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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Ground International Development Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**GROUND INTERNATIONAL DEVELOPMENT LIMITED**

**廣澤國際發展有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 989)**

**MAJOR TRANSACTION IN RELATION TO  
THE DISPOSAL OF ENTIRE EQUITY INTERESTS  
IN THE TARGET COMPANIES**

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Capitalised terms used on this cover page have the same meaning as defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 6 to 14 of this circular.

The Disposal has been approved by written shareholders’ approval pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

16 March 2020

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## DEFINITIONS

*Unless the context otherwise requires, the following expressions have the following meanings in this circular:*

“Agreements”	the sale and purchase agreements all dated 24 February 2020, each entered into between the respective Seller as seller, the Company as guarantor and the respective Purchaser as purchaser in relation to the Disposal, and each an “Agreement”
“associate”	has the meaning ascribed to it under the Listing Rules
“Audited Completion Accounts”	the accounts of the Company made up to the Completion Date prepared in accordance with the requirements of all applicable laws and the relevant accounting standards and in a manner fully consistent with the audited accounts of the Company and audited by the auditor of the Company
“Bank Loans”	the loans owing by the Company and Ground Financial (each as a borrower) to a bank (as a lender), the outstanding principal amount being HK\$273,000,000 in aggregate as at 31 January 2020
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	Ground International Development Limited (廣澤國際發展有限公司) (stock code: 989), a company incorporated in Bermuda with limited liabilities whose ordinary shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreements
“Completion Date”	the date on which Completion takes place
“Condition Precedent”	the condition precedent to the Agreements as set out in the section headed “Condition Precedent” in this circular
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the total consideration of HK\$305,280,000 for the Disposal pursuant to the Agreements
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Sellers to the Purchasers pursuant to the Agreements

## DEFINITIONS

“Ground Financial”	Ground Financial Management Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) which is/are independent of the Company and its Connected Persons
“Jade Cloud Estates”	Jade Cloud Estates Limited, being a company incorporated in Hong Kong with limited liability, an Independent Third Party and a nominee of the Purchasers
“Ka Yik” or “Controlling Shareholder”	Ka Yik Investments Limited, a company incorporated in the BVI and is the controlling Shareholder of the Company
“Latest Practicable Date”	10 March 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein, as the case may be
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LOI”	the letter of intent dated 18 December 2019 entered into between the Company and Jade Cloud Estates in relation to the proposed Disposal
“Master Deed”	the master deed dated 24 February 2020 and entered into among Seller A, Seller B, Seller C and Seller D collectively as sellers; Purchaser A, Purchaser B, Purchaser C and Purchaser D collectively as purchasers; and the Company as the Sellers’ guarantor pursuant to and in connection with the Agreements
“Ms. Cui”	Ms. Cui Xintong (崔薪瞳), an executive Director, the chairperson of the Board, and the ultimate beneficial owner of Ka Yik
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

## DEFINITIONS

“Proforma Accounts”	the accounts of the Company made up to the Completion Date prepared in accordance with the requirements of all applicable laws and the relevant accounting standards and certified by a Director
“Property A”	20th Floor of Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon
“Property B”	20th Floor of Tower II, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon
“Property C”	20th Floor of Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon
“Property D”	Car parking spaces Nos. A1 to A14 (inclusive) on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon
“Property Enhancement Project”	the asset enhancement project for, among other things, the chiller plant replacement works, building drainage works and toilet rectification works in relation to the relevant Properties
“Properties”	collectively, the Property A, the Property B, the Property C and the Property D, and each a “Property”
“Purchaser A”	Win Pacific Development Limited, a company incorporated in Hong Kong, being one of the purchasers of the Sale Shares under the Agreements
“Purchaser B”	New Harbour Holdings Limited, a company incorporated in Hong Kong, being one of the purchasers of the Sale Shares under the Agreements
“Purchaser C”	Sinco Enterprises Limited, a company incorporated in Hong Kong, being one of the purchasers of the Sale Shares under the Agreements
“Purchaser D”	Kingsbrook Limited, a company incorporated in Hong Kong, being one of the purchasers of the Sale Shares under the Agreements
“Purchasers”	collectively, Purchaser A, Purchaser B, Purchaser C and Purchaser D, and each a “Purchaser”
“Qualifying Assets and Liabilities”	the items of assets and liabilities qualified for adjustment to the consideration pursuant to the Agreements

## DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	Two (2) shares of Target Company A, two (2) shares of Target Company B, two (2) shares of Target Company C; and two (2) shares of Target Company D, representing the entire share capital of each of the Target Companies held by the respective Sellers
“Seller A”	Master Form Limited, a company incorporated in the BVI and an indirect wholly owned subsidiary of the Company
“Seller B”	Ground Holdings Limited, a company incorporated in the BVI and a direct wholly owned subsidiary of the Company
“Seller C”	Target Lane Investments Limited, a company incorporated in the BVI and an indirect wholly owned subsidiary of the Company
“Seller D”	Sungloss International Limited, a company incorporated in the BVI and an indirect wholly owned subsidiary of the Company
“Sellers”	collectively, the Seller A, the Seller B, the Seller C and the Seller D, and each a “Seller”
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company A”	Ground Properties (HK) Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Seller A
“Target Company B”	Ground Data System Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Seller B
“Target Company C”	Jackie Industries Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Seller C
“Target Company D”	World Sheen Properties Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Seller D

## DEFINITIONS

“Target Companies” collectively, Target Company A, Target Company B, Target Company C and Target Company D, and each a “Target Company”

“%” per cent

LETTER FROM THE BOARD



GROUND  
INTERNATIONAL  
廣澤國際

**GROUND INTERNATIONAL DEVELOPMENT LIMITED**

**廣澤國際發展有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 989)**

*Executive Directors:*

Ms. Cui Xintong (*Chairperson*)

Ms. Liu Hongjian

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

*Non-executive Director:*

Mr. Cong Peifeng

*Head office and principal place  
of business*

*Independent Non-executive Directors:*

Mr. Tsang Hung Kei

Mr. Wang Xiaochu

Mr. Zhu Zuoan

Room 1305, 13th Floor  
China Resources Building  
No. 26 Harbour Road  
Wanchai, Hong Kong

16 March 2020

*To the Shareholders, and for information only,  
the holder of options and convertible  
preference shares of the Company*

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO  
THE DISPOSAL OF THE ENTIRE EQUITY INTEREST  
IN THE TARGET COMPANIES**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 24 February 2020 in respect of, among other things, the Agreements dated 24 February 2020 and entered into between each of the Sellers and each of the Purchasers pursuant to which each of the Sellers agreed to sell and each of the Purchasers agreed to purchase the entire equity interests in the respective Target Companies, at the consideration of HK\$305,280,000 subject to the terms of each of the Agreements.

