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If you have sold or transferred all your shares in **Ground International Development Limited**, you should at once hand this circular 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**

Financial adviser to the Company



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 4 to 15 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.

20 April 2020

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Agreements”	the share transfer agreements all dated 26 March 2020 and entered into between the Seller as seller and the Purchaser as purchaser respectively in relation to the Disposal and each an “Agreement”
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 liability, the shares of which 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB122,000,000 (equivalent to approximately HK\$134,200,000), being the aggregate consideration of the Disposal
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire equity interests in the Target Companies by the Seller to the Purchaser pursuant to the Agreements
“FR Guarantee”	吉林省豐潤融資擔保有限公司 (Jilin Province Fengrun Financing Guaranty Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, which is owned as to 70% by Target Company A and as to 30% by Target Company B
“Ground Investment Holding”	廣澤投資控股集團有限公司 (Ground Investment Holding (Group) Company Limited*), a company established in the PRC with limited liability and is beneficially owned as to 25% by Ms. Chai and 75% by Mr. Cui
“Ground Investment Group”	Ground Investment Holding and its subsidiaries
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with the Company and its connected persons
“Ka Yik” or “Controlling Shareholder”	Ka Yik Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is the controlling shareholder of the Company
“Latest Practicable Date”	14 April 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	10 April 2020 or such later date as the Seller and the Purchaser may agree
“Mr. Cui”	Mr. Cui Mindong (崔民東), the spouse of Ms. Chai and father of Ms. Cui
“Ms. Chai”	Ms. Chai Xiu (柴琇), a former executive Director, the spouse of Mr. Cui and mother of Ms. Cui
“Ms. Cui”	Ms. Cui Xintong (崔薪瞳), an executive Director, the chairperson of the Board, the ultimate beneficial owner of Ka Yik, and the daughter of Mr. Cui and Ms. Chai
“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	中源鼎盛科技(深圳)有限公司 (Zhongyuan Dingsheng Technology (Shenzhen) Co., Ltd*), a wholly foreign owned enterprise established in the PRC with limited liability, being the purchaser to the Agreements
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Seller”	Jilin World Rich Management Limited (吉林省華益企業管理諮詢有限公司), a wholly foreign owned enterprise established in the PRC with limited liability
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target Company A”	吉林省中業商務信息諮詢有限公司 (Jilin Province Zhongye Business Information Advisory Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Target Company B”	吉林豐潤商務信息諮詢有限公司 (Jilin Fengrun Business Information Advisory Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Target Companies”	collectively, Target Company A and Target Company B, and each a “Target Company”
“Target Group”	Target Companies and FR Guarantee
“%”	per cent.

* The English translation of the Chinese names in this circular, where indicated, are transliterations from their Chinese names and are for identification purposes only, and should not be regarded as the official English name(s) of such Chinese name(s). If there is any inconsistency, the Chinese name shall prevail.

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.10. This exchange rate is adopted for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

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:*

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Wanchai, Hong Kong

Independent Non-executive Directors:

Mr. Tsang Hung Kei

Mr. Zhu Zuoan

Mr. Wang Xiaochu

20 April 2020

To the Shareholders, and for their information only

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 26 March 2020 in respect of, among other things, the Agreements dated 26 March 2020 entered into between the Seller and the Purchaser pursuant to which the Seller conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interests in the Target Companies, at the Consideration of RMB122,000,000 (equivalent to approximately HK\$134,200,000) subject to the terms 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 : 26 March 2020

Seller : The Seller

Purchaser : The Purchaser

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Subject matter — assets to be disposed of : The entire equity interests in the Target Companies. The Target Companies together own the entire equity interests in FR Guarantee.

Consideration : RMB122,000,000 (equivalent to approximately HK\$134,200,000)

The Consideration was arrived at after arm's length commercial negotiations between the parties to the Agreements after taking into consideration of various factors, including, among others, (i) the reasons for the Disposal as set out in the section headed "Reasons for and benefits of the Disposal" below; in particular, the significant increase in credit risk for default in repayment for the corporate customers of the Target Group; (ii) the current deteriorating financial position and operating conditions of the Target Group with significant contingent liabilities of approximately RMB2,031.0 million (equivalent to approximately HK\$2,234.1 million) as at 29 February 2020 and the drastically reduced net asset value of approximately RMB122.2 million (equivalent to approximately HK\$134.4 million) as compared to that of RMB553.9 million (equivalent to approximately HK\$609.3 million) as at 31 March 2019; and (iii) the exit-multiples of the Comparable Transactions (as defined below).

