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**Virtual Mind Holding Company Limited**  
**天機控股有限公司**  
*(incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1520)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**  
**ASSIGNMENT OF LOANS**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



Reference is made to (i) the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report**”) published on 29 April 2022; and (ii) the announcement of the Company dated 1 September 2022 (the “**Announcement**”), with respect to, amongst other things, supplemental information to the Shareholders regarding the Group’s money lending business.

**THE ASSIGNMENT**

On 8 December 2022 (after trading hours of the Stock Exchange), the Assignor, being a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Assignee, pursuant to which the Assignor has agreed to assign, and the Assignee has agreed to purchase from the Assignor all of the Assignor’s legal and beneficial right in the Loan Agreements (including but not limited to the Assigned Debt).

## LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Assignment exceed 5% but are less than 25%, the Assignment constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Assignee is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of being an executive Director and the sole director of the Assignor. Therefore, the Assignment also constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the Assignment, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Merdeka Corporate Finance Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held for the purpose of considering and, if thought fit, approving the Assignment, the Sale and Purchase Agreement and the transactions contemplated thereunder. The Assignee and her associates are required to abstain from voting on the resolution(s) approving the Assignment, the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Assignment and the Sale and Purchase Agreement and is required to abstain from voting on the resolution(s) approving the Assignment, the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) details of the Sale and Purchase Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Assignment and the Sale and Purchase Agreement; (iii) the letter of advice from Merdeka Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders in respect of the Assignment and the Sale and Purchase Agreement; and (iv) the notice of EGM and the proxy forms will be despatched to the Shareholders on or before 3 January 2023.

**Completion is subject to and conditional upon the fulfillment of the terms and conditions precedent set out in the Sale and Purchase Agreement and the Assignment may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

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## **SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are set out as follows:

<b>Date</b>	8 December 2022
<b>Parties</b>	Assignor: Delta Wealth Finance Limited, a wholly owned subsidiary of the Company  Assignee: Ms. Tin Yat Yu Carol, an executive Director and the sole director of the Assignor
<b>Subject matter</b>	The Assignor has agreed to assign, and the Assignee has agreed to purchase from the Assignor all of the legal and beneficial right in the Loan Agreements (including but not limited to the Assigned Debt).
<b>Consideration</b>	The Consideration is HK\$22,952,679, which shall be paid by the Assignee to the Assignor by cash in the following manner:  (i) as to HK\$11,019,800 shall be paid by the Assignee to the Assignor as down payment in two installments, HK\$5,509,900 (the “ <b>Initial Deposit</b> ”) upon signing of the Sale and Purchase Agreement (or such later date as the Assignor and the Assignee may agree) and HK\$5,509,900 (the “ <b>Second Deposit</b> ”, together with the Initial Deposit, the “ <b>Deposits</b> ”) on 30 December 2022 (or such later date as the Assignor and the Assignee may agree); and

- (ii) the remaining sum of HK\$11,932,879 shall be paid by the Assignee to the Assignor in 36 equal monthly installments, while the first instalment shall be payable on 1 February 2023 or the Completion Date (whichever is later) (or such later date as the Assignor and the Assignee may agree) and the remaining instalments be payable by the Assignee to the Assignor by the end of each subsequent calendar month.

Notwithstanding the above, the Assignee undertakes to use her best endeavour to liaise with the Borrowers to recover the Assigned Debt, and shall use the net amount so successfully recovered to settle the outstanding Consideration as soon as possible within 10 Business Days upon receipt of the same, and settle the Consideration in entirety within three years from the date of Completion in any event.

The Consideration, representing the difference of the original aggregated principal amounts of the Assigned Debt of HK\$27,800,000 and all repayment (including interest payments) previously made by the Borrowers up to 30 June 2022 of HK\$4,847,321.

The Consideration was determined after arm's length negotiations between the Assignor and the Assignee, having considered (i) the outstanding principal and interests owed by the Borrowers under the Loan Agreements; (ii) the possibility of the recovery of the Loan Agreements and the interests thereon, taking into account, among others, the indication from the Borrowers of their respective inability to repay the Assigned Debt fully and punctually; (iii) the time and costs that are expected to be incurred by the Group if the Assignor takes legal action against the Borrowers to enforce the Loan Agreements; and (iv) the current global circumstances and uncertainties in the economic outlook.

The Board (excluding the independent non-executive Directors who will give their opinion based on the recommendations from the independent financial adviser and Ms. Tin who has abstained from voting due to her material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder) is of the view that the Consideration is fair and reasonable and on normal commercial terms and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

## **Conditions Precedent**

Completion shall be conditional upon and subject to:

- (a) the passing by the Independent Shareholders at the EGM of all necessary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder and all other consents and acts required under the Listing Rules 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;
- (b) all Assignor's representations and warranties stated in the Sale and Purchase Agreement remaining true and correct in all respects and not misleading; and
- (c) all Assignee's representations and warranties stated in the Sale and Purchase Agreement remaining true and correct in all respects and not misleading.

