THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 TFG International Group 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).

TFG INTERNATIONAL GROUP LIMITED
富 元 國 際 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

MAJOR AND CONNECTED TRANSACTION AND NOTICE OF EGM

Financial Adviser to the Company

光大新鴻基
EVERBRIGHT SUN HUNG KAI

Independent Financial Adviser to the Independent Board Committee and the Shareholders

MERDEKA 鎵智

A letter from the board of directors of TFG International Group Limited (the "**Company**") is set out on pages 5 to 24 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 7/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 11 September 2020, at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the extraordinary general meeting of the Company is enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with instructions printed thereon and return it to the branch share registrar of the Company, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time for holding the extraordinary general meeting of the Company or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting of the Company or any adjournment thereof should you so wish.

14 August 2020

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Shares by the Company from the Vendor pursuant to the Sale and Purchase Agreement
"All Great"	All Great International Holdings Limited (富偉國際控股有限公司)
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of the Directors
"BVI"	the British Virgin Islands
"Company"	TFG International Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration of HK$108,600,000 for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company convened to be held at 7/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 11 September 2020 at 11:00 a.m. for the purpose of considering, and if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Promissory Note)
"Enlarged Group"	the Group upon Completion (including any company which will become a subsidiary of the Company by reason of an acquisition which had been agreed or proposed since 31 December 2019)
"Group"	the Company and its subsidiaries
"Guarantor"	Mr. Yang Lijun, the controlling Shareholder, an executive Director and the chairman of the Company
"Guarantor Loan"	the amount due and owing (including both principal and interest) by the Target Group to the Guarantor immediately prior to Completion

"Guarantor Loan Agreement"	the loan agreement to be entered into between the HK Company and the Guarantor upon Completion in relation to the Guarantor Loan
"Hengqin Project"	the property development project carried out on a parcel of land (with site area of approximately 60,339.83 sq.m.) located in Hengqin New District, Zhuhai City, Guangdong, the PRC
"HK Company"	More Earn HK Development Limited (萬盈香港發展有限公司)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hotel"	the 5-star hotel to be constructed as part of Phase II of the Project
"Independent Board Committee"	the independent committee of the Board, comprising all independent non-executive Directors, formed to consider the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Financial Adviser"	Merdeka Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Shareholders and the Independent Board Committee in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than the Guarantor, the Vendor and their respective associates
"Land Company"	珠海市富元商業發展有限公司 (Zhuhai Fuyuan Business Development Company Limited*)
"Latest Practicable Date"	12 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Lease"	a long-term lease signed by the Land Company to lease out the Shopping Centre which will also be managed by the Lessee
"Lessee"	中山市大信管理投資有限公司 (Zhongshan Dasin Management Investment Company Limited*), a company established in the PRC and the lessee under the Lease
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management Agreement"	the hotel management agreement entered into between the Land Company and the Manager in relation to the management of the Hotel

"Management Company"	珠海市橫琴新區萬盈酒店管理有限公司 (Zhuhai Hengqin Wanxiang Hotel Management Company Limited*)
"Manager"	希爾頓酒店管理(上海)有限公司 (Hilton Hotels Management (Shanghai) Co., Ltd.), the hotel management company appointed pursuant to the Management Agreement to manage the Hotel
"MOU"	the memorandum of understanding dated 16 July 2020 entered into between the Group and Quan Feng in relation to the possible disposal by the Group of Rich Source which in turn holds 70% interests in the Hengqin Project, with earnest money of HK$250,000,000 payable thereunder, details of which are set out in the announcement of the Company dated 16 July 2020
"PRC"	the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Project"	the project undertaken by the Land Company to be developed into a commercial complex comprising office towers, the Hotel and the Shopping Centre with basement car park on the Property
"Promissory Note"	the promissory note to be issued by the Company upon Completion in the principal amount of HK$108,600,000 at the interest rate of 9% per annum for a term of 3 years
"Property"	the land located at Southeastern side of Zhufeng Avenue, Doumen District, Zhuhai City, Guangdong Province, the PRC of site area of approximately 48,653.2 sq.m., together with any buildings erected thereon
"Quan Feng"	Quan Feng Developments Limited (全豐發展有限公司), which is wholly-owned by 張桂明 (Zhang Guiming*)
"Rich Source"	Rich Source Property Holdings Limited (富源地產控股有限公司)
"Sale and Purchase Agreement"	the sale and purchase agreement dated 29 June 2020 entered into among the Company, the Vendor and the Guarantor in relation to the Acquisition
"Sale Shares"	50,000 issued shares of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of the Company

"Shareholder(s)"	holder(s) of Shares
"Shopping Centre"	the shopping centre to be constructed as part of Phase II of the Project
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Eway International Investment Limited (億偉國際投資有限公司)
"Target Group"	the Target Company, the HK Company, the Land Company and the Management Company
"Vendor"	Yang's Development Limited
"Zhongshan Company"	中山富元控股集團有限公司 (Zhongshan Fuyuan Group Holdings Company Limited*), a company which is owned as to 90% by 楊樂君 (Yang Lejun*), the Guarantor's brother, and as to 10% by 余偉標 (Yu Weibiao*), whom to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is a third party independent of the Group and connected persons of the Group
"Zhongshan Loan"	the amount due and owing (including both principal and interest) by the Target Group to Zhongshan Company immediately prior to Completion
"Zhongshan Loan Agreement"	the loan agreement to be entered into between the Land Company and Zhongshan Company upon Completion in relation to the Zhongshan Loan
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq.m."	square metre
"%"	per cent.

For the purpose of this circular, unless otherwise specified, conversion of RMB into HK$ is based on the approximate exchange rate of RMB1.00 = HK$1.086. Such exchange rate is adopted for illustration purpose only and does not constitute a representation that any amounts in HK$ and RMB have been, could have been or may be converted at such rate or any other exchange rate.

* *For identification purpose only*

TFG INTERNATIONAL GROUP LIMITED
富元國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

Executive Director:
Mr. Yang Lijun *(Chairman)*

Non-executive Directors:
Mr. Yu Shunhui
Mr. Wong Kui Shing, Danny

Independent non-executive Directors:
Ms. Chan Hoi Ling
Ms. So Wai Lam
Mr. Sung Yat Chun

Registered office:
The Offices of Sterling Trust (Cayman) Limited
Whitehall House
238 North Church Street
George Town
Grand Cayman
KY1-1102
Cayman Islands

Head office and principal place of business in Hong Kong:
Flat 403 and 405, 4/F
Kowloon City Plaza
128 Carpenter Road
Kowloon City
Kowloon
Hong Kong

14 August 2020

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 29 June 2020 in relation to the Acquisition.

On 29 June 2020 (after trading hours of the Stock Exchange), the Company entered into the Sale and Purchase Agreement with the Vendor (a company wholly-owned by the Guarantor) and the Guarantor (being the controlling Shareholder, an executive Director and the chairman of the Company) in relation to the Acquisition. Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to procure sale of the Sale Shares (representing the entire issued share capital of the Target Company) at the Consideration of HK$108,600,000. The Consideration shall be satisfied by issue of the Promissory Note by the Company.

As one of the applicable percentage ratios in respect of the Acquisition is above 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, subject to the reporting, announcement and the Shareholders' approval requirements.

As at the Latest Practicable Date, the Guarantor (in both his personal capacity and through All Great, a company indirectly wholly-owned by him) was interested in an aggregate of 2,967,547,152 Shares, representing approximately 42.72% of the issued share capital of the Company. The Vendor is a company wholly-owned by the Guarantor. Accordingly, the Vendor is a connected person of the Company and the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, subject to the reporting, announcement and the Independent Shareholders' approval requirements.

The purpose of this circular is to provide you with, among other things, (i) further information on the Acquisition; (ii) the financial information of the Target Group; (iii) the valuation report of the Property; (iv) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (v) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (vi) the notice of the EGM; and (vii) other information as required under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Detail of the principal terms of the Sale and Purchase Agreement are set out below:

Date

29 June 2020 (after trading hours of the Stock Exchange)

Parties

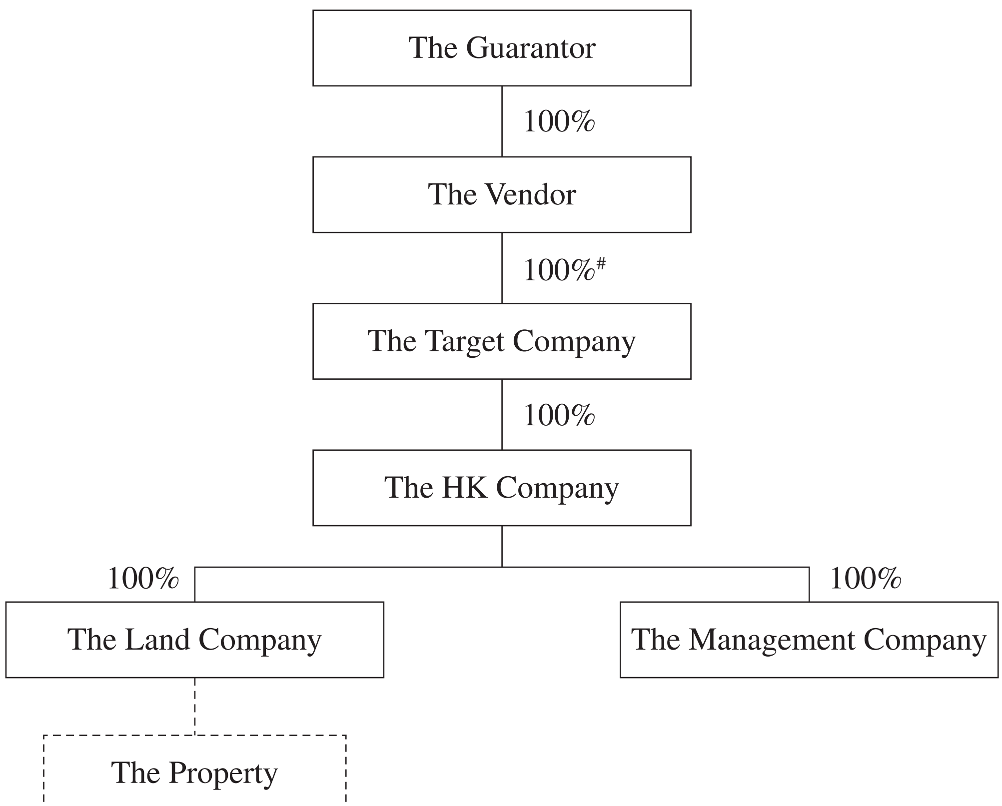
Vendor:	the Vendor, being Yang's Development Limited, a company wholly-owned by the Guarantor. The Vendor is principally engaged in property investment and development in the PRC
Purchaser:	the Company
Guarantor:	the Guarantor, being Mr. Yang Lijun, the controlling Shareholder, an executive Director and the chairman of the Company.

As at the Latest Practicable Date, the Guarantor (in both his personal capacity and through All Great, a company indirectly wholly-owned by him) was interested in an aggregate of 2,967,547,152 Shares, representing approximately 42.72% of the issued share capital of the Company. The Vendor is a company wholly-owned by the Guarantor. Accordingly, the Vendor is a connected person of the Company.

Assets to be acquired

The Sale Shares, representing the entire issued share capital of the Target Company. The Target Company in turn is interested in the entire issued share capital of the HK Company, which is interested in the entire registered capital of the Land Company and the Management Company. The Land Company is beneficial owner of the Property, being a land parcel of site area of approximately 48,653.2 sq.m. located in Doumen District, Zhuhai City, Guangdong Province, the PRC, together with any buildings erected thereon.

Set out below was the shareholding structure of the Target Group as at the Latest Practicable Date:



held via various wholly-owned intermediate holding companies

The Guarantor Loan and the Zhongshan Loan

As at the date of the Sale and Purchase Agreement,

(a) the Target Group was indebted to the Guarantor in the principal amount of HK$27,096,655, with interest calculated at the rate of 13% per annum; and

(b) the Target Group was indebted to Zhongshan Company in the principal amount of RMB416,600,000 (equivalent to approximately HK$452,428,000), with interest calculated at the rate of 13% per annum.

Pursuant to the Sale and Purchase Agreement, at Completion, the Target Group shall enter into (i) the Guarantor Loan Agreement with the Guarantor in relation to all amount due and owing (including both principal and interest) by the Target Group to the Guarantor immediately prior to Completion; and (ii) the Zhongshan Loan Agreement with Zhongshan Company in relation to all amount due and owing (including both principal and interest) by the Target Group to Zhongshan Company immediately prior to Completion, the material terms of which are as follows:

1. interest shall be calculated at 9% per annum;

2. the final repayment date of the outstanding principal amount of the loan shall be the third anniversary of the date of the relevant loan agreement;

3. subject to prepayment and/or early repayment by the Group, (a) the first interest payment date shall fall on the expiry of 18 months from the date of the relevant loan agreement, and (b) thereafter, the Group shall pay interest on a monthly basis;

4. the Group undertakes that if:

   (i) the Group can obtain better terms of lending in respect of any amount equivalent to the prepayment or early repayment amount, or

   (ii) the Board considers that the Group has sufficient cashflow to satisfy any prepayment or early repayment amount, taking into account its then working capital sufficiency for the following 12 months,

the Group shall (1) firstly make early repayment of any accrued interest prior to the first interest payment date mentioned in paragraph 3 above, and (2) secondly prepay in whole or in part the outstanding principal amount together with accrued interest prior to the final repayment date.

No security from the Group will be taken by the Guarantor and/or Zhongshan Company to secure the Target Group's obligations under the Guarantor Loan Agreement and/or the Zhongshan Loan Agreement.

In arriving at the interest rates and the terms of the Guarantor Loan Agreement and the Zhongshan Loan Agreement, the Group has taken into account (A) the interest rate of the Group's latest secured bank borrowing in the principal amount of RMB150 million (equivalent to approximately HK$162.9 million) with a maturity period of three years obtained in the PRC of approximately 8.8% per annum and (B) the interest rate of the Group's existing loans and borrowings (excluding bank borrowings) as at 30 June 2020 (including secured borrowings in the principal amount of HK$397.2 million with maturity periods ranging from 1 to 3 years, and unsecured borrowings in the principal amount of HK$374.2 million with maturity periods ranging from 1 to 2 years) ranging from 12% to 13% per annum. The Guarantor Loan and Zhongshan Loan will be unsecured loans. After considering the interest rates of the Guarantor Loan and Zhongshan Loan will be at a similar level to the Group's latest secured bank borrowing obtained in the PRC and lower than the interest rates of the Group's existing loans and borrowings (excluding bank borrowings), the Directors (including the independent non-executive Directors) consider that the interest rates and the terms of the Guarantor Loan Agreement and the Zhongshan Loan Agreement are on normal commercial terms and fair and reasonable, and in the interests of the Company and its Shareholders.

Consideration

The Consideration of HK$108,600,000 shall be satisfied by the issue of the Promissory Note by the Company at Completion.

The principal amount of the Promissory Note shall be HK$108,600,000, the principal terms of which are as follows:

1. interest shall be calculated at 9% per annum;

2. the maturity date of the Promissory Note shall fall on the third anniversary of the date of issue of the Promissory Note, whereupon the Company shall repay all outstanding principal amount (together with accrued interest);

3. subject to prepayment and/or early repayment by the Company, (a) the first interest payment date shall fall on the expiry of 18 months from the date of issue of the Promissory Note, and (b) thereafter, the Company shall pay interest on a monthly basis;

4. the Company undertakes that if:

   (i) the Group can obtain better terms of lending in respect of any amount equivalent to the prepayment or early repayment amount, or

   (ii) the Board considers that the Group has sufficient cashflow to satisfy any prepayment or early repayment amount, taking into account its then working capital sufficiency for the following 12 months,

   the Company shall (1) firstly make early repayment of any accrued interest prior to the first interest payment date mentioned in paragraph 3 above, and (2) secondly prepay in whole or in part the outstanding principal amount of the Promissory Note together with accrued interest prior to the maturity date.

The repayment of Promissory Note shall be financed by internal resources of the Group and/or external financing.

As set out in the paragraph headed "Conditions precedent" below, it is a condition precedent to Completion that the value as shown in the valuation report (in form and substance satisfactory to the Company, and prepared by a firm of independent professional valuers appointed by the Company) shall be not less than RMB840,000,000 (equivalent to approximately HK$912,240,000) (the "**Estimated Value**").

The Consideration was determined between the Company and the Vendor after arm's length negotiations with reference to (a) the adjusted unaudited consolidated net asset value of the Target Group as at 31 May 2020 of approximately HK$162,896,000 after taking into account the Estimated Value of RMB840,000,000 (equivalent to approximately HK$912,240,000) as assessed by a firm of independent valuers using direct comparison approach; and (b) the Group's view on the development potential as elaborated in the paragraphs under the section below headed "Reasons for and benefits of the Acquisition". The Directors had considered the effects of deferred tax liabilities arising from the Acquisition but the Consideration has not taken into account such deferred tax liabilities after considering the following factors:

(i) approximately 92,204 sq.m. of the Property, representing 59.2% of the total permitted plot ratio gross floor area of 155,690.24 sq.m., will be developed into a hotel of 5-star standard and a shopping centre ("**Hotel Portion**"), which will be held by the Target Group as investment properties for hotel operation and leasing. According to the 國有建設用地使用權出讓合同(變更合同) (Amendment Contract to Contract for Grant of State-owned Construction Land Use Rights) dated 24 January 2018, prior approval from the government of Doumen District has to be obtained for the transfer of the Hotel Portion by the Land Company within 3 years from its completion. Currently, the Company has no intention to sell the Hotel Portion after the Acquisition and is of the view that the chance of crystallization of relevant deferred tax liabilities is low and remote;

(ii) the deferred tax liabilities in relation to the Acquisition was calculated based on the difference between the fair value and cost of the Property which will be different from the actual tax payable of the Target Company in the future. For land appreciation tax, the payable amount will be the appreciated value multiplied by applicable tax rate where the appreciated value will be calculated by subtracting relevant land costs, construction fees and other deductible expenses from the fair value of relevant properties or units sold. For PRC income tax, the payable amount will be equal to the assessable amount, which is calculated by subtracting relevant cost of sales, selling expenses, administrative expenses, finance costs and other deductible expenses from revenue, multiplied by applicable tax rate of 25%. The Company is of the view that the deferred tax liabilities arising from the Acquisition cannot reflect the actual future tax payable amount and it is calculated based on relevant accounting rules and policies. The future tax payable amount shall be calculated by making reference to the fair value of properties or units sold, the amount of revenue to be received and relevant costs and expenses to be incurred and deducted; and

(iii) the relevant tax payable, including land appreciation tax and PRC income tax, are expenses that will be incurred by the Target Group from sales activities conducted in the normal course of business. The relevant tax will be payable by the Group when the relevant land is directly sold to an acquirer or when the property units are sold to the individual purchasers after completion of the Project. Such deferred tax liabilities are early recognition of future possible tax payable which whole or part of the amount will be reverted at the time of selling the relevant land or property units.

For further information, please refer to note 3(d) of the section headed ''C. Notes to the unaudited pro forma financial information'' in Appendix IV to this circular.

For illustrative purpose, if the deferred tax liabilities was calculated based on the saleable area of the Property (i.e. the commercial and office area), which representing approximately 40.8% of the total permitted plot ratio gross floor area, the amount would be approximately HK$46,342,000 and the adjusted unaudited consolidated net asset value of the Target Group including the deferred tax liabilities of the saleable areas would be approximately HK$116,554,000 which is higher than the Consideration. After considering the above factors, the Directors had not taken into account the relevant deferred tax liabilities for determining the Consideration.