LETTER FROM THE BOARD

Regarding the factor (iii) under the basis of the Consideration above, the Company, with the assistance of its financial adviser, Opus Capital Limited, has researched and obtained the exit multiples as implied by the price-to-book (“**P/B**”) ratios of five comparable market acquisitions or disposals of over 30% equity stakes in PRC-based financing guarantee companies (the “**Comparable Transactions**”) conducted by companies listed in either Hong Kong or the PRC, with such transactions conducted in the period from 1 January 2016 up to and including 26 March 2020, being the date of the Agreements (for details please refer to the table below). The Company is of the view that the Comparable Transactions are a fair and representative sample for being one of the determining factors for the Consideration, taking into account (i) comparable transaction method is generally more representative than comparable public company method considering the business nature and scale of the target companies in the Comparable Transactions (the “**Transaction Companies**”) which are more relevant to the Target Group and no discount of marketability is required when referencing the respective P/B ratios; (ii) there is limited number of listed companies which are primarily engaged in provision of financing guarantee services; (iii) 3 out of 5 Comparable Transactions involved the transfer of control stakes of the Transaction Companies which is similar to the Disposal, (iv) the principal business of the Transaction Companies are the provision of financing guarantee services; (v) all of the Transaction Companies’ operations are based in the PRC; (vi) the number of the Comparable Transactions (i.e. five), in the Company’s view, is sufficiently large enough of a sample size to arrive at a valuation conclusion. The Company also considers the period of selecting the Comparable Transactions (i.e. from 1 January 2016 up to and including 26 March 2020, being the date of the Agreements), a period that covered market transactions that took place around four years preceding the date of the Agreements, to be a more recent and reasonable period to select the Comparable Transactions in order to draw a meaningful comparison with the Consideration for the Disposal. As illustrated in the table below, the P/B ratio of the Comparable Transactions ranged from approximately 0.26x to approximately 1.32x with an average and median of approximately 0.93x and 1.02x respectively.

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Date of announcement	Acquirer name (stock code)	Stock exchange of the acquirer	Acquiree name	Acquiree's principal business	Acquiree's operating region	% of the consideration settled by deferred payment post-completion	% shareholding in the acquiree transacted	Consideration (RMB'million)	P/B (x)
2 August 2019	Yixin Group Limited (2858)	The Stock Exchange	大連融鑫融資擔保有限公司 (Dalian Rongxin Financing Guarantees Company Limited*)	Provision of financing guarantee services in the PRC	PRC	0.0%	32.2%	475.0	1.00
17 April 2019	Sanai Health Industry Group Company Limited (1889)	The Stock Exchange	深圳市世紀融泰融資擔保有限公司 (Shenzhen Century Rongtai Guarantee Company Limited*)	Provision of finance guarantee services in the PRC	PRC	20.0%	100.0%	90.4	1.04
28 July 2017	Greater China Financial Holdings Limited (431)	The Stock Exchange	北京安家世行融資擔保有限公司 (Beijing An Jia Shi Hang Financing Guarantee Company Limited*)	Provision of credit based financing guarantee services and financial consultancy services in the PRC	PRC	26.7%	100.0%	258.9	1.32
25 April 2017	軟控股份有限公司 (Mesnac Company Limited) (002073)	The Shenzhen Stock Exchange	青島華商匯通金融控股有限公司 (Qingdao Huashang Huitong Financial Holdings Company Limited*)	Provision of financial guarantee and leasing service in the PRC	PRC	50.0%	45.0%	59.4	0.26
13 September 2016	Zhidao International Holdings Limited (1220)	The Stock Exchange	貴州寶興投資擔保有限公司 (Guizhou Baoxin Investment and Guaranty Company Limited*)	Provision of financing guarantee services in Guizhou of the PRC	PRC	0.0%	100.0%	60.3	1.02
								Maximum	1.32
								Minimum	0.26
								Average	0.93
								Median	1.02

LETTER FROM THE BOARD

- Term of payment : The Consideration is to be settled by instalments in the following manner, which was determined after arm's length commercial negotiations between the parties to the Agreements after taking into account, among others, that (i) more than half of the Comparable Transactions were conducted with deferred settlement arrangements where instalments were paid after completions of the relevant transactions; (ii) the current deteriorating financial position and operating conditions of the Target Group as discussed above did not strengthen the Seller's bargaining position to demand a full settlement of the Consideration at Completion; (iii) the current depressed market environment naturally called for giving the Purchaser less financial pressure to settle the Consideration in full at Completion; and (iv) the Company considered the deferred settlement arrangements to be a deal sweetener to induce the Purchaser to make prompt decision to enter into the Agreements.
- (a) as to RMB12,200,000 (equivalent to approximately HK\$13,420,000), representing 10% of the Consideration, has been paid to the Seller by the Purchaser within 5 days after the signing of the Agreements;
 - (b) as to RMB48,800,000 (equivalent to approximately HK\$53,680,000), representing 40% of the Consideration, to be paid to the Seller by the Purchaser within 30 days after the signing of the Agreements; and
 - (c) as to the balance of RMB61,000,000 (equivalent to approximately HK\$67,100,000), representing the remaining 50% of the Consideration, to be paid to the Seller by the Purchaser within 6 months after Completion.

