fails to fully pay the Financial Leasing Receivables within the agreed time limit, the Factoring Company has no recourse for a claim against CWW Leasing in respect of any outstanding payment.

Subject of the Transactions

CWW Leasing will transfer the creditor's rights and relevant rights of the Financial Leasing Receivables under the Financial Leasing Agreement to the Factoring Company. The Factoring Company will receive such creditor's rights and relevant rights of the Financial Leasing Receivables and provide factoring facility services to CWW Leasing.

Factoring Interest

There is no factoring interest.

Guarantee

CWW Leasing will transfer all of the security interests under the Financial Leasing Receivables to the Factoring Company.

REASONS AND BENEFITS FOR THE PROPOSED ENTERING INTO THE FACTORING AGREEMENT

Based on the information available to the Directors as of the date of this announcement, it appeared to the Directors that the Lessee and the Guarantor might not have sufficient means to repay the Financial Leasing Receivables even if CWW Leasing eventually succeeds in the enforcement proceedings. The time for the completion of debt restructuring and reorganisation of the Lessee is uncertain. The enforcement proceedings will take lengthy time and involve additional legal cost to the Group.

The Consideration was determined after arm's length negotiation with the Factoring Company with reference to the valuation of the Creditor's Rights of approximately RMB109.6 million by an independent valuer.

As detailed in the basis considered by the independent valuer, weighting of different scenarios of income rights (whether to be treated as existing contract to be fulfilled or treated as dismissed contract which affects if any guarantee would be given in the contracts) and the likelihood of various recovery outcomes depending on the potential court judgements (whether approval of recovery of leased assets had been obtained prior to debt restructure) have been considered into the valuation on the Creditor's Rights, together with the valuation on the current market value of the Leased Assets.

The current market value of the Leased Assets was based on the valuation prepared by the independent valuer under the cost method considering, among other things, (i) the original acquisition cost; (ii) the depreciation; (iii) the cash-realisation ratio of the Leased Assets; and (iv) insufficient demand for commercial aviation related equipment in current airline market, the valuation of the Leased Assets prepared by the independent valuer amounted to approximately RMB57.6 million, which is lower than the Consideration.

As advised by the legal advisers as to PRC laws, the usual duration of enforcement proceedings will take over a year to conclude and the duration of the potential case against the Lessee will be of extra uncertainties, due to the high number of debtors of the Lessee and the Guarantor and the number of subsidiaries under the Lessee and the Guarantor being over 300.

The Board is of the view that even should CWW Leasing be able to succeed in the enforcement proceedings, the Lessee and the Guarantor might not have the sufficient means to repay the Financial Leasing Receivables as their financial position is weak and as such the likelihood of a recovery of the full amount of the carrying book value of the Financial Leasing Receivables is remotely low.

Regarding the amount of finance cost of approximately RMB4.1 million to be incurred in May 2021 to 2023 for the Financial Leasing Agreement, the Board is of the view that the early repayment of the relevant bank loans would enable the saving of the majority of such finance cost of approximately RMB4.1 million to undertake the relevant repayment obligations and liabilities in accordance with the respective bank loan of the Financial Leasing Agreement and to maintain the liquidity and credibility of the Group and the important conditions of the Group's operation in the industry. As the Lessee and the Guarantor may not be able to repay to us in accordance with the original repayment schedule to us in view of the notice of Debt Structuring and Reorganisation filed, the Group is in need to search for liquidity to arrange for such repayments to the bank by other means.

The Board understands that taking up of the Consideration offer will enable the Company to (i) avoid extra legal and administrative cost for potential legal processes and finance cost in relation to the respective loan from the banks; and (ii) avoid further uncertainty in relation to the Financial Leasing Receivables which may result in the failure to recover the Financial Leasing Receivables in the amount more than that of the Consideration.

After taking into account of all the qualitative and quantitative effects of the aforementioned factors, the Company had used its best endeavours to minimise the loss arising and mitigate the risk associated with the Financial Leasing Agreement.

The Factoring Agreement will be entered into by CWW Leasing in the ordinary and usual course of business, and is conducive to giving full play to the advantages of all parties. With expected proceeds and controllable risks, entering into the Factoring Agreement is beneficial for CWW Leasing to activate its credit assets and to save finance cost. The terms of the Factoring Agreement (including factoring facilities) were reached among all parties after arm's length negotiation, with reference to prevailing commercial practice and the financial position of the Lessee. The Directors are of the view that the terms of the Factoring Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE FACTORING AGREEMENT AND USE OF FACILITIES

The Group expects to this Factoring Agreement has no material financial impact on the financial performance position of the Group during the year ended 31 December 2021 as the carrying value of the Financial Leasing Receivables, amounts to RMB99.0 million which equals the Consideration as at the date of this announcement. The factoring facilities from the Factoring Agreement will be utilised towards the repayment of the relevant bank loans.