The purpose of this circular is to provide you with the information relating to, among other things, (i) details of the Disposal; and (ii) other information as required by the Listing Rules.



# LETTER FROM THE BOARD

## THE AGREEMENTS

Date : 24 February 2020

Seller : The Seller A      The Seller B      The Seller C      The Seller D

Purchaser : The Purchaser A    The Purchaser B    The Purchaser C    The Purchaser D

Guarantor : The Company

Subject matter — : The Sale Shares represent the issued share capital of each of the Target  
assets to be      Companies held by the respective Sellers. The underlying assets held by  
disposed of      the Target Companies are the Properties.

As at the Latest Practicable Date, the Properties are pledged to secure all sums of money in respect of the Bank Loans in favour of a bank.

Consideration : HK\$84,300,000    HK\$96,490,000    HK\$96,490,000    HK\$28,000,000

, being an aggregate of HK\$305,280,000

The Consideration was arrived at after arm's length negotiations between the parties to the Agreements and was determined with reference to, among others, (i) the financial position of the Target Companies; (ii) the preliminary valuation (the “**Valuation**”) prepared by an independent valuer showing an indicative market value of the Properties as at 31 January 2020, being not less than an aggregate of HK\$340 million under income capitalisation approach for the Property A, Property B and Property C and sales comparison approach for Property D; and (iii) the reasons for and benefits of the Disposal as stated under the section headed “Reasons for and the benefits of the transaction”.

The Directors (including the independent non-executive Directors) consider the terms of the Disposal (including but not limited to the Consideration) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Term of payment : (a) As to the deposit

HK\$2,761,399.36    HK\$3,160,704.93    HK\$3,160,704.93    HK\$917,190.78

, being an aggregate of HK\$10 million (being the earnest money) paid by the Purchasers to the Purchasers' solicitors as stakeholders upon the signing of the LOI which shall be released to the Sellers' solicitors as stakeholders upon the signing of the Agreements; and

## LETTER FROM THE BOARD

HK\$5,668,600.64 HK\$6,488,295.07 HK\$6,488,295.07 HK\$1,882,809.22

, being an aggregate of HK\$20,528,000 to be paid by the Purchasers to the Sellers' solicitors as stakeholders upon the signing of the Agreements; and

On 24 February 2020, the deposit has been paid to the Sellers' solicitors as stakeholders.

(b) As to the balance

HK\$75,870,000 HK\$86,841,000 HK\$86,841,000 HK\$25,200,000

, being an aggregate of HK\$274,752,000, subject to the adjustment mechanism (as stated below), if any, to be paid by the Purchasers upon Completion

Condition Precedent: : The Company having obtained a written approval from the Controlling Shareholder (the "**Written Shareholder's Approval**") approving, among other matters, the transactions contemplated in the Agreements in accordance with the requirements and in a manner permitted under the Listing Rules.

On 24 February 2020, the Condition Precedent has been fulfilled.

Adjustment to the Consideration : The Consideration is subject to the following adjustment:

- (a) there shall be added to the Consideration the amount (if any) by which the sum of the Qualifying Assets and Liabilities as shown in the Proforma Accounts is greater than zero; or
- (b) there shall be deducted from the Consideration the amount (if any) by which the sum of the Qualifying Assets and Liabilities as shown in the Proforma Accounts is less than zero.

The Qualifying Assets and Liabilities include (i) assets of cash and bank balance, and utility and other deposits; and (ii) liabilities of rental deposits received, rental in advance, provision for audit fee and other professional fees, and accrued expenses in relation to the Property Enhancement Project. There is no maximum amount set for the adjustment. Based on the unaudited management accounts of the Target Companies for the period ended 31 January 2020, the adjustment amount is a downward adjustment of HK\$3.3 million.

## LETTER FROM THE BOARD

The Sellers and the Purchasers have agreed that, pursuant to the terms of the Agreements, the Proforma Accounts will be audited by a firm of certified public accountants in Hong Kong. In the event that the net asset value as calculated from the Audited Completion Accounts is different from that calculated from the Proforma Accounts, there will be further adjustment (if any) to the Consideration with similar adjustment mechanism as outlined above.

Completion : Completion shall take place on one of the following:

- (i) 20 March 2020 if prior to such date the Condition Precedent shall have been satisfied; or
- (ii) such other date as each of the Sellers and each of the Purchasers may agree in writing.

As at the Latest Practicable Date, the expected completion date is 20 March 2020.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Purchasers and the ultimate beneficial owner(s) of the Purchasers are Independent Third Parties.

### **Guarantee**

The Company agrees to (i) guarantee to each of the Purchasers the performance of each of the Sellers' obligations in accordance with the Agreements; and (ii) pay, on demand, any sum which each of the Sellers fails to pay to each of the Purchasers under or in connection with the Agreements.

### **Property Enhancement Project**

It is agreed under the Agreements that:

- (i) all outstanding payments payable by the relevant Property in connection with the chiller plant replacement works will be settled on or before Completion and all costs and expenses in connected with the matters contemplated thereunder shall be borne solely by the relevant Seller, which up to the date of the Agreements, amount to approximately HK\$454,000 in aggregate;
- (ii) if as requested by the management office of the relevant property (whether with or without passing resolutions of owners' meeting of the building(s) where the relevant Property situates) or as agreed between the relevant Seller and the relevant Purchaser, with respect to carrying out of any drainage replacement works at the building prior to Completion, the relevant Seller shall be responsible for all costs and expenses (whether before or after Completion) payable by the Company in

## LETTER FROM THE BOARD

accordance with such management office's request and/or resolutions of owners' meeting of the building and/or agreement between the relevant Seller and the relevant Purchaser; and

- (iii) the relevant Seller shall be responsible for the costs and expenses in connection with and incidental to the repair and/or replacement of all the toilet(s) in the relevant Property, which amount to approximately HK\$300,000 in aggregate.

As at the date of the Agreements, the Property Enhancement Project is in progress. The costs for completion of the Property Enhancement Project shall be payable by the relevant Seller and will be considered as a "liability" as part of the Qualifying Assets and Liabilities for the adjustment of the Consideration.

### **The Master Deed**

On 24 February 2020, Seller A, Seller B, Seller C and Seller D collectively as sellers; Purchaser A, Purchaser B, Purchaser C and Purchaser D collectively as purchasers; and the Company as the Sellers' guarantor have agreed to enter into the Master Deed as a deed for the purpose of regulating the exercise of termination or rescission right by the Purchasers under each of the Agreement(s) and (where all the Agreements shall remain valid and subsisting before Completion) ensuring that Completion of all the Agreements takes place simultaneously and in accordance with the terms and conditions of the Master Deed.