The Board is of the view that the Consideration is fair and reasonable, and are in the interest of the Company and its Shareholders as a whole.

As set out in the Valuation Report in Appendix V to this circular, the value of the Property amounted to RMB840,000,000 as at 31 May 2020.

In arriving at the interest rate of the Promissory Note, the Group has taken into account (A) the interest rate of the Group's latest secured bank borrowing in the principal amount of RMB150 million (equivalent to approximately HK$162.9 million) with a maturity period of three years obtained in the PRC of approximately 8.8% per annum and (B) the interest rate of the Group's existing loans and borrowings (excluding bank borrowings) as at 30 June 2020 (including secured borrowings in the principal amount of HK$397.2 million with maturity periods ranging from 1 to 3 years, and unsecured borrowings in the principal amount of HK$374.2 million with maturity periods ranging from 1 to 2 years) ranging from 12% to 13% per annum. After considering the Promissory Note will be collateral-free and unsecured, and the interest rate of the Promissory Note will be at a similar level to the Group's latest secured bank borrowing obtained in the PRC and lower than the interest rates of the Group's existing loans and borrowings (excluding bank borrowings), the Directors (including the independent non-executive Directors) are of the view that the interest rate and the terms of the Promissory Note are on normal commercial terms and fair and reasonable, and in the interests of the Company and its Shareholders.

Conditions precedent

Completion shall be conditional upon and subject to:

(a) the passing of the necessary resolution(s) by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Promissory Note);

(b) the Company having obtained a PRC legal opinion (in form and substance satisfactory to the Company) issued by a firm of PRC legal advisers appointed by the Company in relation to (i) the Land Company and the Management Company's due and proper establishment and valid existence under the laws of PRC; (ii) the Land Company and the Management Company having obtained all necessary approvals and licences to carry out its business; (iii) the validity of the Land Company's legal title in the Property; and (iv) any other matters as may be required by the Company;

(c) the Company being satisfied with the results of the due diligence review to be conducted on the Target Group;

(d) the representations, warranties and undertakings given by the Vendor and the Guarantor in the Sale and Purchase Agreement are not false, untrue or misleading, nor have they been breached in any material respect;

(e) the value of the Property as shown in the valuation report (in form and substance satisfactory to the Company and prepared by a firm of independent professional valuers appointed by the Company) being not less than the Estimated Value; and

(f) all other necessary approvals, consents and waivers required to be obtained in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained.

None of the conditions precedent above can be waived. If any of the above conditions precedent has not been satisfied on or before 31 December 2020 or such other date as the Company may agree, or if the Company has served a written notice to the Vendor stating it is not satisfied with the results of the due diligence review conducted, the Sale and Purchase Agreement shall cease and determine. Neither party shall have any obligations and liabilities towards each other under the Sale and Purchase Agreement, save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, save for the condition set out in paragraph (e) above, none of the conditions precedent to the Sale and Purchase Agreement had been fulfilled.

Completion

Completion shall take place on the third business day after the fulfilment of the conditions precedent set out in sub-paragraphs (a), (b), (c), (e) and (f) in the paragraph headed ''Conditions precedent'' above or such other date as the Company may agree. The condition precedent set out in sub-paragraph (d) shall remain fulfilled at Completion.

Upon Completion, the Target Company, the HK Company, the Land Company and the Management Company will become wholly-owned subsidiaries of the Company, and results of the Target Group will be consolidated into the financial statements of the Company after Completion.

INFORMATION ON THE TARGET GROUP

Structure

The Target Company was incorporated in the BVI and the HK Company was incorporated in Hong Kong, both in December 2017, and have been indirectly wholly-owned by the Vendor since their inception.

The Land Company was established by Zhongshan Company in January 2018 with the registered capital of RMB10,000,000 (equivalent to approximately HK$10,860,000). Pursuant to the 國有建設用地使用權出讓合同(變更合同) (Amendment Contract to Contract for Grant of State-owned Construction Land Use Rights*) dated 24 January 2018 signed with 珠海市國土資源局 (Zhuhai Municipal State-owned Land Resources Bureau*), the Land Company agreed to acquire the land parcel comprising the Property at a consideration of RMB426,000,000 (equivalent to approximately HK$462,636,000), which was payable in two instalments in February 2018 and July 2018, respectively. In May 2018, the Vendor through the HK Company subscribed for 80% (on a fully diluted basis) of the then registered capital of the Land Company, such that the latter's registered capital was increased from RMB10,000,000 (equivalent to approximately HK$10,860,000) to RMB50,000,000 (equivalent to approximately HK$54,300,000), of which the HK Company was entitled to RMB40,000,000 (equivalent to approximately HK$43,440,000). At that time, none of the RMB50,000,000 (equivalent to approximately HK$54,300,000) registered capital was paid up. In June 2018, the Vendor through the HK Company acquired the remaining 20% equity interests in Land Company, and the HK Company became the sole shareholder of the Land Company. In November 2018, the real estate ownership certificate of the land parcel was issued to the Land Company. Pursuant to its business licence, the Land Company is licensed to be engaged in, among other matters, property development (other than construction of golf course and stand-alone villas), project investment, leasing of self-owned properties and property management. As at the Latest Practicable Date, the registered capital of the Land Company was RMB250,000,000 (equivalent to approximately HK$271,500,000), of which RMB150,000,000 (equivalent to approximately HK$162,900,000) had been paid up. The deadline for payment of such outstanding registered capital falls on 31 December 2023.

The Management Company was established by the HK Company in June 2019 for the purpose of overseeing operation of the Hotel. Since the Hotel has yet been constructed, the Management Company has not been engaged in any operation. As at the Latest Practicable

Date, the registered capital of the Management Company was RMB10,000,000 (equivalent to approximately HK$10,860,000), none of which had been paid up. The deadline for payment of such outstanding registered capital falls on 31 December 2029. Pursuant to its business licence, the Management Company is licensed to be engaged in, among the matters, hotel management and consultancy.

Costs

The original acquisition cost for the equity of the Target Group by the Vendor amounted to approximately RMB50,000,001 (equivalent to approximately HK$54,300,001). Such original acquisition cost had mainly taken into account: (i) the cost of acquiring the equity of the Target Group at the relevant time (being May and June 2018) whereby the land was a bare land and totally undeveloped, and its registered capital was unpaid by the amount of RMB50 million (equivalent to approximately HK$54 million); (ii) the remaining land grant premium payment of RMB213 million (equivalent to approximately HK$231 million) was required to be paid at that time; and (iii) a substantial amount of capital and investment were expected for the development of the land, construction of the Property and the Project.

The Consideration on the other hand has taken into account the appreciation of the market value of the land and the Property during the relevant period, the construction and development cost of the Property and the Project with total development cost of approximately RMB194 million (equivalent to approximately HK$211 million) incurred up to 31 May 2020, and the increase of outstanding loans and other payables after the acquisition of the Target Group by the Vendor. Therefore, the Consideration is substantially different from the original acquisition cost.

As disclosed in the section headed "Consideration" above, the Company and the Vendor have taken into account the Estimated Value of RMB840,000,000 (equivalent to approximately HK$912,240,000) as assessed by a firm of independent valuers when determining the Consideration. Given the Consideration is at a discount of HK$54.3 million or 33% to the adjusted unaudited consolidated net asset value of the Target Group as at 31 May 2020, which have taken into account the Estimated Value and assets and liabilities of the Target Group as at 31 May 2020 as set out in Appendix II to this circular, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable, and in the interests of the Company and its Shareholders.

The Project

As at the Latest Practicable Date, the Land Company was the beneficial owner of the Property, being a land parcel of site area of approximately 48,653.2 sq.m. located in Doumen District, Zhuhai City, Guangdong Province, the PRC, together with any buildings erected thereon. The land parcel is designated for business and finance, wholesale and retail, as well as hotel and catering uses. In particular, the planning permission specified the land parcel is for the mixed use of hotel, business and commerce, of which not less than 60% shall be for hotel development and not more than 40% for commercial and office development.

The Project is divided into three phases and it is intended the Property will be developed into a commercial complex comprising office towers, the Hotel, the Shopping Centre, a basement car park of 1,357 car parking spaces and other ancillary public facilities. The proposed total gross floor area is approximately 197,101.55 sq.m..

Currently, Phase I of the Project is under construction, comprising two blocks of commercial buildings. The total planned gross floor area of Phase I is approximately 51,721.53 sq.m., including approximately 9,050.74 sq.m. of basement area and 107.85 sq.m. of ancillary facilities area. The current plan of Phase I of the Project is solely for sale.

The Land Company has obtained the pre-sale permit for Block 4, one of the two commercial buildings of Phase I, of approximately 14,592 sq.m. in May 2020 and has obtained the pre-sale permit for Block 3, another one of the two commercial buildings of Phase I, of approximately 19,523 sq.m. in July 2020. The pre-sale activities of Block 4 of Phase I had started on 18 July 2020 and it is expected that the pre-sale activities of Block 3 of Phase I will start in the third quarter of 2020. The construction of Phase I shall be completed before the end of June 2022.

Phase II of the Project will consist of the Hotel, being a hotel of 5-star standard, together with the Shopping Centre and an office tower. It is planned the Shopping Centre will be held for leasing and the office tower will be solely for sale.

The Management Agreement has been signed between the Land Company (as property owner) and the Manager, a prestigious hotel management company, in anticipation of the Hotel construction for a term of approximately 16 years commencing from the date of the Hotel opening. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Manager is a third party independent of the Group and its connected persons. Pursuant to the Management Agreement, (i) the Manager shall be the exclusive manager of the Hotel responsible for its day-to-day operation; and (ii) the Land Company shall be responsible for all expenses as a property owner including but not limited to ground rents, real estate taxes, property taxes etc. in relation to the Hotel. Pursuant to the Management Agreement, the Manager shall be entitled to (a) a licence fee calculated at 1.7% of the Hotel's revenue; and (b) a management fee in the range of 5% to 7.25% of the Hotel's gross operating profit. The Land Company shall be entitled to the owner's return calculated by deducting the aforesaid management fee from the Hotel's gross operating profit.

At the end of July 2020, the Lease was also signed by the Land Company in relation to the Shopping Centre for a term of 20 years commencing from its renovation completion, which will be managed by the Lessee. According to the Lessee, it is owned as to (1) 37.5% by the father of the beneficial owner of Quan Feng (being a party to the MOU), and (2) the remaining interest by their relatives. Save for the aforesaid, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessee and its ultimate beneficial owners are third parties independent of the Group and its connected persons. The Guarantor and the beneficial owners of the Lessee have known each other for over 10 years as they are all local property developers based in Zhongshan City, the PRC. They are acquaintances that meet up occasionally on both personal and business fronts. Pursuant to the Lease, the Lessee shall be responsible for leasing, management and operation of the Shopping

Centre. The Lessee is a credible and reputable local property developer with rich experience in shopping centre management and operation. The Lessee is currently managing and operating quite a number of shopping centres in the PRC. As the Target Group does not have a team for shopping centre management and operation, and to leverage on the experience of the Lessee, the Lease was signed to ensure effective and efficient management and operation of the Shopping Centre. The Land Company shall be entitled to a monthly rental income (i) of RMB25 (equivalent to approximately HK$27.15) per sq.m. for the initial 5 years; (ii) of RMB50 (equivalent to approximately HK$54.30) per sq.m. for the following three years; and (iii) thereafter calculated with 7% increment every three years from the previous prevailing rent.

Phase III of the Project will consist of one block of commercial building and it is planned solely for sale.

Phases II and III of the Project are currently at the planning stage and in the process of obtaining construction work planning permits. It is expected that the construction permits for Phase II and Phase III will be obtained in the fourth quarter of 2020. It is expected that the proposed construction of Phases II and III will be completed by the end of 2022.

The total acquisition and development cost already expended on the Property as at 31 May 2020 was approximately RMB620 million (equivalent to approximately HK$673 million) and the estimated cost to complete the Project would be approximately RMB1,240 million (equivalent to approximately HK$1,347 million). Following the Completion, the remaining development cost of the Property will be financed by the proceeds from the pre-sale and sale activities of Phase I, internal resources of the Group and/or external financing.

Financial Information

Set out below is a summary of the audited consolidated financial information of the Target Group from the Target Company's incorporation on 8 December 2017 to 31 December 2018, for the year ended 31 December 2019, and for the five months ended 31 May 2020 as extracted from Appendix II to this circular, which was prepared in accordance with the Hong Kong Financial Reporting Standards:

	From 8 December 2017 to 31 December 2018	**For the year ended 31 December 2019**	**For the five months ended 31 May 2020**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation	23,572	37,003	18,075
Loss after taxation	23,572	37,003	18,075

The Target Group was loss making for the period commencing from 7 December 2017 and ended on 31 December 2018, for the year ended 31 December 2019 and for the five months ended 31 May 2020. The Target Group did not record any revenue as the Project was under development and such loss, among other things, was mainly attributable to the finance costs of certain loans and borrowings taken to finance the Project and the exchange loss arisen from the foreign currency translation of a borrowing denominated in Hong Kong dollar, the currency other than the functional currency of the Target Group's respective group entities. The increase in loss for the year ended 31 December 2019 was due to an increase in finance cost of approximately HK$17.0 million from approximately HK$12.0 million for the period commencing from 7 December 2017 and ended on 31 December 2018 to approximately HK$29.0 million for the year ended 31 December 2019.

The audited consolidated net liabilities of the Target Group as at 31 December 2018, 31 December 2019 and 31 May 2020 amounted to approximately HK$23,182,000, HK$59,682,000 and HK$76,227,000 respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Government's development plan in 珠海西部生態新區 (The New Ecological District of Western Zhuhai*) that brings potential synergy effects on the Project

The Property is located in Doumen District, Zhuhai City, Great Bay Area, being one of the core districts of the 珠海西部生態新區 (The New Ecological District of Western Zhuhai*). According to the《珠海市西部生態新城起步區五年建設計劃 (2017–2021年)》 (The 5-Year Plan (2017–2021) of the Starting Zone of The New Ecological District of Western Zhuhai*) issued by the municipal government of Zhuhai City, the western area of Zhuhai City will be developed into a new urban area by the end of 2021 with excellent environment, convenient amenities, comprehensive industrial facilities and prominent urban features, which involves the development and construction of a number of new schools, hospitals, hotels, eco-parks, highways, bridges crossing cities, etc. and will be integrated with the overall development of the Greater Bay Area. The Property will be developed into a modern commercial centre and will form an important part of the 珠海西部生態新區 (The New Ecological District of Western Zhuhai*). The Land Company plans to develop the land parcel into commercial properties and retail shops for sale, the Shopping Centre with gross floor area of approximately 60,000 sq.m. for leasing and the Hotel. With favourable government policy and unique location and positive economic prospect of the land parcel, the Acquisition will broaden the Group's income stream, strengthen the Group's profitability and enhance its competitiveness.

Foreseeable positive contribution from pre-sale and sale activities to revenue

As mentioned in the section headed "Information on the Target Group" above, the Land Company has obtained the pre-sale permits for Block 3 and Block 4 of Phase I of approximately 19,523 sq.m. and 14,592 sq.m respectively. Construction of Phases II and III is expected to be completed by the end of 2022. The Acquisition will therefore provide the Group with new growth drivers for its revenue with foreseeable positive contribution from pre-sale and sale activities of the Land Company in the coming years.

Accordingly, the Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

* *For identification only*

The Project in 2018

The Company is an investment holding company. The Group is principally engaged in property development and hotel business in the PRC.

As set out in the Company's annual report for the year ended 31 December 2016, the Group reported a loss for the year ended 31 December 2016 of approximately HK$400,400,000 (2015: loss of approximately HK$52,800,000). Segmentally, (i) the Group's property development segment recorded loss of approximately HK$3,200,000, compared to the loss of approximately HK$7,100,000 for the year ended 31 December 2015; (ii) the hotel business segment recorded loss of approximately HK$365,900,000, compared to a loss of approximately HK$500,000 for the year ended 31 December 2015.

It was against the above background, with the intention to broaden the income stream of the Group and its asset base with potential capital appreciation that the Group had in mid-August 2017 first tapped into the Hengqin Project by entering into a subscription agreement to subscribe for 50% interest (on a fully diluted basis) of Rich Source (which holds 70% interest of the Hengqin Project) with the aggregate injection of HK$175,000,000 by the Group (the "**First Hengqin Transaction**"). The Hengqin Project was intended to be developed into research and development complexes, as well as commercial properties for sale and/or leasing. Details of the First Hengqin Transaction was set out in the Company's announcement dated 11 August 2017. Rich Source then became a jointly-controlled entity (but not a subsidiary) of the Group.

As set out in the Company's interim report for the six months ended 30 June 2017 and published in mid-September 2017, segmentally the Group's property development segment showed an improving trend recording almost tripled revenue from the previous period, while its hotel business segment recorded substantial decrease in revenue with substantial increased segmental loss from the previous period. As set out in the same interim report, the Group noted the then demand for residential and commercial properties in the PRC presented stable trends. The Group was therefore actively searching for property development projects in the PRC along with exploring other investment opportunities. The then Directors were optimistic about the prosperity of the property market in the PRC, and would continue to focus on property development as its core business.

The Group therefore re-assessed its strategy and considered it best to further increase its stake in the Hengqin Project in order to obtain control over this project and capture more of its economic benefits. Accordingly, at the end of October 2017, the Group signed a sale and purchase agreement to increase its stake in the Hengqin Project by acquiring the remaining 50% interest in Rich Source, whereupon the latter would become the Group's wholly-owned subsidiary, and the Group would have indirect interest in 70% of the Hengqin Project (the "**Second Hengqin Transaction**"). The consideration for the Second Hengqin Transaction was HK$175,000,000 (subject to adjustment), of which only HK$15,000,000 was paid in cash by the Group, while the remaining HK$160,000,000 was paid by the Group issuing a non-convertible note to the vendor. Details of the Second Hengqin Transaction are set out in the Company's circular dated 22 December 2017. Rich Source became a wholly-owned subsidiary of the Group at the end of January 2018.

* *For identification only*

As set out in the section headed ''Information on the Target Group'' above, the Vendor via the HK Company first subscribed for 80% (on a fully diluted basis) of the registered capital of the Land Company in May 2018, and became the sole shareholder of the Land Company in June 2018. The management of the Group at that time did explore the possibility of acquiring the Property by the Group. However, after considering:

(i) completion of the Second Hengqin Transaction which took place only a few months before, where the Group needed to pay substantial part of the consideration by deferring the same under a non-convertible note, the Group indeed had limited funds and resources to acquire another development project of substantial size:

  (a) site area of the land parcel comprising the Property amounted to 48,653.2 sq.m. (site area of the land parcel in the Hengqin Project had already reached 60,339.83 sq.m.);

  (b) as evidenced from the section headed ''Information on the Target Group'' above, in order to carry out the Project, the Group would have needed to seek funds at the outset in excess of approximately RMB400,000,000 (equivalent to approximately HK$434,400,000) to (1) pay up the outstanding registered capital of the Land Company of RMB50,000,000 (equivalent to approximately HK$54,300,000); (2) acquire or repay the then existing loan incurred by the Land Company for payment of the first instalment of the land grant premium of RMB213,000,000 (equivalent to approximately HK$231,318,000); and (3) fulfill the imminent payment of the second instalment of the land grant premium of RMB213,000,000 (equivalent to approximately HK$231,318,000) in approximately two months' time in July 2018;

(ii) the audited consolidated cash and cash equivalent of the Group as at 31 December 2017 (being the date on which the most recent audited consolidated financial statements of the Group had been made up prior to May 2018) amounted to approximately HK$70,418,000 only;

(iii) at that time, the Group was fully immersed in the development of the Hengqin Project,

the then management of the Group considered it would not be in the interest of the Group and the Shareholders to pursue the Project. The annual reports of the Company also recorded the Guarantor's competing interest in the Vendor in compliance with the Listing Rules. The Directors are accordingly satisfied that the fiduciary duties to avoid actual and potential conflict of interests have been achieved. The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Group and the Shareholders as a whole, and will avoid any potential conflict of interests. The Board comprises three independent non-executive Directors, all of whom are audit committee members of the Company. Hence, the interest of the Independent Shareholders can be adequately represented.