LETTER FROM THE BOARD

In respect of the deferred settlement of the remaining 50% of the Consideration above, the Directors took comfort of the legal remedy available in the Agreements that in the event, among others, the Purchaser fails to pay such part of the Consideration within the time period as stipulated in the Agreements, the Agreements shall be rescinded *ab initio* upon termination (the “**Ab initio Clause**”), where the Purchaser shall return the entire equity interests in the relevant Target Company to the Seller. For details in relation to the termination, please refer to the paragraph headed “Termination” below. To the best knowledge of the Directors, in the event of the Purchaser fails to settle the remaining 50% of the Consideration, the Company is entitled to request the Purchaser to continue to perform the Agreements or to terminate the Agreements unilaterally and enforce the Ab initio Clause. The Company’s PRC legal adviser confirms that the Company has the legal rights to bring a lawsuit before a court pursuant to the terms of the Agreements if the Purchaser refuses to perform the Agreements. The Director further took comfort knowing that the first instalment of 10% of the Consideration was duly settled by the Purchaser. Based on the above, the Directors are satisfied the Company has sufficient safeguarding measures to protect the Company’s interests in the event of the Purchaser’s failure to settle the remaining 50% of the Consideration.

- Conditions precedent : Completion of each of the Agreements is conditional upon the satisfaction or waiver (subject to compliance with all relevant laws, rules and regulations) of the following conditions:
- (a) the Agreements having been signed and become effective;
 - (b) save as previously disclosed by the Seller to the Purchaser, there having been no significant change to the business operations of the relevant Target Company and FR Guarantee;
 - (c) save as previously disclosed by the Seller to the Purchaser, there have been (i) no material adverse change to the asset structures and conditions of the relevant Target Company and FR Guarantee; (ii) no incidents that would result in a material adverse change to the financial position, prospects, assets or obligations of the relevant Target Company and FR Guarantee; (iii) no circumstances that would cause the relevant Target Company and FR Guarantee to cease operation; and (iv) no circumstance that makes the equity interests in the relevant Target Company and FR Guarantee to be seized or frozen;

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- (d) the Seller's and the Purchaser's warranties and representations under the respective Agreement having been adhered to and complied with by the Seller and the Purchaser;
- (e) the passing by the board of director(s)/executive director(s) and shareholder(s) of the Seller and the respective Target Company of the resolution(s) to approve the transfer of the equity interests contemplated under the respective Agreement;
- (f) the Purchaser having obtained all necessary consents and approvals in relation to the transfer of equity interest contemplated under the respective Agreement;
- (g) if necessary, to obtain Shareholder's approval at a Shareholders' special general meeting (or to obtain written Shareholders' approval from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that special general meeting to approve the transaction where such written Shareholders' approval is accepted in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules) approving the transactions contemplated under the Agreements; and
- (h) if applicable, all necessary approvals and consents under the relevant rules and regulations (including the Listing Rules) having been obtained by the Company in respect of the transactions contemplated under the Agreements.

For the avoidance of doubt, the above conditions (a), (e), (f), (g) and (h) are not capable of being waived by the parties to the Agreements. As at the Latest Practicable Date, all the above conditions have been fulfilled.

- Completion : Completion has taken place on 27 March 2020 after the fulfillment (or waiver as the case may be) of all conditions precedent set out above; and upon Completion of the equity transfer registration procedures required by the local state Administration for Market Regulation of the PRC (the "**Relevant PRC Procedures**").
- Termination : The Agreements may be terminated under the following manners/circumstances:
- (i) The Agreements shall be terminated upon mutual agreement between the parties.