Pursuant to the Master Deed, each of the parties acknowledges and confirms that:

- (a) the provisions of the Master Deed shall prevail over any and all of the provisions of each of the Agreements in the case of any inconsistency and that they will respectively ensure that the provisions of each of the Agreements shall be implemented in accordance with the Master Deed; and
- (b) save where all of the Agreements are terminated or rescinded by the Purchasers before Completion, Completion under an Agreement cannot, and shall not, take place unless and until all of the other Agreements complete simultaneously on the day of Completion and at the same place and time.

### **INFORMATION RELATING TO THE GROUP AND THE SELLERS**

The Company is an investment holding company. The Group is principally engaged in property development and management, including planning, design, budgeting, licensing, contract tendering and contract administration, property investment, and provision of financial services.

Each of the Sellers is a company incorporated in the BVI and is a direct/an indirect wholly owned subsidiary of the Company. The principal activity of each of the Sellers is investment holding.

# LETTER FROM THE BOARD

## INFORMATION RELATING TO THE TARGET COMPANIES

Each of the Target Companies is a company incorporated in Hong Kong with limited liability and is a direct wholly owned subsidiary of each of its respective Seller engaged in property holding. Each of the Target Companies is the sole legal and beneficial owner of each of the Properties.

The Properties constitute 20th Floor of Tower I, Tower II and Tower III and Car parking spaces Nos. A1 to A14 (inclusive) on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon.

According to the Valuation prepared by an independent valuer, the indicative market value of the Properties as at 31 January 2020 is not less than an aggregate of HK\$340 million under income capitalisation approach for the Property A, Property B and Property C and sales comparison approach for Property D.

### Financial information of the Target Companies

Set out below are the audited results and net assets of the Target Companies prepared under Hong Kong Financial Reporting Standards (“**HKFRSs**”):

	<b>Year ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>
Profit before tax		
— Target Company A	7,363,000	9,199,000
— Target Company B	8,405,000	10,486,000
— Target Company C	7,546,000	9,311,000
— Target Company D	<u>1,422,000</u>	<u>2,236,000</u>
	<u>24,736,000</u>	<u>31,231,000</u>
Profit after tax		
— Target Company A	7,337,000	9,935,000
— Target Company B	8,421,000	11,619,000
— Target Company C	7,506,000	10,312,000
— Target Company D	<u>1,422,000</u>	<u>3,575,000</u>
	<u>24,686,000</u>	<u>35,441,000</u>

## LETTER FROM THE BOARD

**As at**  
**31 March**  
**2019**  
**HK\$**

Net assets

— Target Company A	115,711,000
— Target Company B	138,785,000
— Target Company C	117,953,000
— Target Company D	<u>23,106,000</u>

395,555,000

### INFORMATION RELATING TO THE PURCHASERS

Each of the Purchasers is a company incorporated in Hong Kong. The principal activity of each of the Purchasers is property investment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Purchasers and the ultimate beneficial owner(s) of the Purchasers are Independent Third Parties.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group acquired the Properties back in 1998 at the consideration of HK\$138.8 million. Over the years with various changes in controlling shareholders of the Company, the Properties have been kept and used for leasing purpose as investment properties or own use as office premises. As at the Latest Practicable Date, the Properties are leased to individuals who are Independent Third Parties for rental purpose. The Group's management has taken into consideration of (i) the current property rental market in Kowloon Bay and nearby districts (the "**Kowloon East CBD**") where the market rent is on a downward trend; (ii) the many new grade-A buildings recently available in the Kowloon East CBD giving rise to an increase in office supply and causing a drop in market selling price and/or market rent; and (iii) the recent development in Hong Kong including the social unrest and the outbreak of 2019 Novel Coronavirus epidemic. Also, the Group's Management has also collected market information and data from independent property agent. Based on the market data/information justifying the above factors, the Board considered to be appropriate to divest the Properties. With the consideration of HK\$305,280,000, the Group will make an investment return of 119.9%.

In addition, the Properties are currently pledged to secure the Bank Loans. Based on the bank's preliminary annual review, the bank has indicated to the Group's management that its intention to request the Group to pay down on part of the Bank Loans. Given such request and the pre-requisite conditions associated with the Disposal to release the charge on the Properties, the Group should make an early repayment of the Bank Loans.

Accordingly, the Group intends to utilise majority of the net proceeds (being approximately HK\$298.1 million) for the repayment of the Bank Loans, thereby reducing the Group's liabilities and interests expenses. For the year ended 31 March 2019, the interest expenses charged to the profit or loss in respect of the Bank Loans amounted to approximately HK\$13.3 million; and the related rental income and net profit (before intra-group management

## LETTER FROM THE BOARD

fee and change in fair value of investment properties) generated from the Properties for the year ended 31 March 2019 amounted to approximately HK\$10.0 million and approximately HK\$7.9 million respectively. Based on the above information, the Group would have made an annual savings of approximately HK\$5.4 million (assuming there is no further gain in fair value of the Properties).

In light of the nature of principal business of the Group, the Board believes that the Disposal will not have material impact on the Group's operation.

For the divestment process of the Properties, the Group's management appointed a sole agent to look for potential buyers of the Properties over the past few months; and assessed the prices offered by these potential buyers, of which the Purchasers offered the highest price for the disposal of the Properties.

Notwithstanding it is expected to incur a loss on disposal of the Target Companies of HK\$39.6 million as set out in the section headed "Financial effect of the Disposal and the proposed use of proceeds", the Directors are of the view that, taking into account that there is an adverse change in the property market with an expectation of the continual drop in property market price as well as market rent caused by the factors as shown above, and supported by the market data/information on the property market, the current divestment plan enabled the Group to realise such property investment and to minimise the risk of further losses given the deteriorating property market; and at the same time, the Group is able to repay the Bank Loans to reduce interest payments. Accordingly, the Directors, including the independent non-executive Directors, are of the view that the Disposal and the terms of the Agreements are on normal commercial terms, are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

### **FINANCIAL EFFECT OF THE DISPOSAL AND THE PROPOSED USE OF PROCEEDS**

Upon Completion, each of the Target Companies will cease to be a subsidiary of the Company and their financial results, assets and liabilities will no longer be consolidated into the financial statements of the Group.

It is estimated that the loss on disposal of the equity interests in the Target Companies calculated in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institutes of Certified Public Accountants would be approximately HK\$39.6 million, comprising the Consideration (net of estimated consideration adjustments of approximately HK\$2.4 million) less the carrying value of the investment in the Target Companies and after deducting the expenses directly attributable to the Disposal.

The net proceeds from the Disposal (after deducting the expenses directly attributable to the Disposal) are estimated to be approximately HK\$298.1 million. The Group intends to apply the net proceeds from the Disposal to settle certain Bank Loans owing by the Group and as general working capital.