As at the Latest Practicable Date, the Hengqin Project had a total gross floor area of approximately 145,100 sq.m, whereupon pre-sale had started in the middle of November 2019. Apart from the Hengqin Project, the Group also developed a residential project in Pidu District in Chengdu. The Chengdu project has a total gross floor area of approximately 120,500 sq.m. whereupon pre-sale had started in early December 2019.

In June 2020, after the launch of the above two property projects by the Group in the fourth quarter of 2019 thus bringing in new sources of funds to the Group, and having reviewed the current maturity and potential of the Project as set out above, in particular, the fact that almost all of Phase I had gone into or would go into pre-sale activities before the end of third quarter of 2020, the Board was of the view that it was mature and appropriate timing for the Acquisition.

THE MOU

After the announcement of the Acquisition in June 2020, the Group accepted the approach of Quan Feng which showed interest in acquiring the Group's interest in the Hengqin Project by entering into the MOU on 16 July 2020, pursuant to which earnest money in the amount of HK$250,000,000 was paid to the Company. The Guarantor and the beneficial owner of Quan Feng have known each other for over 10 years as they are all local property developers based in Zhongshan City, the PRC. They are acquaintances that meet up occasionally on both personal and business fronts. After having heard of the Hengqin Project from the Guarantor, the beneficial owner of Quan Feng was interested in taking up the project. He approached the Guarantor and offered an upfront earnest money of HK$250 million to show his keen interest. The MOU was thus signed.

The Directors considered the following factors before entering into the Sale and Purchase Agreement in relation to the Acquisition and subsequently the MOU in relation to the possible disposal of the Hengqin Project:

The Acquisition

(i) although both projects will consist of commercial properties, the two projects will have different themes and features. Approximately 60% of the total planned gross floor area of the Property will be developed into the Hotel, being a 5-star hotel and the Shopping Centre while approximately 50% of the total planned gross floor area of the Hengqin Project will be developed into research and development complexes;

(ii) the Project is located near to residential areas and regional offices of various government departments, e.g. Tax Bureau of Doumen District (斗門區稅務局), Finance Bureau of Doumen District (斗門區財政局) and People's Procuratorate of Doumen District (斗門區人民檢察院). The Hotel will be the first operational 5-star rated hotel in Doumen District, and the Shopping Centre will attract the residents living and officers working nearby. Also, the Land Company has entered into the Management Agreement for management of the Hotel for a term of approximately 16 years commencing from the date of its opening. The Company believes that the Project will provide a stable source of income to the Company after completion of the Project;

The Hengqin Project

(iii) while, for the Hengqin Project, the research and development complexes will be developed for leasing and as venues for exhibitions, conventions and special events. Initially, the Group was riding on the fact that Hengqin had been named an important development area for the Greater Bay Area to capitalise on the rapid growth of commercial activities there such as holding of conventions and exhibitions. The pre-sale activities commenced late last year received satisfactory result, and accordingly the Group is still pursuing the same with no intention to halt it. Construction of the project itself is also still ongoing. However, given the outbreak of COVID-19 which has persisted for more than half a year, and the recent economic downturn in the PRC, there has been a substantial decrease in commercial activities in the area. In particular, since many countries are experiencing second or third waves of the COVID-19 pandemic with global economic downturn, and there being no certainty as to when the pandemic will end, it is reasonable to expect that fewer needs and less demand for facilities and premises of research and development venues would be encountered;

(iv) the approach by Quan Feng at this time presented an opportunity for the Group to re-evaluate its position in the Hengqin Project. This might present a chance for early realisation of future profits and cash inflow of the Hengqin Project;

(v) it was against such circumstances that the Company signed the MOU with Quan Feng to allow the latter to perform due diligence works and start preliminary discussions.

Details of the MOU are set out in the Company's announcement dated 16 July 2020. As at the Latest Practicable Date, the Company was still assessing the potential of such proposed disposal and no concrete terms had been agreed between the parties. The Company will consider each of the factors carefully, including the consideration, the financial prospect of the opportunity compared to that of the Group's original development plan, the risks, and ensure that the outcome is in the best interests of the Shareholders. For further information, please also refer to the section headed "4. Financial and trading prospects of the Enlarged Group" in Appendix I to this circular.

FINANCIAL IMPACTS OF THE ACQUISITION

Upon Completion, the Target Company, the HK Company, the Land Company and the Management Company will become wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

According to the accountants' report of the Target Group as set out in Appendix II to this circular, the Target Group recorded a net loss of HK$18.1 million for the five months ended 31 May 2020. While the Acquisition would not have any material impact on the earnings of the Group immediately upon Completion, in light of, among others, the positive prospect of the land parcel in Doumen District, Zhuhai City and the foreseeable positive contribution from pre-sale and sale activities to revenue as mentioned in the section above headed "Reasons for and benefits of the Acquisition", it is expected that earnings of the Group will be enhanced in the long run after Completion.

According to the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix IV to this circular, assuming Completion had taken place on 31 December 2019, the total assets of the Enlarged Group as at 31 December 2019 would have increased by approximately 55.1% from approximately HK$1,776.1 million to approximately HK$2,755.6 million, and the total liabilities of the Enlarged Group as at 31 December 2019 would have increased by approximately 71.0% from approximately HK$1,381.7 million to approximately HK$2,362.8 million.

Further details of the financial impacts of the Acquisition are set out in Appendix IV to this circular.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition is above 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, subject to reporting, announcement and the Shareholders' approval requirements.

As at the Latest Practicable Date, the Guarantor (in both his personal capacity and through All Great, a company indirectly wholly-owned by him) was interested in an aggregate of 2,967,547,152 Shares, representing approximately 42.72% of the issued share capital of the Company. The Vendor is a company wholly-owned by the Guarantor. Accordingly, the Vendor is a connected person of the Company and the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, subject to the reporting, announcement and the Independent Shareholders' approval requirements. The Guarantor did not attend the Board meeting approving the Sale and Purchase Agreement and the transactions contemplated thereunder, and accordingly he had not been counted as quorum nor had he voted at the relevant Board resolutions. The Guarantor, the Vendor and their respective associates shall abstain from voting at the EGM on the resolution(s) to be proposed in relation to the Acquisition. As at the Latest Practicable Date, to the best knowledge of the Directors, save for the aforesaid, there was no other Shareholder who had a material interest in the Acquisition and was required to obtain from voting at the EGM.

The transactions contemplated under the Guarantor Loan Agreement and the Zhongshan Loan Agreement are fully exempt continuing connected transactions pursuant to Rule 14A.90 of the Listing Rules.

EGM

A notice convening the EGM to be held at 7/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 11:00 a.m. on Friday, 11 September 2020 is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the office of the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the EGM or any adjourned meeting should you so wish.

For the purpose of ascertaining and determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 8 September 2020 to Friday, 11 September 2020, both days inclusive, during which period no transfer of Shares in the Company will be effected. In order to qualify for the right to attend and vote at the EGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 7 September 2020 for registration of transfer.

An announcement will be made by the Company after the EGM regarding the results of the EGM pursuant to the requirements of the Listing Rules.

RECOMMENDATION

The Independent Financial Adviser has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Acquisition. The Independent Board Committee, comprising all the independent non-executive Directors, has been established by the Company to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 25 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 26 to 50 of this circular in connection with the Acquisition.

The Directors (including the independent non-executive Directors whose view is expressed in the letter from the Independent Board Committee set out on page 25 of this circular) consider the Acquisition is on normal commercial terms and in the ordinary course of business of the Company, the terms of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Promissory Note).

GENERAL

Your attention is also drawn to additional information as set out in the appendices to this circular.

As Completion is subject to the fulfilment of the conditions precedent to the Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise cautions when dealing in the shares or any securities of the Company.

By order of the Board
TFG International Group Limited
YANG Lijun
Chairman

TFG INTERNATIONAL GROUP LIMITED
富元國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

14 August 2020

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to the circular dated 14 August 2020 (the "**Circular**") of TFG International Group Limited (the "**Company**") of which this letter forms part. Terms used in this letter shall have the meanings as defined in the Circular unless the context requires otherwise.

We, being the independent non-executive Directors, have been appointed to form the Independent Board Committee to advise you as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Sale and Purchase Agreement.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 24 of the Circular and the letter from the Independent Financial Adviser as set out on pages 26 to 50 of the Circular which contain, among other things, their advice, recommendations to us regarding the terms of the Sale and Purchase Agreement and the principal factors and reasons taken into consideration for their advice and recommendations.

RECOMMENDATION

Having taken into account the advice and recommendations of Merdeka Corporate Finance Limited and the principal factors and reasons taken into consideration by them in arriving at their opinion, we consider that the Acquisition is in the ordinary course of business of the Company, the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

Ms. Chan Hoi Ling **Ms. So Wai Lam** **Mr. Sung Yat Chun**

Independent Board Committee

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

MERDEKA 領智

Room 1108, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

14 August 2020

To: *The Independent Board Committee and the Independent Shareholders of*
TFG International Group Limited

Dear Sirs/Madams,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Promissory Note). Details of the Acquisition are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company to the Shareholders dated 14 August 2020 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 29 June 2020 in relation to the Acquisition.

On 29 June 2020 (after trading hours of the Stock Exchange), the Company entered into the Sale and Purchase Agreement with the Vendor (a company wholly-owned by the Guarantor) and the Guarantor (being the controlling Shareholder, an executive Director and the chairman of the Company) in relation to the Acquisition. Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to procure sale of the Sale Shares (representing the entire issued share capital of the Target Company) at the Consideration of HK$108,600,000. The Consideration shall be satisfied by issue of the Promissory Note by the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Acquisition exceed 25% but are all less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Further, as at the Latest Practicable Date, the Vendor was wholly-owned by the Guarantor and the Guarantor (in both his personal capacity and through All Great, a company indirectly wholly-owned by him) was interested in an aggregate of 2,967,547,152 Shares, representing approximately 42.72% of the issued share capital of the Company. Accordingly the Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules and, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements. The Guarantor did not attend the Board meeting approving the Sale and Purchase Agreement and the transactions contemplated thereunder, and accordingly he had not been counted as quorum nor had he voted at the relevant Board resolutions. The Guarantor, the Vendor and their respective associates shall abstain from voting at the EGM on the resolution(s) to be proposed in relation to the Acquisition.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Acquisition, there were no engagements between the Group or the Shareholders and Merdeka Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that the aforementioned appointment would not affect our independence, and that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Company; and (iv) our review of the relevant public information. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company and its advisers, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

Due to the outbreak of the COVID-19 pandemic and the quarantine regulations and measures currently enforced in Hong Kong and the PRC, we are unable to conduct onsite inspection of the Property. Alternately, we have (i) conducted relevant enquiries and searches of the Property; (ii) interviewed with the management of the Target Company; and (iii) obtained further information, including a video showing the project site of the Property and the environment of the area around the project site filmed on 18 June 2020, provided by the Company as we consider necessary for the purpose in formulating our opinions and recommendations.

Our opinion is based on the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Sale and Purchase Agreement and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of whether the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Promissory Note) are in the interests of the Company and the Shareholders as a whole and fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below.

1. Information on the Group

1.1 Background of the Group

The Company is an investment holding company. The Group is principally engaged in property development and hotel business in the PRC.

1.2 Financial Information of the Group

The information below sets out the summary financial information of the Group as extracted from the Company's annual reports for the years ended 31 December 2019 (the "**AR 2019**") and 31 December 2018 (the "**AR 2018**"):

Consolidated statement of profit or loss

	For the financial year ended 31 December	
	2018	**2019**
	(HK$'000)	*(HK$'000)*
	(audited)	(audited)
Revenue	18,086	34,466
Gross profit	13,030	23,360
Loss for the year attributable to:		
Owners of the Company	(122,400)	(202,376)
Non-controlling interests	(13,780)	(18,963)
Loss for the year	(136,180)	(221,339)

As illustrated above, the Group's revenue increased from approximately HK$18.09 million for the year ended 31 December 2018 (the "**FY2018**") to approximately HK$34.47 million for the year ended 31 December 2019 (the "**FY2019**"), representing an increase of approximately 90.57%. We noted that such increase in revenue was mainly attributable to the sales of properties held for sale of approximately HK$11.05 million and an increase in revenue from property agency income.

The Group recorded a loss attributable to owners of the Company for the FY2019 in the amount of approximately HK$202.38 million as compared to the loss attributable to owners of the Company for the FY2018 in an amount of approximately HK$122.40 million. Such loss, among other things, was mainly attributable to the increase in (i) impairment of trade receivables of licensing income, the collectability of which was doubtful, (ii) impairment of property, plant and equipment and licensing rights, (iii) selling expenses for promotional and marketing activities of the Group's new property development projects and (iv) finance costs of certain loans and borrowings taken to finance new property development projects and the decline in property revaluation on investment properties.

Consolidated statement of financial position

	As at 31 December	
	2018	**2019**
	(HK$'000)	*(HK$'000)*
	(audited)	(audited)
Total Assets	1,521,264	1,776,056
Total Liabilities	895,550	1,381,738
Net Assets	625,714	394,318

The Group's total assets and total liabilities as at 31 December 2019 amounted to approximately HK$1,776.06 million (2018: approximately HK$1,521.26 million) and approximately HK$1,381.74 million (2018: approximately HK$895.55 million), respectively. This represented an increase as at 31 December 2019 since 31 December 2018 in total assets of approximately HK$254.79 million, primarily attributable to the increase of properties held for sale under development. The increase in total liabilities of approximately HK$486.19 million as at 31 December 2019 since 31 December 2018 was predominately by the increase of (i) current trade payables, other payables and accruals; and (ii) current loans and borrowings due within one year.

2. Information on the Target Group

2.1 Background of the Target Group

Shareholding Structure

The Target Company was incorporated in the BVI and the HK Company was incorporated in Hong Kong, both in December 2017, and have been indirectly wholly-owned by the Vendor since their inception.

The Land Company was established by Zhongshan Company in January 2018 with the registered capital of RMB10,000,000 (equivalent to approximately HK$10,860,000). Pursuant to the 國有建設用地使用權出讓合同(變更合同) (Amendment Contract to Contract for Grant of State-owned Construction Land Use

Rights*) (Contract No.: 440401-2018-000001) dated 24 January 2018 signed with 珠海市國土資源局 (Zhuhai Municipal State-owned Land Resources Bureau*), the Land Company agreed to acquire the land parcel comprising the Property at a consideration of RMB426,000,000 (equivalent to approximately HK$462,636,000), which was payable in two instalments in February 2018 and July 2018, respectively. In May 2018, the Vendor through the HK Company subscribed for 80% (on a fully diluted basis) of the then registered capital of the Land Company, such that the latter's registered capital was increased from RMB10,000,000 (equivalent to approximately HK$10,860,000) to RMB50,000,000 (equivalent to approximately HK$54,300,000), of which the HK Company was entitled to RMB40,000,000 (equivalent to approximately HK$43,440,000). At that time, none of the RMB50,000,000 (equivalent to approximately HK$54,300,000) registered capital was paid up. In June 2018, the Vendor through the HK Company acquired the remaining 20% equity interests in the Land Company and the HK Company and became the sole shareholder of the Land Company. In November 2018, the real estate ownership certificate of the land parcel was issued to the Land Company. Pursuant to its business licence, the Land Company is licensed to be engaged in, among other matters, property development (other than construction of golf course and stand-alone villas), project investment, leasing of self-owned properties and property management. As at the Latest Practicable Date, the registered capital of the Land Company was RMB250,000,000 (equivalent to approximately HK$271,500,000), of which RMB150,000,000 (equivalent to approximately HK$162,900,000) had been paid up. The deadline for payment of such outstanding registered capital falls on 31 December 2023.

The Management Company was established by the HK Company in June 2019 for the purpose of overseeing operation of the Hotel. Since the Hotel has yet been constructed, the Management Company has not been engaged in any operation. As at the Latest Practicable Date, the registered capital of the Management Company was RMB10,000,000 (equivalent to approximately HK$10,860,000), none of which had been paid up. The deadline for payment of such outstanding registered capital falls on 31 December 2029. Pursuant to its business licence, the Management Company is licensed to be engaged in, among the matters, hotel management and consultancy.

Cost

The original acquisition cost for the equity of the Target Group by the Vendor amounted to approximately RMB50,000,001 (equivalent to approximately HK$54,300,001), was mainly (i) the cost of acquiring the equity of the Target Group at the relevant time (being May and June 2018) whereby the land was a bare land and totally undeveloped, and its registered capital was unpaid by the amount of RMB50 million (equivalent to approximately HK$54 million); (ii) the remaining land grant premium payment of RMB213 million (equivalent to approximately HK$231 million) was required to be paid at that time; and (iii) a substantial amount of capital and investment were expected for the development of the land, construction of the

* *For identification only*

Property and the Project. The reason of the Consideration being substantially higher than the original acquisition cost is mainly due to the appreciation of the market value of the land and the development of the Property.

The Project

As at the Latest Practicable Date, the Land Company was the beneficial owner of the Property, being a land parcel of site area of approximately 48,653.2 sq.m. located in Doumen District, Zhuhai City, Guangdong Province, the PRC, together with any buildings erected thereon. The land parcel is designated for business and finance, wholesale and retail, as well as hotel and catering uses. In particular, the planning permission specified the land parcel is for the mixed use of hotel, business and commerce, of which not less than 60% shall be for hotel development and not more than 40% for commercial and office development.

The Project is divided into three phases and it is intended that the Property will be developed into a commercial complex comprising office towers, the Hotel, the Shopping Centre, a basement car park of 1,357 car parking spaces and other ancillary public facilities. The proposed total gross floor area is approximately 197,101.55 sq.m..

Currently, Phase I of the Project is under construction, comprising two blocks of commercial buildings. The total planned gross floor area of Phase I is approximately 51,721.53 sq.m., including approximately 9,050.74 sq.m. of basement area and 107.85 sq.m. of ancillary facilities area. The current plan of Phase I of the Project is solely for sale.

The Land Company has obtained the pre-sale permit for Block 4, one of the two commercial buildings of Phase I, of approximately 14,592 sq.m. in May 2020 and the pre-sale permit for Block 3, another one of the two commercial buildings of Phase I, of approximately 19,523 sq.m. in July 2020. The pre-sale activities of Block 4 of Phase I had started on 18 July 2020 and it is expected that the pre-sale activities of Block 3 of Phase I will start in the third quarter of 2020. The construction of Phase I shall be completed before the end of June 2022. Phase II of the Project will consist of the Hotel, being a hotel of 5-star standard, together with the Shopping Centre and an office tower. It is planned the Shopping Centre will be held for leasing and the office tower will be solely for sale.