LETTER FROM THE BOARD

- (ii) If the Purchaser fails to pay the Consideration within the time period as stipulated in the Agreements, the Seller can terminate the Agreements unilaterally and any losses incurred shall be borne by the Purchaser.
- (iii) If any party violates any terms and conditions of the Agreements or has made any false representation or warranties, the non-defaulting party may request the defaulting party for rectification upon written notice. If no satisfying rectification has been made by the defaulting party within 60 days of the written notice or within any reasonable time period as set by the non-defaulting party, the non-defaulting party may terminate the Agreements unilaterally.
- (iv) Either party shall have the right to terminate the Agreements upon any laws and regulations newly promulgated which shall make the Agreements unenforceable.
- (v) If the conditions precedent cannot be fulfilled by the Long Stop Date (or waiver as the case may be) and no consensus on the fulfillment date of the conditions precedent can be reached between the parties within 30 days of the Long Stop Date, either party shall have the right to terminate the Agreements.
- (vi) If the Relevant PRC Procedures cannot be fulfilled within 5 business days (or any other later date agreed by both parties' written consent) upon the fulfilment of all conditions precedent (or being waived by both parties to the Agreements in writing subject to the permission under relevant laws, administrative regulations or rules) and that Completion cannot take place, the Agreements may be terminated upon written consent of both parties to the Agreements.

The Agreements shall be rescinded *ab initio* upon termination. In the situation where the termination happens after Completion (for example if the Purchaser fails to pay the outstanding part of the Consideration after Completion), the Purchaser shall return the entire equity interests in the relevant Target Company to the Seller and both parties to the Agreements shall procure the Target Companies to perform all applicable procedures for the termination of the Agreements in accordance with relevant laws, rules and regulations.

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Upon the termination of the Agreements, subject to the fulfilment of the obligation of the Purchaser as mentioned above, the Seller shall thereby within 15 business days refund the Consideration actually received by the Seller in to the Purchaser without interest.

INFORMATION RELATING TO THE GROUP AND THE SELLER

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.

The Seller is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. The principal activity of the Seller is enterprise management services.

INFORMATION RELATING TO THE TARGET COMPANIES

Each of the Target Companies is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of the Seller. The principal activity of each of the Target Companies is investment holding. The underlying assets of the Target Companies are the entire equity interests in FR Guarantee.

FR Guarantee is a company established in the PRC with limited liability and, through Target Company A and Target Company B, is a direct wholly-owned subsidiary of the Target Companies. The principal activity of FR Guarantee is the provision of guarantee services.

Set out below are the unaudited consolidated financial results of the Target Group, prepared under the HKFRSs:

	11 months ended	Year ended 31 March	
	29 February	2019	2018
	2020		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit before tax	(392,846)	14,370	25,493
(Loss)/profit after tax	<u>(431,737)</u>	<u>9,545</u>	<u>19,099</u>

As at 29 February 2020 and 31 March 2019, the unaudited consolidated net assets of the Target Group under the HKFRSs amounted to approximately RMB122,181,000 (equivalent to approximately HK\$134,399,100) and RMB553,918,000 (equivalent to approximately HK\$609,309,800) respectively.

LETTER FROM THE BOARD

INFORMATION RELATING TO THE PURCHASER

The Purchaser is a company established in the PRC with limited liability, which is principally engaged in technology development, technical consulting, technology transfer and technical services on computer software and hardware, information systems, cloud storage, internet, integrated circuit, computer programming, investment consulting, economic information consulting, business management and business information consulting. The ultimate beneficial owner of the Purchaser is Ms. Huang Fengping, who is a PRC individual and an Independent Third Party; and has 100% shareholding in the Purchaser.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Since the Group's acquisition of the property assets back in 2016 and the financing guarantee business in 2017, the Group had adopted a growth model of "one primary sector supplemented with two" ("一主兩輔") being cultural tourism as the primary sector, and property development, investment and management and financial services as the supplementary sectors. It was the Board's intention to have a long- and short-term view that, given the growing PRC domestic demand for domestic leisure travel, cultural tourism would generate a long-term stable financial performance and cash flows in the long run. Nevertheless, cultural tourism sector requires a significant capital investment and has a long payback period. Hence, this strategic plan is intended to be supported by the two supplementary businesses of (i) property development, investment and management; and (ii) financing guarantee, which helps provide sustainable financial results and cash flows for the Group in the short run.

The Group's management has monitored the progress of such growth model on an ongoing basis with periodic reporting to the Board. During the past years, the global economy has faced with challenges arising from the Sino-US trade war, Brexit and the COVID-2019 pandemic outbreak, the PRC economy has been adversely affected resulting in an estimated slow-down of its 2020 economic growth.