INFORMATION ABOUT THE PARTIES

Information about CWW Leasing

CWW Leasing's principal activities are to provide financial leasing, factoring and financial leasing related advisory services to customers in the PRC.

Information about the Factoring Company

The Factoring Company is a company incorporated in Shenzhen, the PRC with limited liability, which the ultimate beneficial owner is Guan Yun Guang* (關運光), which is principally engaged in factoring service. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Factoring Company is an Independent Third Party, which is principally engaged in banking and related financial services.

Information about the Lessee

The Lessee under the Financial Leasing Agreement is Grand China Air Co., Ltd* (大新華航空有限公司), a company incorporated in the PRC with limited liability and a private airline operator based in Hainan Province, the PRC, which is the largest shareholder of a Hainan airline operator listed on The Shanghai Stock Exchange and an Independent Third Party.

LISTING RULES IMPLICATIONS

As one or more applicable ratios of the transactions under the Factoring Agreement and the entering into the transaction under the Factoring Agreement is higher than 5% but less than 25%, the entering into the Factoring Agreement constitutes a discloseable transaction under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of directors of the Company
“Company”	Wealthy Way Group Limited, a limited liability company incorporated in the Cayman Islands with its issued shares listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB99 million, being the factoring facility in cash, with no interest and no recourse right attached provided by the Factoring Company to CWW Leasing for the disposal of Creditor’s Rights, pursuant to the Factoring Agreement. The amount of such factoring facility has also been received and fully utilised by CWW leasing as at the date of this announcement
“Creditor’s Rights”	CWW Leasing’s rights, ancillary rights, titles and benefits of the Financial Leasing Receivables
“CWW Leasing”	Wealthy Way (China) Leasing Company Limited* (富道(中國)融資租賃有限公司), a company incorporated in the PRC as a wholly-foreign owned enterprise on 5 April 2012 and an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company

“Factoring Agreement”	the factoring agreement proposed to be entered into among CWW Leasing, the Factoring Company and the Lessee under the Financial Leasing Agreement in respect of the transfer of creditor’s rights and relevant rights of the Lease Receivables under the Financial Leasing Agreement
“Factoring Company”	Shenzhen Kuai Yin Commercial Factoring Company Limited* (深圳市快銀商業保理有限公司), a company incorporated in Shenzhen, the PRC with limited liability, which the ultimate beneficial owner is Guan Yun Guang* (關運光), an Independent Third Party
“Financial Leasing Agreement”	the agreement entered into between CWW Leasing and the Lessee on 8 February 2017, pursuant to which, CWW Leasing acquired the Leased Assets from the Lessee and leased back to the Lessee
“Financial Leasing Receivables”	the amount of financial leasing receivables accrued on the Loan from the date of the Financial Leasing Agreement. As at the date of this announcement, the carrying book value, is RMB99.0 million
“Group”	the Company and its subsidiaries as at the date of this announcement
“Guarantor”	HNA Group, Co., Ltd.* (海航航空集團有限公司), a company incorporated in the PRC as a limited company on 16 April 1998 and a service provider in aviation, hospitality, tourism and catering and an investor in the Lessee, and an Independent Third Party
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any individual or company not being the connected persons (as defined under the Listing Rules) of the Company, independent of the Company and its connected persons (as defined under the Listing Rules) and not connected with them
“Leased Assets”	10 Aircraft Engines in total as the collateral under the Financial Leasing Agreement

“Lessee”	Grand China Air Co., Ltd* (大新華航空有限公司), a company incorporated in the PRC with limited liability and a private airline operator based in Hainan Province, the PRC, which is the largest shareholder of a Hainan airline operator listed on The Shanghai Stock Exchange and an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share”	the ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

On behalf of the Board
Wealthy Way Group Limited
LO Wai Ho
Chairman and Executive Director

Hong Kong, 9 April 2021

As at the date of this announcement, the Board comprises Mr. Lo Wai Ho, Ms. Chan Shuk Kwan, Winnie and Mr. Xie Wei-quan as executive Directors; and Mr. Ha Tak Kong, Mr. Ip Chi Wai and Mr. Kam Wai Man as independent non-executive Directors.

* *For identification purposes only*