The Management Agreement has been signed between the Land Company (as property owner) and the Manager, a prestigious hotel management company and a third party independent of the Group and its connected persons, in anticipation of the Hotel construction for a term of approximately 16 years commencing from the date of the Hotel opening. Pursuant to the Management Agreement, (i) the Manager shall be the exclusive manager of the Hotel responsible for its day-to-day operation; and (ii) the Land Company shall be responsible for all expenses as a property owner including but not limited to ground rents, real estate taxes, property taxes etc. in relation to the Hotel. Pursuant to the Management Agreement, the Manager shall be entitled to (a) a licence fee calculated at 1.7% of the Hotel's revenue; and (b) a management fee in the range of 5% to 7.25% of the Hotel's gross operating profit. The Land Company shall be entitled to the owner's return calculated by deducting the aforesaid management fee from the Hotel's gross operating profit.

At the end of July 2020, the Lease was also signed by the Land Company in relation to the Shopping Centre for a term of 20 years commencing from its renovation completion, which will be managed by the Lessee. As set out in the Board Letter, the Lessee is owned as to (1) 37.5% by the father of the beneficial owner of Quan Feng (being a party to the MOU); and (2) the remaining interest by their relatives. The Lessee and its ultimate beneficial owners are third parties independent of the Group and its connected persons and the Guarantor and the beneficial owners of the Lessee have known each other for over 10 years as they are all local property developers based in Zhongshan City, the PRC. They are acquaintances that meet up occasionally on both personal and business fronts. Pursuant to the Lease, the Lessee shall be responsible for leasing, management and operation of the Shopping Centre. The Land Company shall be entitled to a monthly rental income (i) of RMB25 (equivalent to approximately HK$27.15) per sq.m. for the initial 5 years; (ii) of RMB50 (equivalent to approximately HK$54.30) per sq.m. for the following three years; and (iii) thereafter calculated with 7% increment every three years from the previous prevailing rent.

Phase III of the Project will consist of one block of commercial building and is planned solely for sale. Phases II and III of the Project are currently at the planning stage and in the process of obtaining relevant construction work planning permits. It is expected that the construction permits for Phase II and Phase III will be obtained by the fourth quarter of 2020. It is expected that the proposed construction of Phases II and III will be completed by the end of 2022.

2.2 Financial information of the Target Group

Set out below is a summary of the audited consolidated financial information of the Target Group from the Target Company's date of incorporation on 8 December 2017 to 31 December 2018, for the year ended 31 December 2019, and for the five months ended 31 May 2020 as extracted from Appendix II to the Circular, which was prepared in accordance with the Hong Kong Financial Reporting Standards:

	From 8 December 2017 to 31 December 2018	**For the year ended 31 December 2019**	**For the five months ended 31 May 2020**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation	23,572	37,003	18,075
Loss after taxation	23,572	37,003	18,075

The Target Group was loss making for the period commencing from 7 December 2017 and ended on 31 December 2018, for the year ended 31 December 2019 and for the five months ended 31 May 2020. The Target Group did not record any revenue as the Project was under development and the commencement of the sale has not yet started during the above-mentioned financial periods. Such loss, among other things, was mainly attributable to the finance costs of certain loans and borrowings taken to finance the Project and the exchange loss arisen from the foreign currency translation of a borrowing denominated in Hong Kong dollar, the currency other than the functional currency of the Target Group's respective group entities, which lead to the net liabilities position of the Target Company.

The increase in loss for the year ended 31 December 2019 was due to the increase in finance cost of approximately HK$17.0 million from approximately HK$12.0 million for the period commencing from 7 December 2017 and ended on 31 December 2018 to approximately HK$29.0 million for the year ended 31 December 2019. The audited consolidated net liabilities of the Target Group as at 31 December 2018, 31 December 2019 and 31 May 2020 amounted to approximately HK$23,182,000, HK$59,682,000 and HK$76,227,000 respectively.

3. Reasons for and benefits of the Acquisition

3.1 The Group's Property Development Business

The Company is an investment holding company. The Group is principally engaged in property development and hotel business in the PRC.

As at the Latest Practicable Date, the Group was undertaking two property development projects in Chengdu and Zhuhai, the PRC, respectively. The Chengdu project is located in Pidu District, with total gross floor area of approximately 120,500 sq.m., for residential use and the pre-sale had started in early December 2019. The Zhuhai project is located in Hengqin, with total gross floor area of approximately 145,100 sq.m., for research, development and commercial uses and the pre-sale had started in the middle of November 2019. The Group also operates a hotel in Maoming, the PRC. As extracted from the AR 2019, as at 31 December 2019, approximately 12.6% and 6.7% of the Group's property development project in Zhuhai and Chengdu, respectively, were sold. The remaining units of these two projects would be put to the market in the year of 2020.

As set out in the section headed ''Information on the Target Group'' above, the Vendor via the HK Company first subscribed for 80% (on a fully diluted basis) of the registered capital of the Land Company in May 2018, and became the sole shareholder of the Land Company in June 2018. As disclosed in the Board Letter, the management of the Group at that time did explore the possibility of acquiring the Property by the Group. However, after considering:

(i) completion of the Second Hengqin Transaction which took place only a few months before, where the Group needed to pay substantial part of the consideration by deferring the same under a non-convertible note, the Group indeed had limited funds and resources to acquire another development project of substantial size:

(a) site area of the land parcel comprising the Property amounted to 48,653.2 sq.m. (site area of the land parcel in the Hengqin Project had already reached 60,339.83 sq. m.);

(b) as evidenced from the section headed "Information the Target Group" above, in order to carry out the Project, the Group would have needed to seek funds at the outset in excess of approximately RMB400,000,000 (equivalent to approximately HK$434,400,000) to, among others, (1) acquire or repay the then existing loan incurred by the Land Company for payment of the first instalment of the land grant premium of RMB213,000,000 (equivalent to approximately HK$231,318,000); and (2) fulfill the imminent payment of the second instalment of the land grant premium of RMB213,000,000 (equivalent to approximately HK$231,318,000) in approximately two month's time in July 2018;

(ii) the audited consolidated cash and cash equivalent of the Group as at 31 December 2017 (being the date on which the most recent audited consolidated financial statements of the Group had been made up prior to May 2018) amounted to approximately HK$70,418,000 only; and

(iii) at that time, the Group was fully immersed in the development of the Hengqin Project,

the then management of the Group considered it would not be in the interests of the Group and the Shareholders to pursue the Project. The annual reports of the Company also recorded the Guarantor's competing interest in the Vendor in compliance with the Listing Rules.

As disclosed above, the Vendor only acquired the Land Company subsequent to the completion of the Second Hengqin Transaction. The Company did not pursue the acquisition of the Property previously as it would have put significant strain on the Group's then financial position and the Property was completely bare and undeveloped at the time. As at the Latest Practicable Date, the Group's existing Hengqin Project and Chengdu project have already begun pre-sales and are generating revenue for the Company and pre-sale of certain portions of the Property have already begun. As such the Group is in an adequate financial position to acquire the Property which can begin generating revenue for the Group upon Completion. The Directors are satisfied with the performance of the Hengqin Project and the Chengdu project and as the Property is of similar design and location, the Directors see the Property as a strong addition to the Group's property development portfolio. The Group's experience with the development and pre-sale of the Hengqin Project will streamline the process of completing the development and sales of the Property.

Moreover, we had reviewed the disclosure of the Guarantor's interests in competing business in the Vendor as its controlling shareholder, director, and directors of certain subsidiaries in the AR 2018 and the AR 2019, which are in compliance with the Listing Rules and as set out in the Board Letter, the Guarantor did not attend the Board meeting approving the Sale and Purchase Agreement and the transactions contemplated thereunder, and accordingly he had not been counted as quorum nor had he voted at the relevant Board resolutions and the Guarantor, the Vendor and their respective associates shall abstain from voting at the EGM on the resolution(s) to be proposed in relation to the Acquisition.

Having considered that (i) the reasons for the Land Company first acquired the Property and then the Company acquired the Property through the Acquisition; (ii) the then cash position of the Group as at 31 December 2017; (iii) the Project is in line with the principal business of the Group; (iv) the disclosure of the Guarantor's competing interest in the Vendor in the AR 2018 and the AR 2019; and (v) the Guarantor did not attend the Board meeting approving the Sale and Purchase Agreement and the transactions contemplated thereunder, and accordingly he had not been counted as quorum nor had he voted at the relevant Board resolutions, we are of the view that the Directors had satisfied their fiduciary duties to avoid actual and potential conflicts of interest and duty in view of the proximity and similarity of the Project to the property development projects of the Company.

As disclosed in the Board Letter, subsequent to the announcement of the Acquisition in June 2020, the Group was approached by Quan Feng, an independent third party, who was interested in acquiring the Group's interest in the Hengqin Project. As such the Group entered into the MOU on 16 July 2020, pursuant to which earnest money in the amount of HK$250,000,000 was paid to the Company. Besides, the Guarantor and the beneficial owner of Quan Feng have known each other for over 10 years as they are all local property developers based in Zhongshan City, the PRC. They are acquaintances that meet up occasionally on both personal and business fronts. After having heard of the Hengqin Project from the Guarantor, the beneficial owner of Quan Feng was interested in taking up the project. He approached the Guarantor and offered an upfront earnest money of HK$250 million to show his keen interest. The MOU was thus signed.

The Directors considered (i) the difference in themes and features of the Project and the Hengqin Project; (ii) the substantial decrease in commercial activities due to the outbreak of the COVID-19 pandemic in Hengqin area; and (iii) the chance for early realisation of future profits and cash inflow of the Hengqin Project, before entering into the Sale and Purchase Agreement in relation to the Acquisition and subsequently the MOU in relation to the possible disposal of the Hengqin Project. For further information, please also refer to the section headed "THE MOU" in the Board Letter and "4.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP" in Appendix I to the Circular. Details of the MOU are set out in the Company's announcement dated 16 July 2020.

The MOU is merely for the purposes of an exclusivity period for the Company to negotiate with the potential purchaser in good faith. As at the Latest Practicable Date, the Company was still assessing the potential of such proposed disposal and no concrete terms have been agreed to between the parties and the Company will consider each of the factors carefully, including the consideration, the financial prospect of the opportunity compared to that of the Group's original development plan, the risks, and ensure that the outcome is in the best interests of the Shareholders.

We further noted from the AR 2019 that the Group expected to accelerate the sales of the Hengqin Project in 2020, disclosing the Group's intentions to timely complete the sales and realise the profit of the Hengqin Project in order to explore new business opportunities to maximise benefits for the Shareholders.

3.2 Property Development in Zhuhai

The Property is located in Doumen District, Zhuhai City, Greater Bay Area, being one of the core districts of the 珠海西部生態新區 (The New Ecological District of Western Zhuhai*). According to the《珠海市西部生態新城起步區五年建設計劃(2017-2021年)》(The 5-Year Plan (2017-2021) of the Starting Zone of The New Ecological District of Western Zhuhai*) issued by the municipal government of Zhuhai City, the western area of Zhuhai City will be developed into a new urban area by the end of 2021 with excellent environment, convenient amenities, comprehensive industrial facilities and prominent urban features, which involves the development and construction of a number of new schools, hospitals, hotels, eco-parks, highways, bridges crossing cities, etc. and will be integrated with the overall development of the Greater Bay Area.

The Property will be developed into a modern commercial centre and will form an important part of the 珠海西部生態新區 (The New Ecological District of Western Zhuhai*). The Land Company plans to develop the land parcel into commercial properties and retail shops for sale, the Shopping Centre with gross floor area of approximately 60,000 sq.m. for leasing and the Hotel. With favourable government policy, unique location and the positive economic prospects of the land parcel, the Acquisition will broaden the Group's income stream, strengthen the Group's profitability and enhance its competitiveness.

According to press releases from the Zhuhai Government, as a key part of the Greater Bay Area project, the Zhuhai government has poured significant investments into improving accessibility, accommodations, facilities and attractions for tourism, including (i) RMB360 million to improve transit infrastructure and cityscape; (ii) RMB330 million to support museums and cultural centers; and (iii) RMB1.2 billion to improve and revitalise rural areas. As of 2019, the Doumen district has spent over RMB2 billion to beautify the countryside and over RMB200 million on domestic sewage treatment, garbage management, and toilet installations and renovations.

* *For identification only*

The Zhuhai government is also heavily investing into industrial and logistics infrastructure, such as the Hong Kong — Zhuhai — Macau Bridge, upgrading the Gaolan port, a new regional airport in Doumen, the Zhuhai airport intelligent logistics park and the Jitimen Grand Bridge connecting Doumen District with Jinwan District in order to attract foreign investment and enterprises.

Further noted from the press releases from the Zhuhai Government, there are also various large scale tourist related developments being and already erected such as the Hengqin Mall, a coastal wetland park in Doumen district, the Tangjiawan Beach that is expected to boost tourism in Zhuhai which synergises with the Property.

According to a 2019 report on Zhuhai published by PricewaterhouseCoopers, the 2nd largest professional services firm network in the world, Zhuhai's tourism numbers and revenue have been steadily rising from 2002 to 2017. Headcount of tourists per annum has risen from approximately 5 million in 2002 to approximately 43 million in 2018 representing a compound annual growth rate ("**CAGR**") of approximately 14.39% and Zhuhai's tourism revenue per annum has risen from approximately RMB8.5 billion in 2002 to approximately RMB47 billion in 2018 representing a CAGR of 11.28%. According to the Zhuhai City Tourism Development Master Plan (2016–2030)*, the Zhuhai government is targeting to accommodate 50, 75 and 90 million tourists per annum and to increase tourism revenue to RMB45, 80 and 110 billion per annum in 2020, 2025 and 2030 respectively. Zhuhai already reached its 2020 tourism revenue per annum goal in 2018 despite not having yet reached the 2020 tourists per annum goal.

According to multiple hotel booking sites (i.e. trip.com, agoda.com, booking.com, etc.) there are an estimated 164 registered hotels in operation in Doumen District, among which 142 of them are 1 star rated or unrated and 2, 13 and 7 of them are 2, 3 and 4 star rated respectively and none of them are 5 star rated. The hotel being erected on the Property is planned to be the first operational 5 star rated hotel in Doumen District.

As outlined in the Zhuhai City Tourism Development Master Plan (2016–2030)* (珠海市旅遊發展總體規劃 (2016–2030)), Zhuhai and the central government's long term goal is to position Zhuhai as a premier tourist destination and as an industrial and logistics maritime hub. The Zhuhai government's various investments, developments and projects in the Greater Bay Area will likely generate increasing demand for housing, office space and industrial and logistical capacity. The Acquisition may potentially allow the Company to capitalise on any benefits of development of the Greater Bay Area.

Having considered the benefits that are expected to be derived from the Acquisition as mentioned above and the positive outlook of the property development industry in the Greater Bay Area, we concur with the Directors' view that the Acquisition represents a good opportunity for the Group to further diversify and enhance the profitability of the Group through expanding the Company's business network within the Greater Bay Area and enable the Group to benefit from the further development of the Greater Bay Area, and is in the interests of the Company and Shareholders as a whole.

* *For identification only*

4. The Sale and Purchase Agreement

4.1 Principal terms of the Sale and Purchase Agreement

Set out below is the summary of the principal terms of the Sale and Purchase Agreement as extracted from the Board Letter.

Date

29 June 2020 (after trading hours of the Stock Exchange)

Parties

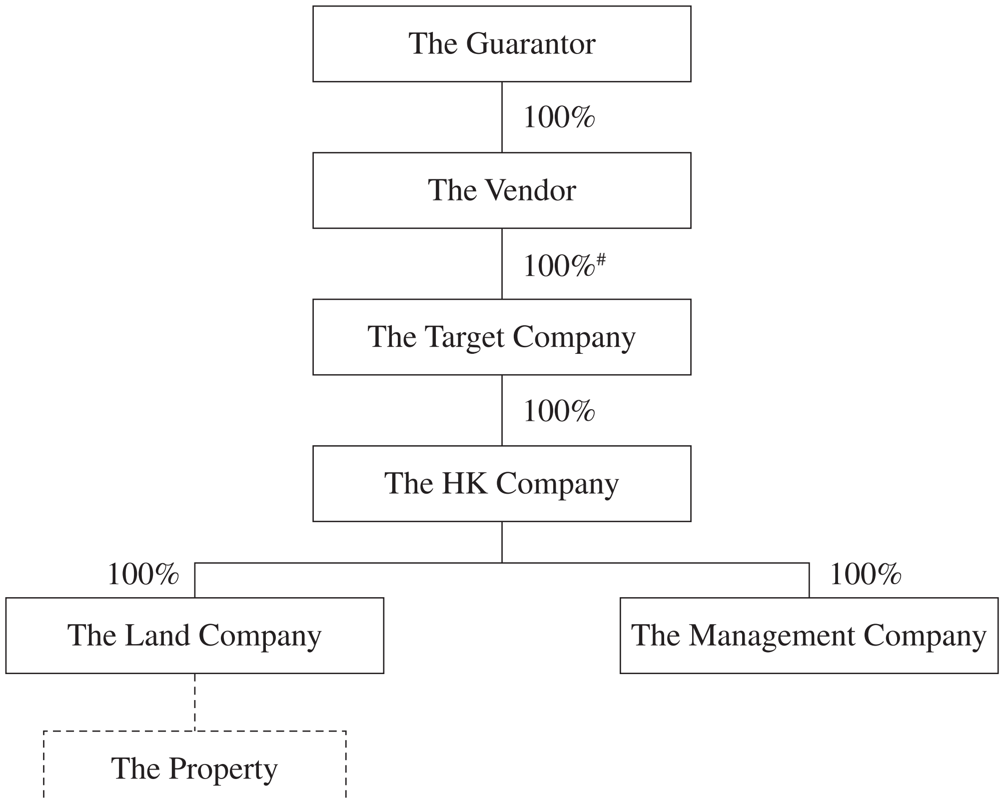
Vendor:	the Vendor, being Yang's Development Limited, a company wholly-owned by the Guarantor. The Vendor is principally engaged in property investment and development in the PRC
Purchaser:	the Company
Guarantor:	the Guarantor, being Mr. Yang Lijun, the controlling Shareholder, an executive Director and the chairman of the Company

As at the Latest Practicable Date, the Vendor was wholly-owned by the Guarantor and the Guarantor (in both his personal capacity and through All Great, a company indirectly wholly-owned by him) was interested in an aggregate of 2,967,547,152 Shares, representing approximately 42.72% of the issued share capital of the Company. Accordingly, the Vendor is a connected person of the Company.

4.2 Assets to be acquired

The Sale Shares, representing the entire issued share capital of the Target Company. The Target Company in turn is interested in the entire issued share capital of the HK Company, which is interested in the entire registered capital of the Land Company and the Management Company. The Land Company is beneficial owner of the Property, being a land parcel of site area of approximately 48,653.2sq.m. located in Zhuhai, the PRC, together with any buildings erected thereon.

Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date:



held via various wholly-owned intermediate holding companies

4.3 Consideration

The Consideration of HK$108,600,000 shall be satisfied by the issue of the Promissory Note by the Company at Completion.