Following the Board's re-assessment on (i) the Group's growth model, (ii) the macro-economy in the PRC; (iii) the current market condition in Jilin Province, the PRC, and (iv) the prospects of the financial service industry in the PRC, it is considered to be appropriate to minimise the risk exposure of the Group by conducting the Disposal to discontinue the financing guarantee business of the Group. In particular, the financing guarantee business' contingent liabilities in respect of the outstanding financing guarantees issued to its customers in favour of the financial institutions amounted to approximately RMB2,031 million (equivalent to approximately HK\$2,234.1 million) as at 29 February 2020. The financing guarantee business also offered entrusted loans to certain of its financing guarantee customers which the aggregate principal sums amounted to approximately RMB465.4 million (equivalent to approximately HK\$511.9 million). As there has been a significant increase in credit risk for default in repayment for the corporate customers, an additional impairment losses on the entrusted loan receivables of approximately RMB81.2 million (equivalent to approximately HK\$89.3 million) and provision for financing guarantee losses of approximately RMB27.3 million (equivalent to approximately HK\$30.0 million) had been made for the six months ended 30 September 2019. For the five-month period from 1 October 2019 to 29 February 2020, further impairment losses of approximately RMB209.7 million (equivalent to

LETTER FROM THE BOARD

approximately HK\$230.7 million) have been made on the entrusted loan receivables as certain corporate customers have experienced financial difficulties which rendered them unable to meet their repayment obligations under the entrusted loans and such loans have now been reclassified as “non-performing” loans. Also, additional provision for financing guarantee losses of approximately RMB107.9 million (equivalent to approximately HK\$118.7 million) have been made for the five-month period from 1 October 2019 to 29 February 2020.

This re-assessment echoes with the Company’s interim report for the six months ended 30 September 2019, where the Company stated that 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 instead, will keep looking for an opportunity to divest.

In light of the nature and scale of the remaining principal businesses of the Group, the Board believes that the Disposal will not have a material impact on the Group’s operations.

The Board is of the view that the Disposal and the terms of the Agreement are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL AND THE PROPOSED USE OF PROCEEDS

Upon Completion, the members of the Target Group will cease to be subsidiaries of the Company and their financial results, assets and liabilities will no longer be consolidated into the financial statements of the Group and the financing guarantee business of the Group will be discontinued.

It is estimated that the loss on disposal of the equity interests in the Target Group calculated in accordance with the HKFRSs would be approximately RMB2.7 million (equivalent to approximately HK\$3.0 million), comprising the Consideration less the carrying value of the investment in the Target Group and after deducting the expenses directly attributable to the Disposal.

Given the above net loss on disposal to the Group, the consolidated net asset value attributable to the Shareholders is preliminarily estimated to decrease by approximately RMB2.7 million (equivalent to HK\$3.0 million) (subject to audit) upon Completion. On the above basis, the consolidated total assets of the Group is expected to decrease by approximately RMB229.5 million (equivalent to approximately HK\$252.5 million) (subject to audit), and the consolidated total liabilities of the Group is expected to decrease by approximately RMB226.8 million (equivalent to approximately HK\$249.5 million) (subject to audit) upon Completion. However, the actual financial impacts of the Disposal to be recognised by the Group will be subject to the then financial position of the Target Group and the final audit upon Completion.

The net proceeds from the Disposal (after deducting the expenses directly attributable to the Disposal) are estimated to be approximately RMB121.0 million (equivalent to approximately HK\$133.1 million). The Group intends to apply the net proceeds from the Disposal for (i) development in the Group’s property development or cultural tourism projects; and (ii) 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 Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and are therefore subject to the 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, 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, 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 (the "**Written Shareholder's Approval**"). Accordingly, no special general meeting of the Company will be convened for the purpose of approving the Disposal.

CESSATION OF CONTINUING CONNECTED TRANSACTIONS

As stated in the Company's announcement dated 17 July 2019 and the circular dated 20 August 2019, FR Guarantee entered into the guarantee services framework agreement with Ground Investment Holding in relation to the provision of guarantee services to Ground Investment Group for a term of three years from 1 April 2019 to 31 March 2022. Upon Completion on 27 March 2020, FR Guarantee has ceased to be a subsidiary of the Company and accordingly, the guarantee services provided by FR Guarantee to Ground Investment Group has ceased to constitute continuing connected transactions of the Company.

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 was not 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 resolution(s) to approve the Agreements and the Disposal.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices 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 three 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 2017, 2018 and 2019.