The Assignor shall have the absolute discretion to waive the condition set out in (c) above and the Assignee shall have the absolute discretion to waive the condition set out in (b) above. Neither the Assignor nor the Assignee may waive condition (a) above.

If the above conditions precedent have not been satisfied (or as the case may be, waived by the Assignee or the Assignor) on or before 5:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement shall cease and determine and in which event any amount of the Deposits (without interest) received by the Assignor shall be refunded to the Assignee forthwith and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

## **Completion**

Upon fulfilment or waiver of all the Conditions Precedent, Completion shall take place on the Completion Date.

Upon Completion, the Assignor and the Assignee shall execute a deed of assignment, pursuant to which the Assignor shall assign all the rights and interests under the Loan Agreements to the Assignee.

## **REASONS FOR AND BENEFITS OF THE ASSIGNMENT AND USE OF PROCEEDS**

Money lending is one of the original course of businesses of the Group. The Assigned Debt are pre-existing loans granted prior to the acquisition (the “**Acquisition**”) of the Assignor by the Company in November 2016. As at 30 June 2022, the aggregate amount owed by Borrower A to the Assignor under Loan Agreement A, including the outstanding principal and interest was approximately HK\$6,156,990, and the aggregate amount owed by Borrower B to the Assignor under Loan Agreement B, including the outstanding principal and interest was approximately HK\$18,611,000. Since the Borrowers’ default, the Group has been in various discussions with the Borrowers as to the repayment of the principal amount and the payment of the interest under the Loan Agreements.

In light of the above, the Assignee, an executive Director who was and is the director of the Assignor prior to the Acquisition, has agreed to take full responsibility to recover the outstanding loan balances from Borrower A and Borrower B by assignment of the rights, titles and benefits of the Assigned Debt to her at the Consideration of HK\$22,952,679, representing the principal amount of the Assigned Debt less all amounts previously repaid (including interest payments) made by the Borrower A and the Borrower B respectively.

The Assignment provides a one-off solution to the Group to recover a large portion of the long outstanding amount owed under the Loan Agreements within a foreseeable timeframe, thereby minimizing the uncertainty and the credit risks associated with the Assigned Debt. The Assignment allows the Group to mitigate losses and protect its interests in connection with the Assigned Debt. It is intended that the net proceeds from the Assignment of approximately HK\$22,952,000 will be used as general working capital of the Group.

Having regard to the reasons for and benefits of the Assignment, the Board (excluding the independent non-executive Directors who will give their opinion based on the recommendations from the independent financial adviser and Ms. Tin who has abstained from voting due to her material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder) is of the view that the Assignment and the terms of the Sale and Purchase Agreement, which have been reached after arm’s length negotiations between the parties, and the transactions contemplated thereunder are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE ASSIGNMENT**

Upon Completion, the deemed consideration transferred pertaining the Assignment would be approximately HK\$5,124,000, representing the receivable (the “**Receivable**”) from the Group of approximately HK\$24,769,000 (being the aggregate outstanding principal amount of the Assigned Debt of approximately HK\$24,466,000 and the outstanding interests accrued thereon up to 30 June 2022 of approximately HK\$303,000) after provision for an unaudited impairment loss on the Assigned Debt of approximately HK\$19,645,000 as of 30 June 2022.

Based on, among other things, the Consideration of HK\$22,952,679 and the related expenses, a gain of approximately HK\$17,500,000 is expected to be recorded for the Assignment, being the difference between (i) the Consideration; and (ii) the book value of the Assigned Debt as at 30 June 2022 of approximately HK\$5,124,000 and the amount of the related expenses. There will also be an increase in net asset of approximately HK\$17,829,000, resulting from the reversal of the impairment allowance made on the Assigned Debt of approximately HK\$19,645,000 as of 30 June 2022 less approximately HK\$1,816,000 to be written off over the Receivable.

The aforesaid estimation is for illustrative purpose only and does not purport to represent how the financial position of the Group will be after the Assignment.

## **INFORMATION OF THE GROUP AND THE ASSIGNOR**

The Group principally engages in (i) design, manufacture and trading of apparel and (ii) provision of money lending services. The Assignor is a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. Its principal activity is the provision of money lending business mainly to individual consumers and small businesses in Hong Kong.