The Consideration was determined between the Company and the Vendor after arm's length negotiations with reference to (a) the adjusted unaudited consolidated net asset value of the Target Group, as at 31 May 2020 of approximately HK$162,896,000 (the "**Adjusted NAV**") after taking into account the Estimated Value of RMB840,000,000 (equivalent to approximately HK$912,240,000) as illustrated in the valuation report as set out in Appendix V to the Circular and the net liabilities of the Target Group as at 31 May 2020 in the amount of HK$76,227,000 as set out in Appendix II to the Circular; and (b) the Group's view on the development potential as elaborated in the Board Letter.

Based on our discussion with the management of the Company and as set out in the Board Letter, we noted that the Directors had considered the effects of deferred tax liabilities arising from the Acquisition but the Consideration has not taken into account such deferred tax liabilities after considering the (i) the Company has no intention to sell the Hotel Portion after the Acquisition, and is of the view that the chance of crystallisation of relevant deferred tax liabilities is low and remote; (ii) the deferred tax liabilities in relation to the Acquisition was calculated based on the difference between the fair value and the cost of the Property which will be different from the actual tax payable of the Target Company in the future and it is calculated based on relevant accounting rules and policies; and (iii) the relevant tax payable, including land appreciation tax and PRC income tax, are expenses that will be incurred by the Target Group from sales activities conducted in the normal course of business and will be payable by the Group when the relevant land is directly sold to an acquirer or when the property units are sold to the individual purchasers after completion of the Project. The Group is not obligated to pay the land appreciation tax ("**LAT**") and the corporate income tax ("**CIT**") until the transfer of the Property which with appreciation and income generated. LAT will be based on the fair value of the relevant properties sold and will be deducted by the land costs, construction fees and other deductible expense, whereas CIT will be based on the revenue generated after the completion of the Project and operations have commenced, which will be deducted by relevant cost of sales, selling and administrative expenses and other deductible expenses. For further information, please refer to the Board Letter and note 3(d) of the section headed "C. Notes to the unaudited pro forma financial information" in Appendix IV to the Circular.

After discussion with the management of Company in regarding the deferred tax liabilities, we are of the view that as the Property is still under development, the difference between the fair value and the cost of the Property will be different after completion of the Project. As such, the relevant tax payable in the future are not reflected from the current LAT and CIT calculated.

Besides, as noted from the 國有建設用地使用權出讓合同(變更合同) (Amendment Contract to Contract for Grant of State-owned Construction Land Use Rights) dated 24 January 2018, the Hotel Portion is not allowed to be transferred separately and any transfer of the whole Hotel Portion by the Land Company before completion and within 3 years from the date of completion are required to obtain prior approval from the local government of Doumen District. Even if the deferred tax liabilities (i.e. HK$113,584,000) were taken into account, based on the current saleable area of the Property (i.e. the commercial and office area) (the "**Saleable Portion**") representing approximately 40.8% of the total permitted plot ratio gross floor area amounting to approximately HK$46,342,000, the Consideration would still represent a discount of approximately 6.82% to the adjusted unaudited consolidated net asset value of the Target Group (including the deferred tax liabilities of the Saleable Portion) of approximately HK$116,554,000.

As the deferred tax liabilities are early recognition of the possible tax payable in the future and the Company has confirmed that, as at the Latest Practicable Date, the Company has no intention to sell the Hotel Portion after the Acquisition, we are of the view that is it fair and reasonable to exclude the deferred tax liabilities for the purposes of determining the Consideration.

Valuation of the Property

To assess the fairness and reasonableness of the Consideration, we have considered the valuation of the Property (the "**Valuation**") as at 31 May 2020 (the "**Date of Valuation**") prepared by the B.I. Appraisals Limited (the "**Valuer**"), an independent professional valuer, using the direct comparison method in the amount of RMB840 million (equivalent to approximately HK$912,240,000) as set out in Appendix V to the Circular (the "**Valuation Report**"), and performed necessary due diligence as required under Note 1(d) to Rule 13.80 of the Listing Rules in respect of the Valuation, including discussion with the Valuer as to its experiences in valuation of similar properties and its relationship with the parties to the Sale and Purchase Agreement as well as its terms of engagement for the Valuation, particularly in relation to its scope of work. We noted that its scope of work was appropriate for it to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Valuation Report. The Valuer confirmed that apart from normal professional fees payable to it in connection with its appointment for the Valuation, no arrangements exist whereby it would receive any fee or benefit from the parties to the Sale and Purchase Agreement. The Valuer also confirmed that it was not aware of any relationship or interest between it and the Company or any other parties that would be reasonably considered to affect its independence to act as an independent valuer for the Company in relation to the Valuation.

Valuation methodology

We have reviewed the Valuation Report and the workings done by the Valuer in arriving at the Valuation and discussed with the Valuer regarding the methodology, basis and assumptions adopted in arriving at the Estimated Value as at the Date of Valuation. We noted that the Valuation was prepared in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Property, which is a development site under construction, was valued in accordance with the latest development proposal adopting the direct comparison method assuming the Property is capable of being sold in existing state with the benefit of immediate vacant possession and making reference to comparable sales evidence as available from the relevant markets. In addition, the Valuer has taken into consideration the construction costs that have already been expended as at the Date of Valuation and the outstanding construction costs that will be expended to complete the development to reflect the quality of the completed development.

Based on our discussion with the Valuer, the valuation methodology in accordance with the HKIS Valuation Standards 2017 Edition published by the Hong Kong Institute of Surveyors of any asset can be broadly classified into one of three approaches, namely the direct comparison method, the cost approach and the income approach. As advised by the Valuer, the direct comparison method was considered as an appropriate methodology in assessing the value of the Property given the availability of the market information of actual sales transactions of comparable properties, which is considered to be the best indicator of the fair value of the Property.

We understand the Valuer has also considered other valuation approaches including cost approach and income approach. Under the cost approach, the value is established based on the land costs and the costs of construction in reproducing the Property, without taking into account the market conditions. Under the income approach, the value is established based on historical and/or forecasted cash flow, discounted to present value with an appropriate risk-adjusted discount rate. For the cost approach, the value of the Property would not be adequately reflected by considering the construction costs only and for the income approach, the estimation of the future economic benefit streams of the Property and the discount rate are subject to various assumptions and uncertainties. As such, the Valuer has considered that both the cost approach and the income approach are less appropriate for valuing the Property,. We understand that the direct comparison method is commonly used in arriving at the market value of properties. In view of the above, we concur with the Valuer in adopting the direct comparison method for the purpose of the Valuation.

Comparables

We noted that in determining the market value of the Properties, the Valuer has adopted the direct comparison method and made reference to the recent comparable sales transactions as available in the relevant market. Comparable properties of similar size, nature and location were analysed and each property was carefully selected in order to arrive at a fair comparison of market value. We have conducted desktop research and noted that the comparable properties are located in the same or neighbouring district of the Property. Based on our discussion with the Valuer, the

Valuer has included all of the most suitable comparables which meet their selection criteria (i.e. same land use rights as the Property, adjacent location, similar class of land) as identified by them based on their best information, knowledge and belief.

Assumptions

We have reviewed the general assumptions adopted by the Valuer in relation to the Valuation, including that (i) the Property would be sold in the open market without the benefit of deferred terms contracts, leasebacks, joint venture, management agreements, or any similar arrangements that would serve to affect its value; (ii) no account has been taken of any option or right of pre-emption concerning or effecting a sale and no forced sale situation in any manner; (iii) no allowance has been made in the Valuation for any charges, mortgages or amounts owing on any of the property valued nor for any expenses or taxation which may be incurred in effecting a sale; (iv) the Property is free from encumbrances, restrictions and outgoing of an onerous nature that could affect its value; (v) the Property will be constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated; and (vi) all consents, approvals, required licences, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of the Property. We were satisfied that those assumptions are commonly adopted in the valuation of a property and are fair and reasonable for the purposes of assessing the market value of the Property.

Having considered the qualification and experiences of the Valuer in property valuation, the independence of the Valuer and the valuation methodology and basis and assumptions applied by the Valuer, we consider that the methodology and basis for determining the Estimated Value by the Valuer is appropriate. In light of the above and the fact that no unusual matters had come to our attention that led us to believe that the Valuation was not prepared on a reasonable basis, we are of the opinion that the Valuation is a fair and reasonable benchmark for assessing the Consideration.

Conclusion on Consideration

Having considered (i) the construction and development costs of the Property and the Project with total development cost incurred of approximately RMB194 million (equivalent to approximately HK$211 million) incurred up to 31 May 2020; (ii) the appreciation of the market value of the Land; (iii) the relevant deferred tax liabilities being excluded from the determination of the Consideration; (iv) the Valuation was arrived at by an independent professional valuer in compliance with The HKIS Valuation Standards 2017 Edition on a reasonable basis; (v) our due diligence performed as set out above, including discussions with the Valuer and review of the relevant documents regarding the methodology and comparables selection criteria adopted by the Valuer, showed that the Valuation was properly conducted and we consider that the Estimated Value as shown in the Valuation Report is a fair and reasonable indication of the market value of the Property; and (vi) the Consideration of HK$108,600,000 represents a discount of approximately

33.33% to the Adjusted NAV of the Target Group as at 31 May 2020 of approximately HK$162,896,000, we consider that the Consideration, is fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms.

4.4 Conditions precedent

Completion shall be conditional upon and subject to:

(a) the passing of the necessary resolution(s) by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue of the Promissory Note);

(b) the Company having obtained a PRC legal opinion (in form and substance satisfactory to the Company) issued by a firm of PRC legal advisers appointed by the Company in relation to (i) the Land Company and the Management Company's due and proper establishment and valid existence under the laws of PRC; (ii) the Land Company and the Management Company having obtained all necessary approvals and licences to carry out its business; (iii) the validity of the Land Company's legal title in the Property; and (iv) any other matters as may be required by the Company;

(c) the Company being satisfied with the results of the due diligence review to be conducted on the Target Group;

(d) the representations, warranties and undertakings given by the Vendor and the Guarantor in the Sale and Purchase Agreement are not false, untrue or misleading, nor have they been breached in any material respect;

(e) the value of the Property as shown in the valuation report (in form and substance satisfactory to the Company and prepared by a firm of independent professional valuers appointed by the Company) being not less than the Estimated Value; and

(f) all other necessary approvals, consents and waivers required to be obtained in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained.

None of the conditions precedent above can be waived. If any of the above conditions precedent has not been satisfied on or before 31 December 2020 or such other date as the Company may agree, or if the Company has served a written notice to the Vendor stating it is not satisfied with the results of the due diligence review conducted, the Sale and Purchase Agreement shall cease and determine. Neither party shall have any obligations nor liabilities towards each other under the Sale and Purchase Agreement, save for any antecedent breaches of the terms thereof.

4.5 Completion

Completion shall take place on the third business day after the fulfilment of the conditions precedent set out in sub-paragraphs (a), (b), (c), (e) and (f) in the paragraph headed "Conditions precedent" above or such other date as the Company may agree. The condition precedent set out in sub-paragraph (d) shall remain fulfilled at Completion.

Upon Completion, the Target Company, the HK Company, the Land Company and the Management Company will become wholly-owned subsidiaries of the Company, and results of the Target Group will be consolidated into the financial statements of the Company after Completion.

Having considered all the above, we are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the entering into of the Sale and Purchase Agreement and the transaction contemplated thereunder are in the interests of the Company and the Shareholders as whole.

5. Promissory Note

5.1 Principal terms

Set out below is the summary of the principal terms of the Promissory Note as extracted from the Board Letter.

Issuer:	The Company
Principal amount:	HK$108,600,000
Maturity date:	the Company shall repay all outstanding principal amount (together with accrued interest) on the third anniversary of the date of issue of the Promissory Note
Interest:	9% per annum, subject to prepayment and/or early repayment by the Company, (a) the first interest payment date shall fall on the expiry of 18 months from the date of issue of the Promissory Note, and (b) thereafter, the Company shall pay interest on a monthly basis
Company's undertaking:	the Company undertakes that if
	(i) the Group can obtain better terms of lending in respect of any amount equivalent to the prepayment or early repayment amount, or

(ii) the Board considers that the Group has sufficient cashflow to satisfy any prepayment or early repayment amount, taking into account its then working capital sufficiency for the following 12 months,

the Company shall (1) firstly make early repayment of any accrued interest prior to the first interest payment date mentioned above, and (2) secondly prepay in whole or in part the outstanding principal amount of the Promissory Note together with accrued interest prior to the maturity date.

In respect of the settlement method of the Consideration, we have firstly compared the Promissory Note against other possible means for settlement of the Consideration of the Acquisition (including but not limited to cash, issue of consideration shares and convertible bonds, equity financing such as placing of new shares and rights issue/open offer). Taking into account the facts that (i) settling the Consideration by way of cash would incur an immediate impact on the working capital of the Group as the cash and cash equivalents of the Group was approximately HK$56.13 million as at 31 December 2019 which is not sufficient to settle the Consideration and the Company needs to maintain sufficient cash and cash equivalents to sustain its operations; (ii) issue of consideration shares and/or convertible bonds (in the event of conversion to Shares) and placing of new shares will create an immediate significant dilution effect on the shareholding interests of existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company; (iii) rights issue will not result in any dilution to shareholdings but it would require finding a suitable underwriter and the fund raising exercise would be more costly and time consuming; and (iv) issue of the Promissory Note would, on the contrary, not incur an immediate impact on the working capital of the Group nor dilute the shareholding of the existing Shareholders, as such we are of the view that settling the Consideration by way of issue of the Promissory Note is in the interests of the Company and the Shareholders as a whole.

In order to assess the fairness and reasonableness on the terms of the Promissory Note, we have identified notifiable transactions involving issue of promissory notes as all or part of the consideration for an acquisition, announced by companies listed on the Stock Exchange (the "**PN Comparables**") from 29 June 2018 to 29 June 2020, being a 2 year period ending on the date of the Sale and Purchase Agreement (the "**Comparable Period**"). The Comparable Period was chosen for the demonstration of recent market practices in relation to issue of promissory notes for an acquisition. We consider the aforesaid selection criteria to be appropriate and have not narrowed down the selection criteria by nature of business of target company, transaction size, size of the listed company, etc. (which do not materially impact the comparability of the PN Comparables) as this will result in insufficient number of comparables. To the best of our knowledge and as far as we are aware, we have found 10 transactions which meet the said criteria.

Shareholders should note that the businesses, operations, financial performance and prospects of the Company are not the same as the subject companies in the PN Comparables, and thus the PN Comparables are for reference only.

Date of announcement	Company name	Stock code	Maturity (Years)	Interest rate per annum (%)
23 March 2020	Ming Lam Holdings Limited (formerly known as Sino Haijing Holdings Limited)	1106	1	6
4 October 2019	Food Idea Holdings Limited	8179	2	5
28 August 2019	China Information Technology Development Limited	8178	1	10
11 June 2019	Mayer Holdings Limited	1116	2.5	3
8 March 2019	Solartech International Holdings Limited	1166	2	6
18 February 2019	Merdeka Financial Group Limited	8163	1	2
17 January 2019	Sino Haijing Holdings Limited	1106	2	2
24 October 2018	Earthasia International Holdings Limited	6128	4	2
22 October 2018	Food Idea Holdings Limited	8179	2	4
22 August 2018	Wealthy Way Group Limited	3848	5	3.5
		Maximum	5	10
		Average	2.25	4.35
		Minimum	1	2
		Promissory Note	**3**	**9**

We noted from the above table that the interest rates of the PN Comparables ranged from 2% to 10% and the maturity dates ranged from 1 to 5 years. The maturity date of the Promissory Note of 3 years is within the range of the maturity dates of the PN Comparables. The interest rate of the Promissory Note of 9% per annum is within the range of the PN Comparables.

We have enquired with the senior management of the Company and are given to understand from that, as at 30 June 2020, the interest rates of the Group's existing loans and borrowings ("**Loans from I3P**") from independent third parties of the Company (excluding bank borrowings) ranged from approximately 12% to approximately 13% per annum. We have obtained and review the loan terms of the Loans from I3P and noted that all of the interest rates of the Loans from I3P are higher than 9% per annum. Accordingly, we consider that the interest rate of the Promissory Note of 9% per annum are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The Company has approached various banks and other institutions in the PRC for obtaining debt financing, however due to the unsatisfactory financial performance of the Group in the past few years, the large amount of the Group's existing borrowings and given the significant amount of funding required, the Directors are not confident that the Company would be able to secure the required amount of funding from bank financing at favorable terms and on an unsecured basis.

Taking into account (i) the insufficient cash and cash equivalents of the Group as at 31 December 2019; (ii) the interest rate and maturity date of the Promissory Note are both within the range of the PN Comparables; (iii) all of the interest rates of the Loans from I3P are higher than the interest rate of the Promissory Note of 9% per annum; (iv) the first interest payment date of the Promissory Note shall fall on the expiry of 18 months from the date of issue of the Promissory Note; (v) other equity financing alternatives would either result in an immediate significant dilution in the shareholding interests of existing Shareholders or be more costly and time consuming than the issuance of the Promissory Note; (vi) the Promissory Note are unsecured with no collateral; (vii) the issuance of Promissory Note can reduce the amount of initial cash outflow of the Company for settlement of the Acquisition and enable the Group to retain more cash for working capital purposes; and (vii) the Company can, at any time prior to maturity, repay any outstanding principal amount of the Promissory Note without incurring any penalties, we consider that the issuance of the Promissory Note to settle the Consideration is in the interests of the Company and the Independent Shareholders as a whole and that the terms of Promissory Note are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6. Possible financial effects of the Acquisition and the Promissory Note

Upon Completion, the Target Company, the HK Company, the Land Company and the Management Company will become wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

According to the accountants' report of the Target Group as set out in Appendix II to the Circular, the Target Group recorded a net loss of HK$18.1 million for the five months ended 31 May 2020. While the Acquisition would not have any material impact on the earnings of the Group immediately upon Completion, in light of, among others, the positive prospect of the land parcel in Doumen District, Zhuhai City and the foreseeable positive contribution from pre-sale and sale activities to revenue as mentioned in the section above headed "Reasons for and benefits of the Acquisition", it is expected that earnings of the Group will be enhanced in the long run after Completion. According to the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix IV to the Circular, assuming that Completion had taken place on 31 December 2019, the total assets of the Enlarged Group as at 31 December 2019 would have increased by approximately 55.1% from approximately HK$1,776.1 million to approximately HK$2,755.6 million, and the total liabilities of the Enlarged Group as at 31 December 2019 would have increased by approximately 71.0% from approximately HK$1,381.7 million to approximately HK$2,362.8 million.

In light of the above, we are of the view that the Acquisition and the Promissory Note might have an overall positive financial effect on the Group in long run.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Acquisition is in the ordinary and usual course of business of the Group; and (ii) the terms of the Sale and Purchase Agreement together with the Promissory Note are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of Company and the Independent Shareholders as a whole. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM in this regard.

Yours Faithfully,
For and on behalf of
Merdeka Corporate Finance Limited
Jeannie Chan
Director

Ms. Jeannie Chan is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 10 years of experience in corporate finance.

1. FINANCIAL SUMMARY OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019 are disclosed in the following documents respectively which have been published on the websites of the Stock Exchange (http://www.hkex.com.hk/) and the Company (http://www.tfginternationalgroup.com/).

- The annual report of the Company for the year ended 31 December 2017 published on 16 April 2018 (pages 29 to 99);
- the annual report of the Company for the year ended 31 December 2018 published on 25 April 2019 (pages 34 to 111);
- the annual report of the Company for the year ended 31 December 2019 published on 24 April 2020 (pages 37 to 124).