## LETTER FROM THE BOARD

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but all are less than 75%, the entering into of the Agreements and the transactions contemplated thereunder constitute a major transaction of the Company and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal, a written shareholder's approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Controlling Shareholder, holding 3,238,020,000 issued Shares of, representing approximately 61.40% of the issued share capital of, the Company as at the Latest Practicable Date, has given its written approval in respect of the Disposal. Accordingly, no special general meeting of the Company will be convened for the purpose of approving the Disposal.

### RECOMMENDATIONS

The Directors consider that the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Agreements and the Disposal, if such a general meeting were to be convened by the Company, The Board would have recommended the Shareholders to vote in favour of the resolutions to approve the Agreements and the Disposal.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully  
By order of the Board  
**Ground International Development Limited**  
**Cui Xintong**  
*Chairperson and executive Director*



**I. FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for each of the three years ended 31 March 2017, 2018 and 2019 are disclosed in the annual reports of the Company for the years ended 31 March 2017, 2018 and 2019 respectively, and there was no qualified audit opinion expressed on the consolidated financial statements of the Group for the three years ended 31 March 2019.

The said annual reports of the Group are published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.ground-international.com](http://www.ground-international.com)):

- 2016/2017 annual report of the Group for the year ended 31 March 2017 published on 14 July 2017 (pages 78 to 207) available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0714/ltn20170714209.pdf>.

- 2017/2018 annual report of the Group for the year ended 31 March 2018 published on 24 July 2018 (pages 74 to 179) available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0724/ltn20180724965.pdf>.

- 2018/2019 annual report of the Group for the year ended 31 March 2019 published on 25 July 2019 (pages 74 to 184) available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0725/ltn20190725445.pdf>

**II. INDEBTEDNESS STATEMENT**

As at the close of business on 31 January 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding (a) bank and other borrowings of approximately RMB1,117,283,000 which comprised of (i) bank loans of RMB29,000,000 bearing interests at benchmark interest rate plus margin of 120% and are secured by a pledge of completed properties held for sale with carrying amounts of RMB27,448,000 as at 30 September 2019. The loan was guaranteed by an Independent Third Party guarantee company where the Group provided a counter-guarantee in favour of the Independent Third Party for its obligations to guarantee the payment obligations; (ii) other loan of RMB17,600,000 bearing interests at a fixed rate of 12% per annum and are secured by 80% equity interests of Jilin Zhujia Real Estate Development Company Limited\* (吉林市築家房地產開發有限公司). The loan was guaranteed by the personal and corporate guarantees by certain connected parties of the Company; (iii) bank loans of RMB70,000,000 bearing interests at fixed rates of 7.6%–9.57% per annum which are secured by 60% equity interests of 吉林省廣澤地產有限公司; (iv) secured bank loans of approximately HK\$273,000,000 (equivalent to RMB246,568,000) bearing interests at HIBOR plus margin of 2.4%–2.75% per annum which are secured by investment properties with fair value of RMB328,018,000 as at 30 September 2019; (v) bank loan of RMB227,599,000 at a fixed interest rate of 5.39% per annum which is secured by properties under development with carrying amounts of RMB1,145,853,000 as at 30 September 2019; (vi) secured bank loans of RMB200,000,000 bearing interests at a fixed rate of 7.125% per annum which is secured by

investment properties with fair value of RMB660,000,000 as at 30 September 2019; (vii) other loan of RMB22,000,000 which is unsecured, interest free and has no fixed repayment term; (viii) entrusted loans of RMB200,000,000 bearing interests at a fixed rate of 12.0% per annum which are secured by a second charge of properties under development with carrying amounts of RMB1,145,853,000 as at 30 September 2019 and 66.4% equity interests of Fusong Changbaishan Ground Tourism Development Company Limited\* (撫松長白山廣澤旅遊開發有限公司); (ix) entrusted loan of RMB100,000,000 at a fixed rate of 8% per annum which is secured by properties under development held by the Group with a carrying amount of RMB258,486,000 as at 30 September 2019; and (x) other unsecured loan of HK\$5,000,000 (equivalent to RMB4,516,000) bearing interests of HK\$500,000 (equivalent to RMB451,600) which is guaranteed by a director of the Company; (b) loans from a controlling shareholder of approximately RMB91,495,000 which is unsecured, interest-free and has no fixed repayment term and (c) liability component of the convertible bonds of RMB71,713,000. Except as disclosed above, the bank and other borrowings were unguaranteed.

The Group also had outstanding contingent liabilities which comprised of (a) guarantees amounting to RMB821,443,000 given to banks with respect to mortgage loans procured by purchasers of property units. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers and (ii) the satisfaction of mortgage loans by the purchasers of properties and (b) financing guarantees amounting to RMB2,054,400,000 provided to financial institutions as the Group has provided financing guarantee services to certain borrowers to secure obligation of such borrowers for repayments. Such guarantees will terminate upon the full repayment of loans by the borrowers to the financial institutions; and two years after the obligations under the loan agreement has been fulfilled.

Save as referred to above, the Group did not have, any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 January 2020.

### **III. WORKING CAPITAL**

The Directors confirm that, after due and careful enquiry and taking into consideration the financial resources available to the Group, including banking facilities and other internal resources, the Group has sufficient working capital for at least the next 12 months commencing from the date of this circular.

### **IV. MATERIAL ADVERSE CHANGE**

The Directors confirm that, as at the Latest Practicable Date, save for the information disclosed in the interim report for the six months ended 30 September 2019 issued by the Group and the section headed “V. Financial and trading prospects”, there was not any material adverse change in the financial or trading position of the Group since 31 March 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

## V. FINANCIAL AND TRADING PROSPECTS

In recent months of 2019/2020 financial year, the macro economies around the world have been filled with more uncertainties caused not only by the circumstances of prolonged and unresolved Sino-US trade war as well as BREXIT, but also the social incidents in Hong Kong and elsewhere in the world. In the era of globalization, economies at national and regional levels are interwoven and therefore are subject to adverse impact by each other. The PRC economy was damped by the outbreak of 2019 Novel Coronavirus epidemic since January 2020. Many other economies in Europe and other emerging markets are also expected to be weakened as a result of the abovementioned uncertainties.

For the property development sector, various cooling measures adopted by the PRC government are still in force. Moreover, with the continuously tightened financing environment, property developers will continue to increase sales and its collectability, and cautiously in acquiring new land bank. Nevertheless, there remains a market demand for residential properties from the public, and hence many opportunities in residential development.

In the PRC, following the burst of P2P financing platform bubble as well as the significant decrease in the number of micro-finance enterprises, the financial service sector is facing many challenges. Having said that, the PRC government has encouraged financial institutions to support small and medium enterprises (“SMEs”) and the “Three Rural” (三農) by the provision of financing at a low cost; and the financing guarantee companies have been playing an important role to bridge the financial institutions and the SMEs/the “Three Rural”. However, at the same time, the financing guarantee companies are exposed to increase in credit risks.