The said annual reports of the Group are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (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 29 February 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 RMB1,115,201,000 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) bank loans of RMB17,600,000 bearing interests at a fixed rate of 12% per annum and are secured by 80% equity interests in 吉林市築家房地產開發有限公司 (Jilin Zhujia Real Estate Development Company Limited*). 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 a fixed rate of 7.6%–9.57% per annum which are secured by 60% equity interests in 吉林省廣澤地產有限公司 (Jilin Ground Real Estate Company Limited*); (iv) secured bank loans of approximately HK\$273,000,000 (equivalent to approximately RMB244,536,000) 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 RMB227,586,000 at a fixed interest rate of 5.39% per annum which is secured by properties under development with carrying amounts of RMB1,145,883,000 as at 30

September 2019; (vi) secured bank loans of RMB200,000,000 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 loan 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 RMB1,145,883,000 as at 30 September 2019 and 66.4% equity interests in 撫松長白山廣澤旅游開發有限公司 (Fusong Changbaishan Ground Tourism Development Company Limited*); (ix) entrusted loan of RMB100,000,000 bearing interests at a fixed rate of 8% per annum which is secured by properties under development held by the Group with a carrying amount of RMB210,046,000 as at 30 September 2019; and (x) other loan of HK\$5,000,000 (equivalent to approximately RMB4,479,000) bearing interests of HK\$500,000 which is guaranteed by a Director; (b) loans from a controlling shareholder of approximately RMB91,292,000 which is unsecured, interest-free and has no fixed repayment term and (c) liability component of the convertible bonds of RMB71,757,000. 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 RMB820,511,000 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 RMB2,031,030,000 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. Such contingent liabilities associated with the financing guarantees has been transferred out of the Group to the Purchaser upon Completion.

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 29 February 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 Group is expected to record further impairment loss for the five months ended 29 February 2020 due to certain “non-performing” loans, and additional provision for financing guarantee losses. For details, please refer to the section headed “Reasons for and benefits of the Disposal” in the “Letter from the Board” in this circular above.

In addition, the Group is expected to record a further decrease in the fair value of the Hong Kong investment properties of approximately HK\$20.0 million (equivalent to approximately RMB18.2 million); and a loss on disposal of subsidiaries in respect of these Hong Kong investment properties of approximately HK\$39.6 million (equivalent to approximately RMB36.0 million) for the second half of the year ended 31 March 2020. Details of the disposal of the subsidiaries in respect of the Hong Kong investment properties are set out in the Company's circular dated 16 March 2020.

The Directors confirm that, as at the Latest Practicable Date, save for the information disclosed (i) hereinabove under this section; (ii) in the sub-section headed "Key changes to profit or loss" under the section headed "Financial review" in the "Management discussion and analysis" section of the interim report of the Company for the six months ended 30 September 2019; and (iii) under the section headed "V. Financial and trading prospects" below, there was no 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 the recent months of the year ended 31 March 2020, 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 globalisation, economies at national and regional levels are somewhat inter-related and therefore are subject to adverse impact by each other. The PRC economy was dampened by the COVID-19 outbreak since January 2020. In March 2020, the World Health Organisation has formally announced COVID-19 a global pandemic. It is expected that the global economy would suffer from such pandemic amongst the various geo political and global trade incidents surfaced around the world.

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

Based on a report issued by the China Tourism Academy, the cultural tourism sector in the PRC has seen a general gradual growth in number of tourists and related income, at a rate of approximately 8.8% and 13.5%, respectively, during the first half of 2019 on a year-on-year basis. Weekend getaways and 3-hour short to medium travel circles (including high-speed rail or self-drive tours to surrounding cities and suburbs) are becoming popular. Nevertheless, the development of cultural tourism projects requires intensive capital and the relevant investment payback period tends to be long. With the tightening of the supply of financings in the PRC, financiers also expected more from the cultural tourism project developers and lifted the requirements in developer's financing capabilities and management experience.

Based on the above and together with the recent disposal of the Group's investment properties in Hong Kong (details of which has been set out in the circular of the Company dated 16 March 2020) and the Disposal, the assessment by the Board are that, for the cultural tourism business where it involves intensive capital 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(s) in this sector for co-operation and/or divestment. For the property development business, 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 which enables the Group to gradually improve its financial position. In addition, the Group will also pay attention to potential featured property projects to enhance its profitability. From an industry perspective, property development remains to be supported by market demand and the relevant credit risk tends to be lower. In this respect, the Group will not rule out the possibility of any merger and acquisitions in order for the Group to achieve structural optimisation and become more market-orientated. The Board will closely monitor the impact caused by the COVID-19 pandemic outbreak and will fine tune the Group's strategies and directions and inform the Shareholders and the public of any material development in due course.