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2020, being the latest practicable date for the purpose of this indebtedness prior to the printing of this circular, the Enlarged Group had approximately HK$1,806.4 million outstanding indebtedness, the amount of which denominated in RMB has been converted into HK$ at the exchange rate of RMB1 to HK$1.0945 which was the exchange rate prevailing at 30 June 2020, comprising the following debts:

		HK$'million
(i)	Secured bank borrowings	144.3
(ii)	Secured other borrowings	598.9
(iii)	Unsecured other borrowings	833.1
(iv)	Amounts due to directors	64.6
(v)	Amounts due to non-controlling interest	164.2
(vi)	Lease liabilities	1.3
		1,806.4

(i) Secured bank borrowings

Bank borrowings amounted to HK$71.7 million which were secured by (i) pledge of all the equity interest in a subsidiary beneficially held by the Enlarged Group and non-controlling shareholders and (ii) guarantees given by the Directors and a non-controlling shareholder of the subsidiary.

Bank borrowings amounting to HK$72.6 million were secured by the Enlarged Group's leasehold land and buildings located in Maoming City, the PRC with the aggregate carrying amount of HK$303.2 million.

(ii) Secured other borrowings

Other borrowings amounting to HK$30.0 million were secured by guarantee given by the Directors and will become mature in September 2020.

Other borrowings amounting to HK$368.9 million were secured by guarantees given by the Directors and will become mature in the third quarter of 2021.

Other borrowings amounting to HK$200.0 million were secured by guarantees given by the Directors, and will become mature in June 2022.

(iii) Unsecured other borrowings

Other borrowings amounting to HK$520.0 million were unsecured, not guaranteed, interest bearing and repayable on demand.

Other borrowings amounting to HK$260.5 million were unsecured, not guaranteed, interest bearing and will become mature in the third quarter of 2020.

Other borrowings amounting to HK$32.9 million were unsecured, not guaranteed, interest bearing and will become mature in the fourth quarter of 2020.

Other borrowings amounting to HK$14.2 million were unsecured, not guaranteed, interest bearing and will become mature in the second quarter of 2021.

Other borrowings amounting to HK$5.5 million were unsecured, not guaranteed, interest bearing and will become mature in the end of 2021.

(iv) Amounts due to directors

All the amounts due to directors were unsecured, interest bearing and repayable on demand.

(v) Amounts due to non-controlling interest

Amounts due to non-controlling interest were unsecured, interest free and had no fixed repayment term.

(vi) Lease liabilities

Lease liabilities of the Enlarged Group were secured by the rental deposits paid and not guaranteed.

Mortgages and charges

As at 30 June 2020, part of the Enlarged Group's leasehold land and buildings with a carrying value of HK$303.2 million had been pledged to a financial institution to secure mortgage loans. In addition, non-current bank balances of HK$1.0 million were pledged to banks to secure mortgage loan facilities granted to the purchasers of the Enlarged Group's properties held for sale.

Contingent liabilities

As at 30 June 2020, the Enlarged Group had contingent liabilities amounting to HK$0.1 million in respect of the buy-back guarantee in favor of banks to secure mortgage loan facilities granted to the purchasers of the Enlarged Group's properties.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, as at the close of business on 30 June 2020, the Enlarged Group did not have any (i) debt securities issued and outstanding, authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured; (ii) other borrowings or indebtedness in the nature of borrowing; (iii) mortgages and charges; and (iv) any contingent liabilities or guarantees.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account of the Acquisition and the present financial resources available to the Enlarged Group including but not limited to its internally generated revenue and funds, cash and cash equivalents on hand, banking facilities available to the Enlarged Group, and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Company is an investment holding company. The Group is principally engaged in property development and hotel business in the PRC. As at the Latest Practicable Date, the Group was undertaking two property development projects in Chengdu and Zhuhai, the PRC, respectively. The Chengdu project is located in Pidu District, with total gross floor area of approximately 120,500 sq.m. This project is for residential use and the pre-sale had started in early December 2019. The Hengqin Project is located in Hengqin, Zhuhai with total gross floor area of approximately 145,100 sq.m. The Hengin Project is for research, development and commercial uses and the pre-sale had started in the middle of November 2019. The Group also operates a hotel in Maoming, the PRC.

In early December 2019, the Group's residential property project located in Pidu District, Chengdu had started pre-sale. The revenue from the pre-sale recognised for the year ended 31 December 2019 amounted to HK$2.1 million. The Group will continue to accelerate the sales in 2020.

In the middle of November 2019, the Hengqin Project had started pre-sale. The revenue from the pre-sale recognised for the year ended 31 December 2019 amounted to HK$8.2 million. After the announcement of the Acquisition in June 2020, the Group accepted the approach of Quan Feng which showed interest in acquiring the Group's interest in the Hengqin Project by entering into the MOU on 16 July 2020, pursuant to which earnest money in the amount of HK$250,000,000 was paid to the Company. Details of the MOU are set out in the Company's announcement dated 16 July 2020. Save for certain terms such as earnest money and exclusivity of three months, the MOU is not legally binding and the proposed disposal is subject to further discussion between the Group and Quan Feng. As set out in the section headed "Information on the Target Group" in the letter from the Board of this circular, according to the Lessee, it is owned as to (1) 37.5% by the father of the beneficial owner of Quan Feng, and (2) the remaining interest by their relatives. Save for the aforesaid, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Quan Feng and its ultimate beneficial owner are third parties independent of the Group and its connected persons. As at the Latest Practicable Date, the Company was still assessing the potential of such proposed disposal and no concrete terms had been agreed between the parties. The Directors will take into account among various factors, the sale consideration, which has yet to be determined and to be negotiated, the returns and risks of the proposed disposal, financial conditions of the Company and the interests of the Shareholders before deciding whether to proceed with the proposed disposal.

For the year ended 31 December 2019, there was a significant increase in revenue of the Company of 90.6% from HK$18.1 million for 2018 to HK$34.5 million for 2019, mainly attributable to the launch of the above two property projects in Chengdu and Zhuhai. On the contrary, a loss before tax of HK$233.8 million was recorded for the year ended 31 December 2019, compared to a loss before tax of HK$133.8 million recorded for 2018, which was mainly attributable to the increase in (i) impairment of trade receivables of licensing income, the collectability of which was doubtful, (ii) impairment of property, plant and equipment and licensing rights, (iii) selling expenses for promotional and marketing activities of the Group's new property projects and (iv) finance costs of certain loans and borrowings taken to finance new property development projects and the decline in property revaluation on investment properties.

In light of the loss before tax recorded mentioned above, the Group will work on new business opportunities that could maximise benefits of the Shareholders. The Board is of the view that the Acquisition will enable the Group to strength its business portfolio by increasing its market presence in the PRC, which will in turn strengthen and expand the revenue and the asset base of the Group and maximise the Shareholders' interests in the long run.

Although the Project is still in construction stage, pre-sale permits of the commercial buildings (Block 3 and Block 4) of Phase I had been obtained in July and May 2020. The pre-sale activities of Block 4 of Phase I had started on 18 July 2020 and the pre-sale activities of Block 3 of Phase I is expected to start in the third quarter of 2020. It is expected that substantial revenue will be brought into the Enlarged Group soon after Completion. Accordingly, the Group believes that its long-term development plan can be substantiated and realised through the Acquisition, which would allow the Group to strengthen its profitability and enhance its competitiveness as disclosed in the section headed "Reasons for and benefits of the Acquisition" in the letter from the Board of this circular. The Board is optimistic about the future development in property development segment as well as the profitability of the Enlarged Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The following is the text of a report received from CCTH CPA Limited, the reporting accountants of the Company, for the purpose of incorporation into this circular.

CCTH CPA LIMITED
中正天恒會計師有限公司

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TFG INTERNATIONAL GROUP LIMITED

Introduction

We report on the historical financial information of Eway International Investment Limited (the ''Target Company'') and its subsidiaries (collectively referred to as the ''Target Group'') set out on pages II-4 to II-28 which comprises the consolidated statements of financial position as at 31 December 2018 and 2019 and 31 May 2020, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods from 8 December 2017 (date of incorporation of the Target Company) to 31 December 2018, year ended 31 December 2019 and five months ended 31 May 2020 (together the ''Relevant Periods'') and a summary of significant policies and other explanatory information (together the ''Historical Financial Information''). The Historical Financial Information set out on pages II-4 to II-28 forms an integral part of this report, which has been prepared for inclusion in the circular of TFG International Group Limited (the ''Company'') dated 14 August 2020 (the ''Circular'') in connection with the proposed acquisition (the ''Acquisition'') by the Company of 100% equity interest in the Target Company.

Director's responsibilities for the historical financial information

The sole director of the Target Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the director of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 December 2018 and 2019 and 31 May 2020 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Material uncertainty relating to going concern

We draw attention to note 2 to the Historical Financial Information regarding the adoption of going concern basis on which the Historical Financial Information has been prepared. At 31 May 2020, the Target Group had sustained net current liabilities and net liabilities of HK$546,246,000 and HK$76,227,000 respectively. The conditions set out in note 2 indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Target Group to continue as a going concern. The Historical Financial Information does not include any adjustments that would result from a failure to obtain the fundings as referred to in note 2 to meet in full the financial obligations of the Target Group for the foreseeable future. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 May 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The sole director of the Target Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim

Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on Matters Under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited and The Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

CCTH CPA Limited
Certified Public Accountants
Hong Kong

Ng Kam Fai
Practising Certificate Number P06573

14 August 2020

Unit 1510–1517, 15/F., Tower 2,
Kowloon Commercial Centre,
No. 51 Kwai Cheong Road, Kwai Chung,
New Territories, Hong Kong

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods (the ''Underlying Financial Statements''), on which the Historical Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the HKICPA and were audited by CCTH CPA Limited, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars (''HK$'') and all values are rounded to the nearest thousand (HK$'000) except where otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Period from 8 December 2017 (date of incorporation) to 31 December 2018 HK$'000	Year ended 31 December 2019 HK$'000	Five months ended 31 May 2019 HK$'000 (Unaudited)	Five months ended 31 May 2020 HK$'000
Revenue	5	—	—	—	—
Other income and gains	6	33	13	4	5
Administrative expenses		(1,360)	(3,900)	(2,139)	(1,528)
Exchange losses		(10,245)	(4,121)	(339)	(5,552)
Finance costs	7	(12,000)	(28,995)	(14,318)	(11,000)
Loss before tax	8	(23,572)	(37,003)	(16,792)	(18,075)
Income tax expense	9	—	—	—	—
Loss for the period		(23,572)	(37,003)	(16,792)	(18,075)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		—	503	41	1,530
Total comprehensive income for the period		(23,572)	(36,500)	(16,751)	(16,545)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at 31 May
		2018	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Properties under development	*13*	422,217	465,257	470,019
Current assets				
Properties held for sale under development	*14*	122,188	177,261	203,098
Prepayments, deposits and other receivables		10,918	5,183	7,712
Amounts due from director	*15*	8,825	—	—
Cash and cash equivalents	*16*	1,166	7,045	1,817
		143,097	189,489	212,627
Current liabilities				
Other payables and accruals	*17*	21,835	47,040	87,712
Borrowings	*18*	366,661	652,669	652,428
Amount due to director	*19*	—	14,719	18,733
		388,496	714,428	758,873
Net current liabilities		(245,399)	(524,939)	(546,246)
Total assets less current liabilities		176,818	(59,682)	(76,227)
Non-current liabilities				
Borrowings	*18*	200,000	—	—
Net liabilities		(23,182)	(59,682)	(76,227)
Capital and reserves				
Share capital	*20*	390	390	390
Reserves		(23,572)	(60,072)	(76,617)
Total equity		(23,182)	(59,682)	(76,227)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Audited			
	Share capital	**Exchange reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share capital paid up at date of incorporation	390	—	—	390
Loss for the period	—	—	(23,572)	(23,572)
At 31 December 2018 and 1 January 2019	390	—	(23,572)	(23,182)
Loss for the year	—	—	(37,003)	(37,003)
Other comprehensive income				
Exchange differences on translation of foreign operations	—	503	—	503
At 31 December 2019 and 1 January 2020	390	503	(60,575)	(59,682)
Loss for the period	—	—	(18,075)	(18,075)
Other comprehensive income				
Exchange differences on translation of foreign operations	—	1,530	—	1,530
At 31 May 2020	390	2,033	(78,650)	(76,227)

	Unaudited			
	Share capital	**Exchange reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018 and 1 January 2019	390	—	(23,572)	(23,182)
Loss for the period	—	—	(16,792)	(16,792)
Other comprehensive income				
Exchange differences on translation of foreign operations	—	41	—	41
At 31 May 2019	390	41	(40,364)	(39,933)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period from 8 December 2017 (date of incorporation) to 31 December 2018 *HK$'000*	Year ended 31 December 2019 *HK$'000*	Five months ended 31 May 2019 *HK$'000* (Unaudited)	Five months ended 31 May 2020 *HK$'000*
OPERATING ACTIVITIES				
Loss before tax	(23,572)	(37,003)	(16,792)	(18,075)
Adjustments for:				
Bank interest income	(33)	(10)	—	(2)
Finance costs	12,000	28,995	14,318	11,000
Exchange losses	—	4,121	341	5,552
Operating cash flows before movements in working capital	(11,605)	(3,897)	(2,133)	(1,525)
Increase in properties held for sale under development	(114,167)	(35,152)	(11,581)	(20,840)
(Increase)/decrease in prepayments, deposits and other receivables	(10,918)	5,502	6,766	(2,661)
(Increase)/decrease in amount due from director	(8,825)	8,825	8,825	—
Increase/(decrease) in accrued charges and other payables	7,334	23,499	(617)	11,122
Net cash (used in)/generated from operating activities	(138,181)	(1,223)	1,260	(13,904)
INVESTING ACTIVITIES				
Bank interest received	33	10	—	2
Additions to properties under development	(394,963)	(16,009)	—	(1,984)
Net cash used in investing activities	(394,930)	(15,999)	—	(1,982)
FINANCING ACTIVITIES				
Proceeds from issue of shares	390	—	—	—
Interest paid	(32,774)	(85,437)	(12,318)	(4,470)
Increase in amount due to director	—	14,719	719	4,014
Proceeds from borrowings	566,661	93,832	11,367	11,294
Net cash generated from/(used in) financing activities	534,277	23,114	(232)	10,838
Net increase/(decrease) in cash and cash equivalents	1,166	5,892	1,028	(5,048)
Cash and cash equivalents at beginning of the period	—	1,166	1,166	7,045
Effect of foreign exchange rate changes, net	—	(13)	(1)	(180)
Cash and cash equivalents at end of the period	1,166	7,045	2,193	1,817

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Eway International Investment Limited (the "Target Company") was incorporated in the British Virgin Islands on 8 December 2017 with limited liability. The address of the registered office and principal place of business of the Target Company are Sea Meadow House, Blackburne Highway (P.O. Box 116), Road Town, Tortola, British Virgin Islands and Unit 607, 6/F., Tower 3, Phase 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong respectively.

The Target Company and its subsidiaries (the "Target Group") are principally engaged in the property investment and development in the People's Republic of China ("PRC").

The sole director of the Target Company considers the Target Company's ultimate holding company to be Yang's Development Limited (the "Vendor"), a limited liability company incorparated in the British Virgin Islands.

The sole director of the Target Company considers that the ultimate controlling party of the Target Company to be Mr. Yang Lijun who is the controlling shareholder of the Vendor and the controlling shareholder and a director of TFG International Group Limited (the "Company").

On 29 June 2020, the Company entered into the sale and purchase agreement with the Vendor, pursuant to which the Company has conditionally agreed to acquire 100% equity interest in the Target Company for an aggregate consideration of HK$108.6 million (the "Acquisition").

The Historical Financial Information of the Target Group for the Relevant Periods is presented in Hong Kong dollars and all values are rounded to the nearest thousand except otherwise indicated. The functional currency of the Target Company is Renminbi ("RMB") as the operations of the Target Group are mainly carried out in the PRC.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information of the Target Group has been prepared for inclusion in the Circular in connection with the Acquisition.

The Historical Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institution of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies are set out in note 3.

HKICPA has issued certain new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised HKFRSs for the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting periods beginning on 1 January 2020. The revised and new accounting standard and interpretations issued but not yet effective for accounting period beginning on 1 January 2020 are set out in note 30.

The accounting policies set out in note 3 have been applied consistently to all periods presented in the Historical Financial Information.

Notwithstanding the net current liabilities and net liabilities at 31 May 2020 amounted to HK$546,246,000 and HK$76,227,000 respectively sustained by the Target Group, the Historical Financial Information has been prepared on a going concern basis as the Company has agreed, following the completion of the Acquisition, to provide adequate funds to enable the Target Group to meet in full its financial obligations as and when they fall due for the foreseeable future. Alternatively, the present shareholders of the Target Company have agreed, in the event that the acquisition is not successful, to provide adequate funds to enable the Target Group to meet in full its financial obligations as and when they fall due for the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes all applicable disclosures required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure of fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted by are as follows:

Basis of consolidation

The Historical Financial Information includes the financial information of the Target Company and its subsidiaries.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Company (i) has power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Target Company obtains control over the subsidiary and ceases when the Target Company loses control of the subsidiary.

Business combination

The Target Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Target Company. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date.

Acquisition-related costs are expenses as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation. Where necessary, amounts reported by the subsidiary have been adjusted to conform with the Target Group's accounting policies.

When the Target Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Target Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Properties under development

Properties under development are stated at cost less impairment losses, if any. Cost of the land includes purchase consideration, acquisition costs, development expenditure, interest and other direct costs attributable to such properties.

Properties held for sale under development

Properties held for sale under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the year end date less selling expenses, or by management estimates based on prevailing market condition.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Target Group's actual acquisition costs where appropriate.

Impairment losses on assets other than goodwill

At the end of reporting period, the Target Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. For properties under development, for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from ''profit before tax'' as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax of the Target Group is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

For the purpose of presenting Historical Financial Information, the assets and liabilities of the group entities are translated into the presentation currency at the exchange rates prevailing at the end of reporting period and their income and expenses are translated into Hong Kong dollars at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

Financial instruments

Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses on change in fair value will either be recorded in profit or loss or other comprehensive income. For investments in equity investments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group also transferred substantially all the risks and rewards of ownership.

Financial liabilities

1. Initial recognition and measurement

All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

2. Subsequent measurement

After initial recognition, the Target Group's financial liabilities (which include other payables and accruals, borrowings and amount due to director are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

3. Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another form the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 3, the sole director of the Target Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 12 months.

Impairment of properties under development

Management of the Target Group determines on a regular basis whether the properties under development are impaired. Impairment losses on properties under development are recognised when the carrying amount of the asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair values of the properties are estimated by reference to their expected selling prices which are affected by market conditions. The value in use calculation requires the use of estimates such as the future cash flows and discount rates.

As at 31 December 2018, 31 December 2019 and 31 May 2020, the carrying amounts of properties under development were approximately HK$422,217,000, HK$465,257,000 and HK$470,019,000 respectively. No impairment loss of the properties under development has been recognised.

Impairment of properties held for sale under development

Management assessed the recoverability of the properties held for sale under development based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location. If the actual net realisable value of the underlying properties is less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material provision for impairment losses may result.

Details of the properties held for sale under development is disclosed in note 14. As at 31 December 2018, 31 December 2019 and 31 May 2020, the carrying amounts of properties held for sale under development were approximately HK122,188,000, HK$177,261,000 and HK$203,098,000 respectively. No impairment loss of the properties held for sale under development has been recognised.