Based on a report issued by China Tourism Academy, the cultural tourism sector in the PRC has been seen a general gradual growth in terms of number of tourists and related income, at a rate of 8.8% and 13.5% during the first half of 2019 as compared to the corresponding period in 2018. Weekend getaways and 3-hour short to medium travel circle (including High-speed rail or self-drive tour to surrounding cities and suburbs) become popular. Nevertheless, development of cultural tourism project requires intensive capital and that the investment payback period tends to be long. With the tightening in supply of financing in the PRC, cultural tourism project development has also significantly raised the bar; and set high requirements in developer’s financing ability and management experience.

Given all of the above, the Board has been re-visiting the feasibility of the Group’s growth model of “one primary sector as supplemented by two” (一主兩輔). On one hand, the Board looks at the macro-view as well as the industry-related factors; and on the other, it takes into consideration the current financial position, cash flows and financial performance of the Group.

The preliminary results of the assessment by the Board are that, for the cultural tourism sector where it involves intensive capital investment and a long payback period, the Group’s management should carefully determine the development pace based on the specific conditions of the projects as well as the Group’s financial position and management team. At the same time, it will not rule out the possibility of looking out for a suitable business partner in this

sector for co-operation or divestment. For the property development sector, the Group will focus on the development and sales of residential and commercial properties, which enables the Group to generate quick and stable income and cash flows; and gradually improve its financial position. In addition, the Group will also pay attention to potential featured property projects to enhance its profitability. From the industry perspective, property development remains to have a demand by the public and the credit risk tends to be lower. The Group will not rule out the possibility of any merger and acquisitions; so as to benefit from the Group's structural optimization and become more market-orientated when suitable opportunity arises.

Having considered the risk exposure of the financing guarantee business, the income contribution to and the existing financial position of the Group, the management will be more cautious in controlling business risks and reducing expansion in new business and has been looking for an opportunity to divest.

As at the Latest Practicable Date, following the outbreak of the 2019 Novel Coronavirus epidemic in the PRC, the Board has further assessed situation relating to (i) the general macro-economy in the PRC; (ii) the current market conditions in Jilin Province, the PRC in relation to the financial services industry; and (iii) the prospects of the financial services industry. Management has informed the Board that there are potential buyers interested in acquiring the entire equity interest in FR Guarantee; and negotiations are in progress. The Company will inform the Shareholders and the public of any material development in due course in compliance with the Listing Rules if the disposal is materialised.

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Wanchai  
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16 March 2020

Dear Sirs

**RE: 20TH FLOOR OF TOWER I, TOWER II AND TOWER III AND CAR PARKING SPACES NOS. A1-A14 ON 1P/F, ENTERPRISE SQUARE, 9 SHEUNG YUET ROAD, KOWLOON BAY, KOWLOON, HONG KONG (THE "PROPERTY")**

In accordance with your instructions for us to value the Property held by Ground International Development Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") for investment purposes, we confirm that we have carried out inspection to the Property, caused land searches at the Land Registry and made relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 January 2020 ("Date of Valuation") for the purposes of inclusion in a circular to be issued by the Company on 16 March 2020 in relation to the major transaction.

#### **BASIS OF VALUATION**

Our valuation is our opinion of the market value of the Property concerned which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2017 of The Hong Kong Institute of Surveyors (“HKIS”), which incorporates the International Valuation Standards (“IVS”), and (where applicable) the relevant HKIS or jurisdictional supplement. Our valuation has also complied with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **IDENTIFICATION AND STATUS OF THE VALUERS**

The subject valuation exercise will be handled by Mr. Freddie Ling and Mr. Eddie So. Mr. Freddie Ling is the Senior Director of Savills Valuation and Professional Services Limited (“SVPSL”) and a Member of the HKIS (General Practice Division) with over 34 years’ experience in valuation of properties in Hong Kong. Mr. Eddie So is the Director of SVPSL and a Member of HKIS (General Practice Division) with over 25 years’ experience in valuation of properties in Hong Kong. Both of them have sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Property, SVPSL and Mr. Freddie Ling had been involved in valuation of the Property in the past 12 months while Mr. Eddie So had not been involved in valuation of the Property in the past 12 months.

We are independent of the Group. The proportion of the total fee payable by the Company during the preceding year relative to the total fee income of SVPSL during the preceding year is minimal. We are not aware of any instances which would give rise to potential conflict of interest from SVPSL, Mr. Freddie Ling and Mr. Eddie So in the subject exercise. We confirm SVPSL, Mr. Freddie Ling and Mr. Eddie So are in the position to provide objective and unbiased valuation for the Property.

## **VALUATION METHODOLOGY**

In undertaking our valuation, we have adopted the income capitalization approach whereby the rental incomes of contractual tenancies for the unexpired terms and the reversionary market rents after expiry of tenancies are capitalized (Office Portion) and the sales comparison approach making reference to the sales of comparable properties as available in the market (Carpark Portion).

## **VALUATION CONSIDERATION AND ASSUMPTIONS**

We have not been provided with any title documents relating to the Property but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any lease amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents and tenancy schedules provided to us and are therefore only approximations.

We have inspected the exterior of the Property valued and, where possible, we have also inspected the interior of the premises. Our inspection was carried out by Mr Alvin Ng, BSc in Surveying, in February 2020. In undertaking our valuation, we have assumed that the interior of the Property is finished and maintained in a reasonable condition commensurate with the age and use and without any unauthorized structures/extensions or structural alterations. We have also assumed in our valuation that the Property is provided with normal and satisfactory building services for its existing uses as at the Date of Valuation.

Moreover, no structural survey has been made but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Property is free from rot, infestation or any other structural defect. No tests were carried out to any of the services. No environmental study for the Property has been made.

As advised by the Company and to the best of their knowledge, there were no plans for substantial construction, renovation, improvement, development or change of uses of the Property as at the Date of Valuation.

No allowance has been made in our report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Except for the purpose of disclosure in the public circular to be issued by the Company in connection with the major transaction, neither the whole nor any part of the valuation report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it may appear.

We enclose herewith our valuation report.

Yours faithfully  
For and on behalf of

**Savills Valuation and Professional Services Limited**

**Freddie Ling**  
*MRICS MHKIS RPS(GP)*  
*Senior Director*

**Eddie C K So**  
*MRICS MHKIS RPS(GP)*  
*Director*

*Notes:* Mr Freddie Ling is a professional surveyor who has over 34 years' experience in valuation of properties in Hong Kong.

Mr Eddie C K So is a professional surveyor who has over 25 years' experience in valuation of properties in Hong Kong.