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 (the “**Model Code**”), 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 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*

Name of Directors/ chief executive	Nature of interest	Position	No. of underlying Shares interested	Approximate percentage of issued 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 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. 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 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 (as defined below) is the spouse of Ms. Cui, an Executive Director and Chairperson of the Board. Mr. Lee (as defined below) 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 Shares (Note 1)
Charm Success	Registered owner	Long	484,320,694 (Note 2)	9.19%
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

Name of Shareholder	Nature of interest	Position	No. of Shares interested	Approximate percentage of issued 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 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 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) who 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 agreements dated 26 March 2020 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) ("**Customer T**") as the customer pursuant to which FR Guarantee shall guarantee Customer T's obligation under the loan agreements, all dated 25 March 2020 entered into between Customer T as borrower and Changchun Development Rural Commercial Bank Company Limited ("**CDRC Bank**") as lender, at an aggregate guarantee fee of RMB1,050,000 (equivalent to HK\$1,155,000);
- (ii) the guarantee agreement dated 26 March 2020 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) ("**Customer U**") as the customer pursuant to which FR Guarantee shall guarantee Customer U's obligation under the loan agreement, dated 25 March 2020 entered into between Customer U as borrower and CDRC Bank as lender, at an aggregate guarantee fee of RMB150,000 (equivalent to HK\$165,000);

- (iii) the guarantee agreement dated 18 March 2020 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer V**”) as the customer pursuant to which FR Guarantee shall guarantee Customer V’s obligation under the loan agreement, dated 18 March 2020 entered into between Customer V as borrower and Changchun Nanguan Huimin Village Bank Company Limited (“**Huimin Village Bank**”) as lender, at an aggregate guarantee fee of RMB160,000 (equivalent to HK\$176,000);
- (iv) the guarantee agreement dated 18 March 2020 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer W**”) as the customer pursuant to which FR Guarantee shall guarantee Customer W’s obligation under the loan agreement, dated 18 March 2020 entered into between Customer W as borrower and Huimin Village Bank as lender, at an aggregate guarantee fee of RMB190,000 (equivalent to HK\$209,000);
- (v) the guarantee agreements dated 17 March 2020, 28 November 2019 and 29 March 2019 entered into by FR Guarantee as the guarantor and three entities established in the PRC (each of which is an Independent Third Party)(“**Customers X**”) as the customers pursuant to which FR Guarantee shall guarantee each of Customers X’s obligation under the loan agreements, dated 2 March 2020, 28 November 2019 and 29 March 2019 respectively, entered into between the respective Customers X as borrower and Changchun Branch of Jilin Jiutai Rural Commercial Bank Corporation Limited (“**Jilin Jiutai Bank**”) as lender, at an aggregate guarantee fee of RMB518,000 (equivalent to HK\$569,800).
- (vi) the guarantee agreement dated 13 March 2020 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer Y**”) as the customer pursuant to which FR Guarantee shall guarantee Customer Y’s obligation under the loan agreement, dated 13 March 2020 entered into between Customer Y as borrower and Changchun Branch of Jilin Jiutai Bank as lender, at an aggregate guarantee fee of RMB490,000 (equivalent to HK\$539,000);
- (vii) the guarantee agreement dated 13 March 2020 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer Z**”) as the customer pursuant to which FR Guarantee shall guarantee Customer Z’s obligation under the loan agreement, dated 13 March 2020 entered into between Customer Z as borrower and Changchun Branch of Jilin Jiutai Bank as lender, at an aggregate guarantee fee of RMB490,000 (equivalent to HK\$539,000);

- (viii) the guarantee agreement dated 13 March 2020 entered into by FR Guarantee as the guarantor and an entity established in the PRC (which is an Independent Third Party) (“**Customer AA**”) as the customer pursuant to which FR Guarantee shall guarantee Customer AA’s obligation under the loan agreement, dated 18 March 2020 entered into between Customer AA as borrower and Changchun Branch of Jilin Jiutai Bank as lender, at an aggregate guarantee fee of RMB350,000 (equivalent to HK\$385,000);
- (ix) The sale and purchase agreements dated 24 February 2020 entered into by each of the sellers (each of which is an indirect wholly-owned subsidiary of the Company), the Company as guarantor and each of the purchasers (each of which is an Independent Third Party) 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 an aggregate consideration of HK\$305,280,000 (subject to adjustments, if any).
- (x) 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 Customer A’s obligation under the loan agreement, dated 13 February 2020 entered into between Customer A as borrower and Jilin Jiutai Bank as lender, at an aggregate guarantee fee of RMB380,000 (equivalent to HK\$418,000);
- (xi) 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 Customers B’s obligation under the loan agreements, all dated 15 January 2020 each entered into between each of Customers B as borrower and Huimin Village Bank as lender, at an aggregate guarantee fee of RMB500,000 (equivalent to HK\$550,000);
- (xii) 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 Customers C’s obligation under the loan agreements, all dated 15 January 2020 each entered into between each of Customers C as borrower and Huimin Village Bank as lender, at an aggregate guarantee fee of RMB250,000 (equivalent to HK\$275,000);
- (xiii) 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 Customer D’s obligation under the loan agreements, all dated 6 January 2020 each entered into between Customer D as borrower and CDRC Bank as lender, at an aggregate guarantee fee of RMB325,000 (equivalent to HK\$357,500);