5. REVENUE AND SEGMENT INFORMATION

No revenue was recognised by the Target Group for the Relevant Periods.

The Target Group is engaged in property development in the PRC. The sole director of the Target Company considers that the Target Group has only one single operating segment and no analyses of segment information are presented.

6. OTHER INCOME AND GAINS

	Period from 8 December 2017 (date of incorporation) to 31 December 2018	**Year ended 31 December 2019**	**Five months ended 31 May 2019**	**Five months ended 31 May 2020**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Bank interest income	33	10	—	2
Other income	—	3	4	3
	33	13	4	5

7. FINANCE COSTS

	Period from 8 December 2017 (date of incorporation) to 31 December 2018 *HK$'000*	Year ended 31 December 2019 *HK$'000*	Five months ended 31 May 2019 *HK$'000* (unaudited)	Five months ended 31 May 2020 *HK$'000*
Interest on borrowings	47,275	82,571	34,893	34,148
Interest on amount due to director	—	762	—	1,000
Interest on payable for acquisition of land for property development	—	4,233	4,318	—
	47,275	87,566	39,211	35,148
Less: Amount capitalised in properties under development and properties held for sale under development	(35,275)	(58,571)	(24,893)	(24,148)
	12,000	28,995	14,318	11,000

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Period from 8 December 2017 (date of incorporation) to 31 December 2018 *HK$'000*	Year ended 31 December 2019 *HK$'000*	Five months ended 31 May 2019 *HK$'000* (unaudited)	Five months ended 31 May 2020 *HK$'000*
Auditor's remuneration	—	—	—	—
Exchange loss	10,245	4,121	339	5,552
Rental for short term leases	15	145	13	79
Wages and salaries	930	1,722	824	754

Exchange loss mainly arose from the foreign currency translations of a borrowing denominated in Hong Kong dollar, the currencies other than the functional currencies of their respective group entities.

9. INCOME TAX EXPENSE

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applied to the PRC subsidiary of the Target Company is 25%.

No provision for Hong Kong Profits tax and PRC income tax has been made in the Historical Financial Information as the Target Group had no assessable profits derived from Hong Kong and the PRC for the Relevant Periods.

The income tax expense can be reconciled to the loss/profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Period from 8 December 2017 (date of incorporation) to 31 December 2018	Year ended 31 December 2019	Five months ended 31 May 2019	Five months ended 31 May 2020
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Loss before tax	(23,572)	(37,003)	(16,792)	(18,075)
Tax at statutory tax rates	(3,999)	(6,792)	(3,317)	(3,112)
Expenses not deductible for tax purpose	3,676	4,771	1,709	2,732
Tax loss not recognised	323	2,021	1,608	380
Income tax expense	—	—	—	—

At 31 December 2018, 31 December 2019 and 31 May 2020, the Target Group had tax losses arising in the PRC of HK$1,247,000, HK$8,960,000 and HK$10,251,000 respectively, that will expire in three to five years for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses, due to the unpredictability of future profit streams.

10. DIRECTOR'S EMOLUMENTS

No director of the Target Company received any fees or emoluments in respect of their services rendered to the Target Group during the Relevant Periods.

11. DIVIDEND

No dividend was paid or proposed by the Target Company in respect of each of the Relevant Periods.

12. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of Historical Financial Information, is not considered meaningful.

13. PROPERTIES UNDER DEVELOPMENT

	As at 31 December 2018	As at 31 December 2019	As at 31 May 2020
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the period	—	422,217	465,257
Cost of land acquired	387,941	—	—
Development expenditure incurred	7,022	16,009	1,984
Interest capitalised	27,254	36,042	14,635
Exchange realignment	—	(9,011)	(11,857)
At end of the period	422,217	465,257	470,019

The properties under development are located in Doumen District, Zhuhai City, Guangdong Province, the PRC.

14. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

	As at 31 December 2018	As at 31 December 2019	As at 31 May 2020
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the period	—	122,188	177,261
Cost of land acquired	111,940	—	—
Development expenditure incurred	2,227	35,152	20,840
Interest capitalised	8,021	22,529	9,513
Exchange realignment	—	(2,608)	(4,516)
At end of the period	122,188	177,261	203,098

15. AMOUNT DUE FROM DIRECTOR

	As at 31 December 2018	As at 31 December 2019	As at 31 May 2020
	HK$'000	*HK$'000*	*HK$'000*
Amount due from Mr. Yang LiJun	8,825	—	—

The amount due from director was unsecured, non-interest bearing and repayable on demand.

Mr. Yang LiJun is also the beneficial owner of the Target Company during the Relevant Periods. The maximum outstanding balances for each of the Relevant Periods are as follows:

	As at 31 December 2018	As at 31 December 2019	As at 31 May 2020
	HK$'000	*HK$'000*	*HK$'000*
Maximum balances outstanding during the period	8,825	8,825	—

16. CASH AND CASH EQUIVALENTS

	As at 31 December 2018	As at 31 December 2019	As at 31 May 2020
	HK$'000	*HK$'000*	*HK$'000*
Bank balances	1,154	7,026	1,799
Cash on hand	12	19	18
	1,166	7,045	1,817

Bank balances denominated in RMB amounted to HK$642,000, HK$7,012,000 and HK$1,775,000 as at 31 December 2018, 31 December 2019 and 31 May 2020 respectively, which are subjected to the foreign exchange control restrictions imposed by the government of the PRC.

17. OTHER PAYABLES AND ACCRUALS

	As at 31 December 2018	As at 31 December 2019	As at 31 May 2020
	HK$'000	*HK$'000*	*HK$'000*
Interest payable for			
— Borrowings	14,501	15,601	44,932
— Amount due to director	—	762	1,762
Property development expenditure	7,102	30,450	40,792
Others	232	227	226
	21,835	47,040	87,712

18. BORROWINGS

	As at 31 December 2018	As at 31 December 2019	As at 31 May 2020
	HK$'000	*HK$'000*	*HK$'000*
Borrowings			
— Secured	200,000	200,000	200,000
— Unsecured	366,661	452,669	452,428
	566,661	652,669	652,428

	As at 31 December 2018	As at 31 December 2019	As at 31 May 2020
	HK$'000	*HK$'000*	*HK$'000*
Borrowings			
Within one year	366,661	652,669	652,428
After 1 year but within 2 years	200,000	—	—
	566,661	652,669	652,428
Less: Portion repayable within one year included in current liabilities	(366,661)	(652,669)	(652,428)
Portion not repayable within one year included in non-current liabilities	200,000	—	—

Secured borrowings amounted to HK$200,000,000, HK$200,000,000 and HK$200,000,000, as at 31 December 2018, 31 December 2019 and 31 May 2020 respectively carried interest at interest rate of 12% per annum and were secured by guarantees given by the director of the Target Company, Mr. Yang Lijun, and a third party. In June 2020, the Target Group entered into an agreement with the lender, under which repayment of these borrowings was extended to June 2022 with other terms of the borrowings remained unchanged.

Unsecured borrowings amounted to HK$366,661,000, HK$452,669,000 and HK$452,428,000 as at 31 December 2018, 31 December 2019 and 31 May 2020 respectively were unsecured, carried interest at interest rate of 13% per annum and repayable on demand. The lender of the borrowings is an entity established in the PRC and is 90% equity owned by the brother of the director of the Target Company. Pursuant to the Sale and Purchase Agreement, the Target Group shall enter into agreement with the lender immediately prior to completion of the Acquisition regarding these borrowings, details of which are set out in the Sale and Purchase Agreement.

19. AMOUNT DUE TO DIRECTOR

The amount due to director, Mr. Yang Lijun is unsecured, carried interest at interest rate of 13% per annum and is repayable on demand.

Pursuant to the Sale and Purchase Agreement, the Target Group shall enter into agreement with the director immediately prior to completion of the Acquisition regarding the amount due by the Target Group to the director, details of which are set out in the Sale and Purchase Agreement.

20. SHARE CAPITAL

	As at 31 December 2018 *HK$'000*	As at 31 December 2019 *HK$'000*	As at 31 May 2020 *HK$'000*
Authorised:			
50,000 shares at US$1 each	390	390	390
Issued and fully paid			
At the beginning of the period	—	390	390
Issued during the period	390	—	—
At end of the period	390	390	390

The Target Company was incorporated in the British Virgin Islands with limited liability. Upon incorporation, the Target Company issued 50,000 ordinary shares of US$1 each to its shareholder for a consideration of US$50,000 (equivalent to HK$390,000).

21. CAPITAL RISK MANAGEMENT

The sole director of the Target Company manage its capital to ensure that the Target Group will be able to continue as a going concern while maximising the return to its investor through the optimisation of debt and equity balance. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of capital and reserves.

The sole director of the Target Company reviews the capital structure on a regular basis. As part of this review, the sole director considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director, the Target Group will balance its overall capital structure through capital contribution and raising of new debts.

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December 2018 *HK$'000*	As at 31 December 2019 *HK$'000*	As at 31 May 2020 *HK$'000*
Financial assets			
Other receivables	216	1,804	2,780
Amount due from director	8,825	—	—
Cash and cash equivalents	1,166	7,045	1,817
	10,207	8,849	4,597

	As at 31 December 2018 *HK$'000*	As at 31 December 2019 *HK$'000*	As at 31 May 2020 *HK$'000*
Financial liabilities			
Other payables and accruals	21,835	47,040	87,712
Borrowings	566,661	652,669	652,428
Amount due to director	—	14,719	18,733
	588,496	714,428	758,873

Financial risk management objectives and policies

The Target Group's financial instruments include amount due from director, cash and cash equivalents, other payables and accruals, borrowings and amount due to director. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments are set out below:

(a) Market risk

The Target Group's activities expose primarily to the market risks of changes in foreign currency exchange rates and interest rates.

(i) Currency risk

The Target Group has currency exposures as certain assets and liabilities are denominated in Hong Kong dollar which is not functional currency of the respective group entities. The Target Group manages its currency exposures by matching as far as possible, its receipts and payments in each individual currency. The Target Group monitors the foreign currency exchange rates closely so as to minimise any potential material adverse effects from these exposure in a timely manner.

The following table demonstrates the sensitivity at the respective reporting dates to a reasonable possible change in the exchange rate of HK$, with all other variable held constant, to the Target Group's loss/profit before tax.

	Increase/ (decrease) in exchange rate *%*	Increase/ (decrease) in loss before tax *HK$'000*
31 May 2020		
If RMB strengthens against HK$	5	(8,461)
If RMB weakens against HK$	(5)	8,461
31 December 2019		
If RMB strengthens against HK$	5	(9,758)
If RMB weakens against HK$	(5)	9,758
31 December 2018		
If RMB strengthens against HK$	5	(10,425)
If RMB weakens against HK$	(5)	10,425

(ii) Interest rate risk

The Target Group has no significant floating interest-bearing assets and liabilities. Any change in interest rates in respect of the bank balances of the Target Group is regarded insignificant as these bank balances are short-term in nature. Accordingly, no sensitivity analysis to interest rate risk is presented. The Target Group has not used interest rate swaps to hedge its exposure to interest rate risk.

(b) Credit risk

The Target Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Target Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

(i) Other receivables

Category	**Target Group's definition of categories**	**Basis for recognition of expected credit loss provision**
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses

Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

The Target Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. For other receivables, management made periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. In calculating the expected credit loss rates, the Group considers historical loss rates for the other of receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2018, 31 December 2019 and 31 May 2020, the internal credit rating of other receivables was performing. Target Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method. Thus no loss allowance on other receivables was recognised.

(ii) Cash at bank

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	**As at 31 December 2018** *HK$'000*	**As at 31 December 2019** *HK$'000*	**As at 31 May 2020** *HK$'000*
Bank balances	*A1*	1,154	7,026	1,799

The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Given that significant portion of the bank deposits are placed with banks that are independently rated with high credit rating with no default history in past years, management of the Group considers that the credit risk on the bank deposits balances is limited.

(c) Liquidity risk

Liquidity risk mainly represents the risk that the Target Group will not be able to meet its financial obligations. The Company has agreed, following the completion of the Acquisition to provide adequate funds to enable the Target Group to meet in full its financial obligations as and when they fall due for the foreseeable future. Alternatively, the present shareholders of the Target Company have agreed, in the event that the Acquisition is not successful, to provide adequate funds to enable the Target Group to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the sole director of the Target Company is of the view that the liquidity risk exposed to the Target Group is not regarded significant.

The following tables detail the contractual maturities of the Target Group for their non-derivative financial liabilities, which are based on undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of reporting period.

In addition, the following tables detail the contractual maturities of the Target Group for their non-derivative financial assets, which are based on undiscounted cash flows of financial assets based on the earliest date on which the Target Group can be required to pay. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Target Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	On demand	Less than 1 year	Over 1 year	Total undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018					
Non-derivative assets					
Other receivables	216	—	—	216	216
Amount due from director	8,825	—	—	8,825	8,825
Cash and cash equivalents	1,166	—	—	1,166	1,166
	10,207	—	—	10,207	10,207
Non-derivative liabilities					
Other payables and accruals	21,835	—	—	21,835	21,835
Borrowings	366,661	—	236,000	602,661	566,661
Amount due to director	—	—	—	—	—
	388,496	—	236,000	624,496	588,496

	On demand	Less than 1 year	Over 1 year	Total undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2019					
Non-derivative assets					
Other receivables	1,804	—	—	1,804	1,804
Amount due from director	—	—	—	—	—
Cash and cash equivalents	7,045	—	—	7,045	7,045
	8,849	—	—	8,849	8,849
Non-derivative liabilities					
Other payables and accruals	47,040	—	—	47,040	47,040
Borrowings	452,669	212,000	—	664,669	652,669
Amount due to director	14,719	—	—	14,719	14,719
	514,428	212,000	—	726,428	714,428

	On demand	Less than 1 year	Over 1 year	Total undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 May 2020					
Non-derivative assets					
Other receivables	2,780	—	—	2,780	2,780
Amount due from director	—	—	—	—	—
Cash and cash equivalents	1,817	—	—	1,817	1,817
	4,597	—	—	4,597	4,597
Non-derivative liabilities					
Other payables and accruals	87,712	—	—	87,712	87,712
Borrowings	452,428	202,000	—	654,428	652,428
Amount due to director	18,733	—	—	18,733	18,733
	558,873	202,000	—	760,873	758,873

(d) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

23. RELATED PARTY TRANSACTIONS

In addition to those disclosed in this Historical Financial Information, the Group had the following transactions with related parties:

	Period from 8 December 2017 (date of incorporation) to 31 December 2018	Year ended 31 December 2019	Five months ended 31 May 2019	Five months ended 31 May 2020
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest charged by Mr. Yang Lijun	—	762	—	1,000

Mr. Yang Lijun is the sole director of the Target Company.

24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Audited			
	Interest payable (included in other payables and accruals) *HK$'000*	Amount due to director *HK$'000*	Borrowings *HK$'000*	Total *HK$'000*
At 8 December 2017 (date of incorporation)	—	—	—	—
Financing cash inflow	—	—	566,661	566,661
Financing cash outflow	(32,774)	—	—	(32,774)
Finance costs	47,275	—	—	47,275
At 31 December 2018 and 1 January 2019	14,501	—	566,661	581,162
Financing cash inflow	—	14,719	93,832	108,551
Financing cash outflow	(85,437)	—	—	(85,437)
Finance costs	87,566	—	—	87,566
Exchange realignment	(267)	—	(7,824)	(8,091)
At 31 December 2019 and 1 January 2020	16,363	14,719	652,669	683,751
Financing cash inflow	—	4,014	11,294	15,308
Financing cash outflow	(4,471)	—	—	(4,471)
Finance costs	35,148	—	—	35,148
Exchange realignment	(346)	—	(11,535)	(11,881)
At 31 May 2020	46,694	18,733	652,428	717,855

	Unaudited			
	Interest payable (included in other payables and accruals) *HK$'000*	Amount due to director *HK$'000*	Borrowings *HK$'000*	Total *HK$'000*
At 1 January 2019	14,501	—	566,661	581,162
Financing cash inflow	—	719	11,367	12,086
Financing cash outflow	(14,318)	—	—	(14,318)
Finance costs	39,211	—	—	39,211
Exchange realignment	(22)	—	(644)	(666)
At 31 May 2019	39,372	719	577,384	617,475

25. STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

	As at 31 December		As at 31 May
	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*
Non-current asset			
Investment in subsidiary	10	10	10
Current asset			
Amount due from director	375	367	363
	375	367	363
Current liability			
Amount due to a subsidiary	10	10	10
	10	10	10
Net current assets	365	357	353
Net assets	375	367	353
Capital and reserves			
Share capital	390	390	390
Reserves	(15)	(23)	(27)
Total equity	375	367	353

26. SUBSIDIARIES

Details of the Target Company's subsidiaries are as follows:

Name of subsidiary	Place and date of establishment	Registered and paid in capital	Percentage of attributable equity interest held by the Target Company 31 December 2018	31 December 2019	31 May 2020	Principal activities
More Earn HK Development Limited 萬盈香港發展有限公司	Hong Kong 20 December 2017	HK$1	100%	100%	100%	Investment holding
珠海市富元商業發展有限公司 ("珠海富元")	PRC 18 January 2018	Note a	100%	100%	100%	Development, leasing and management of properties
珠海市橫琴新區萬盈酒店管理有限公司 ("珠海萬盈")	PRC 27 June 2019	Note b	N/A	100%	100%	Inactive

Notes:

(a) The registered capital of 珠海富元 is RMB250,000,000 of which RMB150,000,000 was fully paid up as at 31 May 2020.

(b) The registered capital of 珠海萬盈 is RMB10,000,000 of which no registered capital was paid up as at 31 May 2020.

The Target Company and its subsidiaries adopt 31 December as their financial year end date.

As at the date of this report, no statutory financial statements have been prepared for 珠海富元 and 珠海萬盈 since their respective dates of establishment.

27. PROJECT COMMITMENTS

As at 31 December 2018, 31 December 2019 and 31 May 2020, the Target Group had outstanding commitments for property development expenditure contracted but not provided for amounted to approximately HK$6,243,000, HK$92,210,000 and HK$73,562,000, respectively.

28. EVENTS AFTER THE RELEVANT PERIODS

Since early 2020, the epidemic of Coronavirus Disease 2019 (the ''COVID-19 outbreak'') has spread across China and other countries and it has affected the business and economic activities of the Target Group to some extent.

The overall financial effect of the COVID-19 outbreak cannot be reliably estimated as of the date of issuance of this Historical Financial Information. The Target Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the property market, the financial position and operating results of the Target Group.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company and its subsidiary have been prepared in respect of any period subsequent to 31 May 2020.

30. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS

Up to the date of issue of this report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the annual period beginning on 1 January 2020 and which have not been early adopted in this Historical Financial Information.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[2]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framwork for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 June 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

The Target Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application.

BUSINESS OVERVIEW

The Target Company was incorporated in the BVI and the HK Company was incorporated in Hong Kong, both in December 2017. The Land Company was established in January 2018. Pursuant to its business licence, the Land Company is licensed to be engaged in, among other matters, property development (other than construction of golf course and stand-alone villas), project investment, leasing of self-owned properties and property management. The Management Company was established in June 2019 for the purpose of overseeing operation of the Hotel. Pursuant to its business licence, the Management Company is licensed to be engaged in, among other matters, hotel management and consultancy. Set out below is the management discussion and analysis of the financial conditions and operating results of the Target Group for the period commencing from 8 December 2017 and ended on 31 December 2018, the year ended 31 December 2019, and for the five months ended 31 May 2020, respectively (the "Relevant Periods").