Market value in  
existing state as at  
31 January 2020

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*Notes:*

- (1) Pursuant to the land register record obtained from the Land Registry, the current registered owners of the Property are set out as follows:

<b>Property</b>	<b>Registered Owner</b>
20th of Tower I	Ground Properties (HK) Limited, a wholly-owned subsidiary of the Company
20th of Tower II	Ground Data System Limited, a wholly-owned subsidiary of the Company
20th of Tower III	Jackie Industries Limited, a wholly-owned subsidiary of the Company
Car Parking Space Nos. A1-A14 on 1P/F	World Sheen Properties Limited, a wholly-owned subsidiary of the Company

- (2) The Property, *inter alia*, is subject to the following encumbrances:

<b>Property</b>	<b>Nature</b>	<b>Date of Instrument</b>	<b>Memorial No.</b>
The Property	Deed of Mutual Covenant and Management Agreement in favour of Kerry Real Estate Agency Limited (Manager)	21 May 1992	UB5303268
20th of Tower I	Mortgage to secure all sums of money in respect of general banking facilities in favour of Hang Seng Bank Limited	17 October 2013	13111200650039
	Rental assignment in favour of Hang Seng Bank Limited	17 October 2013	13111200650043
	Second mortgage to secure all moneys in respect of general banking facilities in favour of Hang Seng Bank Limited	21 December 2017	18011800860019
20th of Tower II	Mortgage to secure all sums of money in respect of general banking facilities in favour of Hang Seng Bank Limited	17 October 2013	13111200650057
	Rental assignment in favour of Hang Seng Bank Limited	17 October 2013	13111200650068
	Second mortgage to secure all moneys in respect of general banking facilities in favour of Hang Seng Bank Limited	21 December 2017	18011800860025
20th of Tower III	Mortgage to secure all sums of money in respect of general banking facilities in favour of Hang Seng Bank Limited	17 October 2013	13111200650079
	Rental assignment in favour of Hang Seng Bank Limited	17 October 2013	13111200650086
	Second mortgage to secure all moneys in respect of general banking facilities in favour of Hang Seng Bank Limited	21 December 2017	18011800860035

Property	Nature	Date of Instrument	Memorial No.
Car Parking Space Nos. A1-A14 on 1P/F	Mortgage to secure all sums of money in respect of general banking facilities in favour of Hang Seng Bank Limited	17 October 2013	13111200650096
	Rental assignment in favour of Hang Seng Bank Limited	17 October 2013	13111200650103
	Second mortgage to secure all moneys in respect of general banking facilities in favour of Hang Seng Bank Limited	21 December 2017	18011800860041
(3)	The Property lies within an area zoned “Other Specified Uses (Commercial Uses with Public Transport Terminus)” under Ngau Tau Kok and Kowloon Bay Outline Zoning Plan No. S/K13/29 gazetted on 13 April 2017.		
(4)	The key parameters of our valuation are set out below:		

Property	Capitalization Rate	Market Rent
Office Portion	Approximately 3.0%	HK\$790,000 per month

Unit Rate
Carpark Portion
HK\$1,630,000 per CPS

For Office Portion, the capitalization rate adopted is determined with reference to the market yields of the similar sector of properties.

In determining the market rent of the Property, we have made reference to the recent lettings of similar properties including the rentals of the Property.

For Carpark Portion, in determining the unit rate of the Property, we have made reference to the recent sales of similar properties.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### (i) Interests in Shares

Name of Directors/ Chief Executive	Nature of interest	Position	No. of Shares interested	Approximate percentage of issued voting Shares (Note 1)
Ms. Cui	Interest in a controlled corporation	Long	3,722,340,694 (Note 2)	70.59%
Ms. Liu Hongjian ("Ms. Liu")	Beneficial Owner	Long	89,000	0.002%

(ii) *Interests in the underlying shares of the Company*

Name of Directors/ Chief Executive	Nature of interest	Position	No. of underlying shares interested	Approximate percentage of issued voting Shares (Note 1)
Ms. Cui	Interest in a controlled corporation	Long	1,742,838,368 (Note 3)	33.05%

*Notes:*

1. The percentage is calculated on the basis of 5,273,400,867 issued voting Shares as at the Latest Practicable Date.
2. These 3,722,340,694 Shares consist of (i) 484,320,694 Shares held by Charm Success Group Limited (“**Charm Success**”) and (ii) 3,238,020,000 Shares held by Ka Yik Investments Limited (“**Ka Yik**”). Charm Success and Ka Yik are companies wholly owned by Deep Wealth Holding Limited (“**Deep Wealth**”), which is in turn held by TMF (Cayman) Ltd. as the trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. By virtue of the SFO, Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik.
3. As set out in note 2 above, Ka Yik is a company held under a discretionary trust where Ms. Cui is the settlor and protector. Ms. Cui is deemed to be interested in those Shares and underlying shares of the Company by virtue of the SFO and such interest duplicated Ms. Cui’s partial interest for the purpose of SFO. Those 1,742,838,368 underlying shares consist of (i) convertible bonds in the aggregate principal amount of HK\$87,962,612 (convertible into 103,485,427 Shares in total); and (ii) 1,639,352,941 convertible preference shares issued by the Company on 27 July 2016. All of such underlying shares are unlisted and physically settled under SFO. Mr. Lee is the spouse of Ms. Cui, an Executive Director and chairperson of the Board. Mr. Lee is deemed to be interested in those securities by virtue of being Ms. Cui’s spouse under the SFO and such interest duplicated to Ms. Cui’s interest for the purpose of SFO. All of the relevant underlying shares are unlisted and physically settled under SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Substantial shareholder's and other persons' interests or short position in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the persons (other than a Director or chief executive of the Company) who had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

*(iii) Interests in Shares*

Name of Shareholder	Nature of interest	Position	No. of Shares interested	Approximate percentage of issued voting Shares (Note 1)
Charm Success	Registered owner	Long	484,320,694 (Note 2)	9.18%
Ka Yik	Registered owner	Long	3,238,020,000 (Note 2)	61.40%
TMF (Cayman) Ltd.	Trustee	Long	3,722,340,694 (Note 2)	70.59%
Deep Wealth	Interest in controlled corporation	Long	3,722,340,694 (Note 2)	70.59%
Integrated Asset Management (Asia) Limited	Interest in controlled corporation	Long	486,584,427 (Note 4)	9.23%
Mr. Yam Tak Cheung ("Mr. Yam")	Beneficial owner	Long	486,584,427 (Note 4)	9.23%
Mr. Lee Ken-yi Terence ("Mr. Lee")	Interest of spouse	Long	3,722,340,694 (Note 5)	70.59%

*(iv) Interests in the underlying shares of the Company*

Name of Shareholder	Nature of interest	Position	No. of Shares interested	Approximate percentage of issued voting Shares (Note 1)
Ka Yik	Registered owner	Long	1,742,838,368 (Note 3)	33.05%
TMF (Cayman) Ltd.	Trustee	Long	1,742,838,368 (Note 3)	33.05%
Deep Wealth	Interest in controlled corporation	Long	1,742,838,368 (Note 3)	33.05%
Mr. Lee	Interest of spouse	Long	1,742,838,368 (Note 5)	33.05%