- (xiv) 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 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\$1,038,840);
- (xv) 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 Customer F’s obligation under the loan agreement, dated 1 November 2019 entered into between Customer F as borrower and Changchun Branch of Jilin Jiutai Bank as lender, at an aggregate guarantee fee of RMB1,120,000 over the period of three years (equivalent to HK\$1,232,000);
- (xvi) 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 Customer G’s obligation under the loan agreement dated 18 October 2019, entered into between Customer G as borrower and Changchun Gaoxin Huimin Village Bank Company Limited as lender, and the loan agreement dated 17 October 2019, entered into between Customer G as borrower and Huimin Village Bank as lender, at an aggregate guarantee fee of RMB750,000 (equivalent to HK\$825,000);
- (xvii) 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 Customer H’s obligation under the loan agreement H1 dated 18 October 2019, entered into between Customer H as borrower and Huimin Village Bank as lender, and the loan agreement H2 dated 17 October 2019, entered into between Customer H as borrower and Huimin Village Bank as lender, at an aggregate guarantee fee of RMB750,000 (equivalent to HK\$825,000);
- (xviii) 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 Customer I’s obligation under the loan agreement, dated 9 October 2019 entered into between Customer I as borrower and CDRC Bank as lender, at an aggregate guarantee fee of RMB1,200,000 (equivalent to HK\$1,320,000);

- (xix) 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 Customer J bearing 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 Customer J as the customer pursuant to which FR Guarantee shall guarantee Customer J’s obligation under the loan agreement, dated 30 September 2019 entered into between Customer J as borrower and Changchun Branch of Jilin Jiutai Bank as lender, at an aggregate guarantee fee of RMB170,000 (equivalent to HK\$187,000);
- (xx) 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 each of Customers K’s obligation under the syndicated loan agreements all dated 30 September 2019, each entered into between each of 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\$440,000);
- (xxi) the guarantee agreements with 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 Customer L’s obligation under the loan agreements, with one dated 12 January 2019 and the other dated 16 September 2019, each entered into between Customer L as borrower and CDRC Bank as lender, at an aggregate guarantee fee of RMB1,225,000 (equivalent to HK\$1,347,500);
- (xxii) 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\$1,078,800);
- (xxiii) 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\$990,000);

- (xxiv) 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 CDRC Bank as lender, at a guarantee fee of RMB900,000 (equivalent to approximately HK\$990,000);
- (xxv) the corporate guarantee and financial assistance framework agreement dated 17 July 2019 entered into by the Company and Ground Investment Holding, Ka Yik and Charm Success (a company beneficially owned by Ms. Cui) pursuant to which the Company shall provide corporate guarantee to Ground Investment Holding, Ka Yik and Charm Success and their respective associates and be provided with shareholder loans in return.
- 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);
- (xxvi) 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\$495,000);
- (xxvii) 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 Customers Q’s obligation under the loan agreements, all dated 18 June 2019 each entered into between each of 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\$550,000 each);
- (xxviii) 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\$550,000);

(xxix) 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\$550,000); and

(xxx) the sale and purchase agreement dated 15 February 2019 entered into between Lily Garden Investments Limited as vendor and Charm Success 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. 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.

7. LITIGATION

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

8. EXPERT AND CONSENT

The following are the qualifications of the expert who has been named in this circular:

Name	Qualifications
Opus Capital Limited (“ Opus Capital ”)	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in relation to the Disposal

Opus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its name and logo, in the form and context in which they are respectively included.

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 Written Shareholder's Approval;
- (iii) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" of this circular;
- (iv) the annual reports of the Company for the three years ended 31 March 2017, 2018 and 2019;
- (v) the memorandum of association and bye-laws of the Company;
- (vi) the material contracts referred to in the section headed "Material contracts" in this appendix;
- (vii) the letter of consent from the expert referred to under the section headed "Expert and consent" in this appendix;
- (viii) the circulars of the Company dated 16 March 2020 and 20 August 2019, which are the circulars issued by the Company since the date of the Group's latest published audited accounts, which were issued pursuant to the relevant requirements set out under Chapters 14 and/or 14A of the Listing Rules; and
- (ix) this circular.