## **INFORMATION OF THE ASSIGNEE**

The Assignee is the executive Director and the sole director of the Assignor since 2015 and remains as its sole director after the Company’s completion in the acquisition of the Assignor in November 2016. The Assignee has more than 15 years of experience in financial management, corporate finance, money lending business and fine dining business.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Assignment exceed 5% but are less than 25%, the Assignment constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Assignee is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of being an executive Director and the sole director of the Assignor. Therefore, the Assignment also constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the Assignment, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Merdeka Corporate Finance Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held for the purpose of considering and, if thought fit, approving the Assignment, the Sale and Purchase Agreement and the transactions contemplated thereunder. The Assignee and her associates are required to abstain from voting on the resolution(s) approving the Assignment, the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Assignment and the Sale and Purchase Agreement and is required to abstain from voting on the resolution(s) approving the Assignment, the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) details of the Sale and Purchase Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Assignment and the Sale and Purchase Agreement; (iii) the letter of advice from Merdeka Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders in respect of the Assignment and the Sale and Purchase Agreement; and (iv) the notice of EGM and the proxy forms will be despatched to the Shareholders on or before 3 January 2023.

**Completion is subject to and conditional upon the fulfillment of the terms and conditions precedent set out in the Sale and Purchase Agreement and the Assignment may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**



## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings when used herein:

“Assignee” or “Ms. Tin”	Ms. Tin Yat Yu Carol, an executive Director and the sole director of the Assignor
“Assigned Debt”	all loans, obligations, liabilities and debts owing or incurred by the Borrowers to the Assignor from time to time under the Loan Agreements, including but not limited to the aggregate outstanding principal of and the outstanding interest accrued thereon, which as at 30 June 2022, amounted to approximately HK\$24,466,000 and approximately HK\$303,000 respectively
“Assignment”	the assignment of the Assigned Debt pursuant to the Sale and Purchase Agreement
“Assignor”	Delta Wealth Finance Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Borrowers”	Borrower A and Borrower B
“Borrower A”	Mr. Chan Chun Wai, the borrower under the Loan Agreement A, being an individual and an Independent Third Party
“Borrower B”	Master Success Limited, a company incorporated in Hong Kong, the borrower under the Loan Agreement B, being an Independent Third Party
“Business day”	a day (other than a Saturday or Sunday) on which banks are normally open in Hong Kong for the transaction of business

“Company”	Virtual Mind Holding Company Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1520)
“Completion”	completion of the Assignment in accordance with the Sale and Purchase Agreement
“Completion Date”	any Business Day within 5 Business Days following the date on which the conditions precedent are fulfilled or such other date as the Assignor and the Assignee may agree
“Consideration”	HK\$22,952,679, being the total consideration to be satisfied by the Assignee to the Assignor for the Assignment
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other matters, the Assignment, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company established by the Board, comprising all the independent non-executive Directors, to advise the Independent Shareholders on the Assignment, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder

“Independent Shareholders”	the Shareholders and/or their respective associates who are not required under the Listing Rules to abstain from voting at the EGM, other than those persons who have material interest in the Assignment (if any)
“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 party(ies) independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	Loan Agreement A and Loan Agreement B
“Loan Agreement A”	the loan agreement and the supplemental loan agreements dated 10 September 2012 and 1 September 2016 and the extension letter dated 1 December 2016 respectively entered into between the Assignor as lender and Borrower A as the borrower, pursuant to which the Assignor has agreed to make available to Borrower A a loan in the aggregate principal amount of HK\$7,800,000 subject to the terms and conditions therein
“Loan Agreement B”	the loan agreement dated 1 April 2015 (as supplemented by the supplemental loan agreement dated 1 May 2016 and the extension letter and settlement agreement dated 3 January 2017 and 20 March 2020, respectively) entered into between the Assignor as the lender and Borrower B as the borrower, pursuant to which the Assignor has agreed to make available to Borrower B a loan in the aggregate principal amount of HK\$20,000,000 subject to the terms and conditions therein
“Long Stop Date”	31 May 2023 (or such later date as the Assignee and Assignor may agree)

“Sale and Purchase Agreement”	a sale and purchase agreement dated 8 December 2022 entered into between the Assignor and the Assignee in relation to the Assignment, pursuant to which the Assignor agreed to sell to the Assignee and the Assignee agreed to purchase from the Assignor the Assigned Debt
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board of  
**Virtual Mind Holding Company Limited**  
**Li Yang**  
*Chairman and Executive Director*

Hong Kong, 8 December 2022

*As at the date of this announcement, the executive Directors are Mr. Li Yang, Ms. Tin Yat Yu Carol, Mr. Cheung Ka Lung, Mr. Chan Ming Leung Terence and Mr. Gong Xiaohan; and the independent non-executive Directors are Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Ms. Lo Wing Sze BBS, JP.*