*Notes:*

1. The percentage is calculated on the basis of 5,273,400,867 issued voting Shares as at the Latest Practicable Date.
2. These 3,722,340,694 Shares consist of (i) 484,320,694 Shares held by Charm Success and (ii) 3,238,020,000 Shares held by Ka Yik. Charm Success and Ka Yik are companies wholly owned by Deep Wealth, which is in turn held by TMF (Cayman) Ltd. as trustee of a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. By virtue of the SFO, Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik, and such interest duplicated the interest of Charm Success, Ka Yik and Mr. Lee (being Ms. Cui's spouse) for the purpose of SFO.
3. As set out in note 2 above, Ka Yik is a company wholly-owned by Deep Wealth, which is in turn held by TMF (Cayman) Ltd. as trustee of a discretionary trust where Ms. Cui is the settlor and protector. Each of the TMF (Cayman) Ltd., Deep Wealth and Ms. Cui is deemed to be interested in those Shares and underlying shares of the Company by virtue of the SFO. Those 1,742,838,368 underlying shares consist of (i) convertible bonds in the aggregate principal amount of HK\$87,962,612 (convertible into 103,485,427 Shares in total); and (ii) 1,639,352,941 convertible preference shares issued by the Company on 27 July 2016. All of such underlying shares are unlisted and physically settled under SFO.
4. Integrated Asset Management (Asia) Limited is a company wholly and beneficially owned by Mr. Yam. Mr. Yam is deemed to be interested in those Shares by virtue of being its controlling shareholder under SFO. The interests duplicate each other.
5. Mr. Lee is the spouse of Ms. Cui, an executive Director and chairperson of the Board. Mr. Lee is deemed to be interested in those securities by virtue of being Ms. Cui's spouse under the SFO and such interest duplicated to Ms. Cui's interest for the purpose of SFO. All of the relevant underlying shares are unlisted and physically settled under SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any person (other than a Director or chief executive of the Company) had any interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

### 4. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors has, or had, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2019, being the date to which the latest published audited financial statements of the Company were made up.

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

### 5. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which is or may be material:

- (i) the guarantee agreement dated 14 February 2020 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) ("**Customer A**") as the customer pursuant to which FR Guarantee shall guarantee the Customers A's obligation under the loan agreement, dated 13 February 2020 entered into between Customer A as borrower and Changchun Branch of Jilin Jiutai Rural Commercial Bank Corporation Limited ("**Jilin Jiutai Bank**") as lender, at a guarantee fee of RMB380,000 (equivalent to HK\$421,800);
- (ii) the guarantee agreements dated 17 January 2020 entered into by FR Guarantee as the guarantor and four entities all established in the PRC (each of which is an Independent Third Party) ("**Customers B**") as the customers pursuant to which FR Guarantee shall guarantee each of the Customers B's obligation under the loan agreements, all dated 15 January 2020 each entered into between each of the Customers B as borrower and Changchun Nangan Huimin Village Bank Company Limited as lender, at an aggregate guarantee fee of RMB500,000 (equivalent to HK\$555,000);

- (iii) the guarantee agreements dated 17 January 2020 entered into by FR Guarantee as the guarantor and two entities both established in the PRC (each of which is an Independent Third Party) (“**Customers C**”) as the customers pursuant to which FR Guarantee shall guarantee each of the Customers C’s obligation under the loan agreements, all dated 15 January 2020 each entered into between each of the Customers C as borrower and Changchun Nangan Huimin Village Bank Company Limited as lender, at an aggregate guarantee fee of RMB250,000 (equivalent to HK\$277,500);
- (iv) the guarantee agreements dated 8 January 2020 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer D**”) as the customer pursuant to which FR Guarantee shall guarantee the Customer D’s obligation under the loan agreements, all dated 6 January 2020 each entered into between Customer D as borrower and Changchun Development Rural Commercial Bank Company Limited (“**CDRC Bank**”) as lender, at an aggregate guarantee fee of RMB325,000 (equivalent to HK\$360,750);
- (v) the guarantee agreements dated 3 January 2020 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer E**”) as the customer pursuant to which FR Guarantee shall guarantee the Customer E’s obligation under the loan agreements, all dated 30 December 2019 each entered into between Customer E as borrower and CDRC Bank as lender, at an aggregate guarantee fee of RMB944,400 (equivalent to HK\$1,048,284);
- (vi) the guarantee agreement dated 1 November 2019 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer F**”) as the customer pursuant to which FR Guarantee shall guarantee the Customer F’s obligation under the loan agreement, dated 1 November 2019 entered into between the Customer F as borrower and Changchun Branch of Jilin Jiutai Bank as lender, at a guarantee fee of RMB1,120,000 over the period of three years (equivalent to HK\$1,232,000);
- (vii) the guarantee agreements dated 18 October 2019 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer G**”) as the customer pursuant to which FR Guarantee shall guarantee the Customer G’s obligation under the loan agreement G1 dated 18 October 2019, entered into between the Customer G as borrower and Changchun Gaoxin Huimin Village Bank Company Limited as lender, and the loan agreement G2 dated 17 October 2019, entered into between the Customer G as borrower and Changchun Nangan Huimin Village Bank Company Limited as lender, at an aggregate guarantee fee of RMB750,000 (equivalent to HK\$825,000);



- (viii) the guarantee agreements dated 18 October 2019 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer H**”) as the customer pursuant to which FR Guarantee shall guarantee the Customer H’s obligation under the loan agreement H1 dated 18 October 2019, entered into between the Customer H as borrower and Changchun Gaoxin Huimin Village Bank Company Limited as lender, and the loan agreement H2 dated 17 October 2019, entered into between the Customer H as borrower and Changchun Nanguan Huimin Village Bank Company Limited as lender, at an aggregate guarantee fee of RMB750,000 (equivalent to HK\$825,000);
- (ix) the guarantee agreement dated 12 October 2019 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer I**”) as the customer pursuant to which FR Guarantee shall guarantee the Customer I’s obligation under the loan agreement, dated 9 October 2019 entered into between the Customer I as borrower and CDRC Bank as lender, at an aggregate guarantee fee of RMB1,200,000 (equivalent to HK\$1,320,000);
- (x) the entrusted loan agreements dated 12 June 2019 entered into by FR Guarantee as the lender and an entity established in the PRC (which is an Independent Third Party) (“**Customer J**”) as the borrower pursuant to which FR Guarantee grant entrusted loans to the Customer J which bears an annual interest of RMB594,000 (equivalent to HK\$659,340); and the guarantee agreements all dated 30 September 2019 entered into by FR Guarantee as the guarantor and the Customer J as the customer pursuant to which FR Guarantee shall guarantee the Customer J’s obligation under the loan agreement, dated 30 September 2019 entered into between the Customer J as borrower and Changchun Branch of Jilin Jiutai Bank as lender, at an aggregate guarantee fee of RMB170,000 (equivalent to HK\$188,700);
- (xi) the guarantee agreements dated 30 September 2019 entered into by FR Guarantee as the guarantor and four entities established in the PRC (each of which is an Independent Third Party) (“**Customers K**”) as the customers pursuant to which FR Guarantee shall guarantee the Customers K’s obligation under the syndicated loan agreements all dated 30 September 2019, each entered into between each of the Customers K as borrower and the syndicated banks of Jilin Jiutai Bank, Dongliao Rural Credit Cooperatives Association, Jilin Dongfeng Rural Commercial Bank Co., Ltd. and Changbaishan Dongfeng Rural Commercial Bank Co., Ltd. as lenders, at a guarantee fee of RMB400,000 each (equivalent to HK\$444,000);
- (xii) the guarantee agreements one dated 12 January 2019 and the other dated 18 September 2019 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer L**”) as the customer pursuant to which FR Guarantee shall guarantee the Customer’s obligation under the loan agreements, one dated 12 January 2019 and the other dated 16 September 2019, each entered into between the Customer L as borrower and CDRC Bank as lender, at an aggregate guarantee fee of RMB1,225,000 (equivalent to HK\$1,359,750);

- (xiii) the guarantee agreement dated 14 August 2019 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer M**”) as the customer pursuant to which FR Guarantee shall guarantee Customer M’s obligation under a syndicated loan agreement, dated 14 August 2019 entered into between Customer M as borrower and 東遼縣農村信用合作聯社 (Dongliao County Rural Credit Cooperatives Association\*) and Changchun branch of Jilin Jiutai Bank as lenders, at a guarantee fee of RMB980,000 (equivalent to approximately HK\$1,087,800);
- (xiv) the guarantee agreement dated 13 August 2019 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer N**”) as the customer pursuant to which FR Guarantee shall guarantee Customer N’s obligation under a loan agreement, dated 13 August 2019 entered into between Customer N as borrower and Changchun branch of Jilin Jiutai Bank as lender, at a guarantee fee of RMB900,000 (equivalent to approximately HK\$999,000);
- (xv) the guarantee agreement dated 26 July 2019 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer O**”) as the customer pursuant to which FR Guarantee shall guarantee Customer O’s obligation under a loan agreement, dated 26 July 2019 entered into between Customer O as borrower and Changchun Development Rural Commercial Bank Corporation Limited as lender, at a guarantee fee of RMB900,000 (equivalent to approximately HK\$1,026,000);
- (xvi) The corporate guarantee and financial assistance framework agreement dated 17 July 2019 entered into by the Company and Ground Investment Holding (Group) Company Limited (“**Ground Investment Holding**”, which is a Connected Person to the Company), Ka Yik and Charm Success (a company beneficially owned by Ms. Cui) pursuant to which the Company shall provide corporate guarantee to the controlling shareholders group (being Ground Investment Holding, Ka Yik and Charm Success and their respective associates) and the said controlling shareholders group shall provide shareholder loans to the Group.
- The guarantee services framework agreement dated 17 July 2019 entered into by FR Guarantee and Ground Investment Holding, pursuant to which FR Guarantee shall provide guarantee services to the Ground Investment Group (being Ground Investment Holding and its subsidiaries);
- (xvii) the guarantee agreement dated 28 June 2019 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer P**”) as the customer pursuant to which FR Guarantee shall guarantee Customer P’s obligation under a loan agreement, dated 28 June 2019 entered into between Customer P as borrower and Changchun branch of Jilin Jiutai Bank as lender, at a guarantee fee of RMB450,000 (equivalent to approximately HK\$513,000);

- (xviii) the guarantee agreements dated 18 June 2019 entered into by FR Guarantee as the guarantor and each of the three entities established in the PRC (each of which is an Independent Third Party) (the “**Customers Q**”) as the customer pursuant to which FR Guarantee shall guarantee each of the Customers Q’s obligation under the loan agreements, all dated 18 June 2019 each entered into between each of the Customers Q as borrower and Changchun branch of Jilin Jiutai Bank as lender, at a guarantee fee of RMB500,000 each (equivalent to approximately HK\$570,000 each);
- (xix) the guarantee agreement dated 14 June 2019 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer R**”) as the customer pursuant to which FR Guarantee shall guarantee Customer R’s obligation under a loan agreement, dated 14 June 2019 entered into between Customer R as borrower and Changchun branch of Jilin Jiutai Bank as lender, at a guarantee fee of RMB500,000 (equivalent to approximately HK\$570,000);
- (xx) the guarantee agreement dated 13 June 2019 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer S**”) as the customer pursuant to which FR Guarantee shall guarantee Customer S’s obligation under a loan agreement, dated 13 June 2019 entered into between Customer S as borrower and Changchun branch of Jilin Jiutai Bank as lender, at a guarantee fee of RMB500,000 (equivalent to approximately HK\$570,000); and
- (xxi) the sale and purchase agreement dated 15 February 2019 entered into between Lily Garden Investments Limited as vendor and Charm Success Group Limited as purchaser in relation to the sale and purchase of 43,420,000 shares of Jilin Jiutai Bank, representing 1.09% of the entire issued share capital of Jilin Jiutai Bank at a consideration of HK\$214,494,800.

## 6. EXPERT AND CONSENT

The following is the qualification of the expert who had given its opinion and advice which are contained in this circular:

Name	Qualification
Savills	An independent professional property valuer

As at the Latest Practicable Date, Savills had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Savills has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Savills did not have any direct or indirect interest in any assets which have been, since 31 March 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

## **7. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## **8. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

## **9. MISCELLANEOUS**

- (a) The company secretary of the Company is Mr. Ng Man Kit Micky, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The head office and principal place of business of the Company in Hong Kong is located at Room 1305, 13th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong.
- (d) The branch share registrar of the Company in Hong Kong is Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the office of the Company at Room 1305, 13th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong for a period of 14 days from the date of this circular:

- (i) the Agreements;
- (ii) the Master Deed;
- (iii) the Written Shareholder's Approval;

- (iv) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” of this circular;
- (v) the memorandum and bye-laws of the Company;
- (vi) the annual report of the Company for the three financial years ended 31 March 2017, 2018 and 2019;
- (vii) the property valuation report from Savills, the text of which is set out in Appendix II of this circular;
- (viii) the material contracts referred to in the section headed “Material contracts” in this appendix;
- (ix) the letter of consent from the expert referred to under the section headed “Expert and consent” in this appendix; and
- (x) this circular.