FINANCIAL OVERVIEW

For the period commencing from 8 December 2017 and ended on 31 December 2018

The Target Group did not record any revenue for the period commencing from 7 December 2017 and ended on 31 December 2018. Other income and gains mainly derived from bank interest income of approximately HK$33,000 during the period commencing from 7 December 2017 and ended on 31 December 2018. After deducting administrative expenses of approximately HK$1.4 million which mainly comprised wages and staff benefits, exchange loss of approximately HK$10.2 million resulting from the decline in exchange rate of RMB to HK$ and finance cost of approximately HK$12.0 million, the Target Group recorded a net loss of approximately HK$23.6 million for the period commencing from 7 December 2017 and ended on 31 December 2018.

For the year ended 31 December 2019

The Target Group did not record any revenue for the year ended 31 December 2019. Other income and gains mainly derived from bank interest income of approximately HK$13,000 during the year ended 31 December 2019. After deducting administrative expenses of approximately HK3.9 million which mainly comprised wages and staff benefits, professional fee and office supplies, exchange loss of approximately HK$4.1 million resulting from the decline in exchange rate of RMB to HK$ and finance cost of approximately HK$29.0 million, the Target Group recorded a net loss of approximately HK$37.0 million for the year ended 31 December 2019.

For the five months ended 31 May 2020

The Target Group did not record any revenue for the five months ended 31 May 2020. Other income and gains mainly derived from bank interest income of approximately HK$5,000 during the five months ended 31 May 2020. After deducting administrative expenses of approximately HK$1.5 million which mainly comprised wages and staff benefits, exchange loss of approximately HK$5.6 million resulting from the decline in exchange rate of RMB to HK$ and finance cost of approximately HK$11.0 million, the Target Group recorded a net loss of approximately HK$18.1 million for the five months ended 31 May 2020.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the Relevant Periods, the Target Group funded its business operations mainly through external financing primarily consisted of (i) borrowings; and (ii) amount due to a director. The Target Group's primary uses of cash were for (i) acquisition of land for development; (ii) the payment of construction costs, (iii) staff costs; and (iv) various operating expenses.

As at 31 December 2018, 2019 and 31 May 2020, the Target Group had borrowings and amount due to a director of HK$566.7 million, HK$667.4 million and HK$671.2 million, respectively, and had cash and bank balances of approximately HK$1.2 million, HK$7.0 million and HK$1.8 million, respectively. Cash and bank balances of HK$0.7 million, HK$7.0 million and HK$1.8 million as at 31 December 2018, 31 December 2019 and 31 May 2020, respectively, were denominated in RMB and the rest of the cash and bank balances were denominated in HK$.

Borrowings in the amount of HK$366.7 million, HK$452.7 million and HK$452.4 million and amount due to a director in the amount of nil, HK$14.7 million and HK$18.7 million as at 31 December 2018, 2019 and 31 May 2020 respectively, were denominated in RMB with fixed annual interest rate of 13% and repayable on demand. Borrowings in the amount of HK$200.0 million, HK$200.0 million and HK$200.0 million as at 31 December 2018, 2019 and 31 May 2020 respectively, were denominated in HK$ with fixed annual interest rate of 12%.

The Target Group did not have any formal hedging policies and no financial instrument was used for hedging purpose. The Target Group reviewed the conditions of principal funds from time to time to ensure that sufficient financial resources were available to meet financial obligations.

For the period commencing from 8 December 2017 and ended on 31 December 2018

As at 31 December 2018, the net liabilities and net current liabilities of the Target Group amounted to approximately HK$23.2 million and approximately HK$238.0 million, respectively. The non-current assets of the Target Group comprised land for development of approximately HK$414.8 million. The current assets of the Target Group of approximately HK$150.5 million mainly consisted of properties held for sale under development of approximately HK$129.6 million, prepayment, deposit and other receivables of approximately HK$10.9 million, amount due from a director of approximately HK$8.8 million and cash and cash equivalents of approximately HK$1.2 million. The current liabilities of the Target Group of approximately HK$388.5 million mainly consisted of other payables and accruals, including interest payable of borrowings and construction fee payable, of approximately HK$21.8 million and borrowings of approximately HK$366.7 million. The non-current liabilities were comprised of borrowings of approximately HK$200.0 million. The liquidity ratio of the Target Group, as a ratio of current assets to current liabilities, amounted to 0.39 as at 31 December

2018. The gearing ratio, being bank loans less cash and bank balances and divided by equity attributable to the Shareholders, is not applicable as the Target Group had a net deficiency in equity as at 31 December 2018.

For the year ended 31 December 2019

As at 31 December 2019, the net liabilities and net current liabilities of the Target Group amounted to approximately HK$59.7 million and approximately HK$501.2 million, respectively. The non-current assets of the Target Group comprised land for development of approximately HK$441.5 million. The current assets of the Target Group of approximately HK$213.2 million mainly consisted of properties held for sale under development of approximately HK$201.0 million, prepayment, deposit and other receivables of approximately HK$5.2 million and cash and cash equivalents of approximately HK$7.0 million. The current liabilities of the Target Group of approximately HK$714.4 million mainly consisted of other payables and accruals, including interest payable of borrowings and construction fee payable, of approximately HK$47.0 million, borrowings of approximately HK$652.7 million and amount due to a director of approximately HK$14.7 million. The liquidity ratio of the Target Group, as a ratio of current assets to current liabilities, amounted to 0.30 as at 31 December 2019. The gearing ratio, being bank loans less cash and bank balances and divided by equity attributable to the Shareholders, is not applicable as the Target Group had a net deficiency in equity as at 31 December 2019.

For the five months ended 31 May 2020

As at 31 May 2020, the net liabilities and net current liabilities of the Target Group amounted to approximately HK$76.2 million and approximately HK$520.9 million, respectively. The non-current assets of the Target Group comprised land for development of approximately HK$444.7 million. The current assets of the Target Group of approximately HK$238.0 million mainly consisted of properties held for sale under development of approximately HK$228.4 million, prepayment, deposit and other receivables of approximately HK$7.7 million and cash and cash equivalents of approximately HK$1.8 million. The current liabilities of the Target Group of approximately HK$758.9 million mainly consisted of other payables and accruals, including interest payable of borrowings and construction fee payable, of approximately HK$87.7 million, borrowings of approximately HK$652.4 million and amount due to a director of approximately HK$18.7 million. The liquidity ratio of the Target Group, as a ratio of current assets to current liabilities, amounted to 0.31 as at 31 May 2020. The gearing ratio, being bank loans less cash and bank balances and divided by equity attributable to the Shareholders, is not applicable as the Target Group had a net deficiency in equity as at 31 May 2020.

SIGNIFICANT INVESTMENTS

On 24 January 2018, the Land Company acquired the land parcel with site area of approximately 48,653.2 sq.m. located in Doumen District, Zhuhai City, Guangdong Province, the PRC at a land grant premium of RMB426 million (equivalent to HK$462.6 million).

There were no significant investments for the year ended 31 December 2019 and for the five months ended 31 May 2020.

Save for the land for development with carrying value of HK$444.7 million as at 31 May 2020, the Target Group had no other significant investment during the Relevant Periods.

MATERIAL ACQUISITIONS AND DISPOSALS

In 2018, the HK Company acquired 100% interest of the Land Company from Zhongshan Company at the cost of RMB50,000,001 (equivalent to HK$54,300,001) and the Land Company became a wholly-owned subsidiary of the HK Company.

There were no significant acquisitions and disposal for the year ended 31 December 2019 and for the five months ended 31 May 2020.

Save for the above, the Target Group did not have any other material acquisitions and disposals during the Relevant Periods.

EMPLOYEES

As at 31 December 2018, 31 December 2019 and 31 May 2020, the Target Group had 3, 10 and 15 employees respectively.

For the period commencing from 7 December 2017 and ended on 31 December 2018, for the year ended 31 December 2019 and for the five months ended 31 May 2020, the Target Group incurred employment benefit expenses of approximately RMB988,000, RMB2,127,000 and RMB867,000, respectively. The remuneration of the employees of the Target Group is determined in accordance with performance, professional experiences and the prevailing market conditions. Management reviews the employee remuneration policy and arrangement of the Target Group on a regular basis. According to the statutory requirements, the Target Group has participated in the employee retirement benefit plan (social pension insurance) and housing accumulation fund plan coordinated or organised by the local government department, and has participated in a number of security plans such as medical treatment, work injury and unemployment insurance for employees. In addition, the Target Group attaches great importance to the training of employees, and has established a training system based on the competency of employees in their posts. Training plans are formulated on an annual basis according to the actual needs of business and employees for the current year, and are summarised and reviewed at the end of the year.

CHARGES OF ASSETS

As at 31 December 2018, 31 December 2019 and 31 May 2020 the Target Group did not have any charges over assets.

PROJECT COMMITMENT

As at 31 December 2018, 31 December 2019 and 31 May 2020, the Target Group had outstanding commitments for property development expenditure contracted but not provided for amounted to approximately HK$6,243,000, HK$92,210,000 and HK$73,562,000, respectively.

CONTINGENT LIABILITIES

As at 31 December 2018, 31 December 2019 and 31 May 2020, the Target Group had no material contingent liabilities.

FOREIGN CURRENCY EXPOSURE

The Target Group has currency exposures as certain assets and liabilities are denominated in Hong Kong dollar which is not functional currency of the respective group entities. The Target Group manages its currency exposures by matching as far as possible, its receipts and payments in each individual currency. The Target Group monitors the foreign currency exchange rates closely so as to minimise any potential material adverse effects from these exposure in a timely manner.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at the Latest Practicable Date, save for development of the Project disclosed above, the Target Company did not have any future plan for material investments or addition of capital assets for the year ending 31 December 2020.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. Basis of preparation of the unaudited pro forma financial information of the Enlarged Group

In connection with the Acquisition, the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, comprising the Group and the Target Group, has been prepared to illustrate the effect of the Acquisition on the Group's financial position as at 31 December 2019 as if the Acquisition had taken place on 31 December 2019.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is prepared based on (i) the information on the audited consolidated statement of assets and liabilities of the Group as at 31 December 2019 which has been extracted from the published annual report of the Group for the year ended 31 December 2019; and (ii) the information on the audited consolidated statement of assets and liabilities of the Target Group as at 31 May 2020, which has been extracted from the accountants' report set out in Appendix II to this circular.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules and is solely for the purpose to illustrate the assets and liabilities of the Enlarged Group as if the Acquisition had taken place on 31 December 2019.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described below in the accompanying notes that are (i) directly attributable to the Acquisition; and (ii) factually supportable.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared by the Directors based on certain assumptions and estimates and for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group had the Acquisition been completed as at 31 December 2019 or at any future dates.

B. Unaudited pro forma financial information of the Enlarged Group

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group as at 31 December 2019

	The Group as at 31 December 2019	The Target Group as at 31 May 2020	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
			Consideration for the acquisition	Elimination of investment costs	Other cost of acquisition	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets						
Property, plant and equipment	268,256	—				268,256
Right-of-use assets	52,146	—				52,146
Investment properties	18,400	—				18,400
Goodwill	—	—		59,288		59,288
Licensing rights	15,842	—				15,842
Properties under development	506,399	470,019		127,281		1,103,699
Investment in subsidiaries	—	—	108,600	(108,600)		—
Pledged bank balances	989	—				989
	862,032	470,019				1,518,620
Current assets						
Properties held for sale under development	688,752	203,098		111,842		1,003,692
Properties held for sale	2,630	—				2,630
Deposit for acquisition of land for development	89,152	—				89,152
Inventories	4	—				4
Trade receivables	3,586	—				3,586
Prepayments, deposits and other receivables	38,031	7,712				45,743
Restricted bank balances	35,740	—				35,740
Cash and cash equivalents	56,129	1,817			(1,500)	56,446
	914,024	212,627				1,236,993
Total assets	1,776,056	682,646				2,755,613

	The Group as at 31 December 2019	The Target Group as at 31 May 2020	Pro forma adjustments: Consideration for the acquisition	Pro forma adjustments: Elimination of investment costs	Pro forma adjustments: Other cost of acquisition	Unaudited pro forma of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Current liabilities						
Trade payables, other payables and accruals	200,742	87,712				288,454
Amount due to non-controlling interests	164,217	—				164,217
Amount due to director	—	18,733				18,733
Loans and borrowings — due within one year	357,516	652,428				1,009,944
Contract liabilities	65,719	—				65,719
	788,194	758,873				1,547,067
Net current assets/(liabilities)	125,830	(546,246)				(310,074)
Total assets less current liabilities	987,862	(76,227)				1,208,546
Non-current liabilities						
Promissory note payable	—	—	108,600			108,600
Loans and borrowings — due after one year	562,400	—				562,400
Lease liabilities	822	—				822
Deferred tax liabilities	30,322	—		113,584		143,906
	593,544	—				815,728
Net assets/(liabilities)	394,318	(76,227)				392,818

C. Notes to the unaudited pro forma financial information

(1) The assets and liabilities of the Group as at 31 December 2019 are extracted from the Group's audited consolidated statement of financial position at 31 December 2019 set out in the published annual report of the Company for the year ended 31 December 2019. The assets and liabilities of the Target Group as at 31 May 2020 are extracted from the Accountants' Report as set out in Appendix II to this circular.

(2) On 29 June 2020, the Company entered into the Sale and Purchase Agreement with Yang's Development Limited, a controlling shareholder of the Target Company and beneficially owned by Mr. Yang Lijun, a director and chairman of the Company. Pursuant to the Sale and Purchase Agreement, the Company has agreed to acquire 100% equity interest in the Target Company for a consideration of HK$108.6 million. The Consideration shall be satisfied by issue of the Promissory Note by the Company with the principal sum of HK$108.6 million.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared as if completion of the Acquisition had taken place on 31 December 2019. The consideration payable by the Group for the acquisition pursuant to the Sale and Purchase Agreement is calculated as follows:

	HK$'000
Consideration payable by the Group for the acquisition	
— Promissory Note to be issued by the Company	108,600
Total consideration payable by the Company	108,600

(3) Upon completion of the Acquisition, 100% equity interest in the Target Group will be held by the Company. The net identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Company at their fair value under the acquisition method of accounting.

The goodwill arising from the Acquisition is calculated below:

	HK$'000	*HK$'000*
Total consideration *(Note a)*		108,600
Fair value of assets and liabilities of the Target Group		
Development properties (comprising properties under development and properties held for sale under development) *(Note b)*	912,240	
Prepayments, deposits and other receivables	7,712	
Cash and cash equivalents	1,817	
Other payables and accruals	(87,712)	
Amount due to director	(18,733)	
Loans and borrowings	(652,428)	
Deferred tax liabilities *(Note d)*	(113,584)	49,312
Goodwill		59,288

For the purposes of the calculation of the goodwill arising from the Acquisition, the following bases and assumptions are adopted:

(a) The fair value of the Promissory Note to be issued by the Company is estimated to be HK$108,600,000, being approximate to the principal amount of the Note.

(b) The fair value of the properties for and under development is estimated to be HK$912,240,000, being the market value of the properties at 31 May 2020, as valued by a professional property valuer, B.I. Appraisals Limited. The corresponding deferred tax liabilities amounted to HK$113,584,000 was recognised (Note d).

(c) The fair value of the other assets and liabilities of the Target Group is estimated to be approximate to their respective carrying amounts at 31 May 2020.

(d) Deferred tax liabilities of HK$113,584,000 included deferred land appreciation tax HK$55,955,000 and deferred corporate income tax of HK$57,629,000 related to the adjustments of the development properties to their fair value (Note b).

The deferred land appreciation tax of HK$55,955,000 is calculated at a rate of 30% on the appreciation of land value, being the fair value of the properties as at 31 May 2020 less property development expenditures, including borrowing costs, which are considered to be deductible pursuant to the relevant PRC land appreciation tax regulations.

The deferred corporate income tax of HK$57,629,000 is calculated based on 25% of the valuation surplus of the development properties, being excess of fair value of the development properties (Note b) over the aggregate of the property development expenditures incurred and aforementioned deferred land appreciation tax.

The Acquisition is accounted for using the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) 3 “Business Combinations”. The Directors believe that the acquired items constitute a business in accordance with HKFRS 3. The recognition of goodwill of HK$59,288,000 arose from the Acquisition as if the Acquisition was completed on 31 December 2019.

The Group’s accounting policies for goodwill are in accordance with the applicable accounting standards. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

The Directors confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information is consistent with the accounting policies of the Group. The Group will adopt accounting policies for goodwill, save for compliance to any new or revised HKFRSs that would be issued by the HKICPA, to perform impairment test of the Enlarged Group’s goodwill during the future accounting periods of the Enlarged Group. If the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit will be tested for impairment before the end of the current annual period. The Directors consider that the Group's accounting treatment and principal assumptions used to assess the impairment of such goodwill will be the same as other acquisitions of similar nature. To the best knowledge of the Directors, the Group's independent auditors will conduct the audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants to perform the impairment assessment of the Enlarged Group's goodwill during the future annual audit of the Enlarged Group.

Even though the impairment test will be carried out in the accounting periods in the future, for the purpose of the Unaudited Pro Forma Financial Information, the Group has assessed if there is any impairment indication of the goodwill arising from the proposed acquisition of the Target Company in accordance with the HKAS 36 "Impairment of Assets" which is consistent with the Group's accounting policies. The Group has adopted income-based approach in arriving at the recoverable amount. Under the income-based approach, the Group has adopted discounted cash flow method, which is based on a simple reversal calculation to restate all future cash flows to present value. The Group has applied the following key assumptions for the discounted cash flow method to estimate the recoverable amount:

(a) The valuation was mainly based on the projections of the future cash flows reflecting market conditions and economic fundamentals, and will be materialised;

(b) The cash generating unit will be operated and developed as planned by the management;

(c) All relevant legal approvals and business certificates or licences to operate the business in the localities in which the cash generating unit operates or intends to operate would be officially obtained and renewable upon expiry;

(d) There will be sufficient supply of technical staff in the industry in which the cash generating unit operates, and the cash generating unit will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

(e) There will be no major change in the current taxation laws in the localities in which the cash generating unit operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

(f) There will be no major change in the political, legal, economic or financial conditions in the localities in which the cash generating unit operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the cash generating unit; and

(g) Interest rates and exchange rates in the localities for the operation of the cash generating unit will not differ materially from those presently prevailing.

The Directors are of the view that, after performing the impairment assessment, there is no impairment indication of the goodwill arising from the proposed acquisition of the Target Company as set out in the Unaudited Pro Forma Financial Information. The Group will adopt the same key assumptions, accounting principal and valuation method to assess the impairment in the future.

Upon completion of the Acquisition, the actual goodwill of the Enlarged Group, for accounting purpose, will need to be recalculated based on the fair value of the net identifiable assets and liabilities of the Target Group at the date of completion of the Acquisition. The actual financial effects may be different from the amounts presented above.

(4) The adjustment represents the recognition of other acquisition costs amounting to approximately HK$1,500,000 as estimated by the Directors which mainly comprises legal and professional fees.

(5) No other adjustments have been made to reflect any trading results or other transactions of the Group and of the Target Group subsequent to 31 December 2019.

II. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, received from the Company's reporting accountants, CCTH CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Enlarged Group's pro forma financial information for the purpose of this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of TFG International Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of TFG International Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2019 and related notes as set out on pages IV-1 to IV-8 of Appendix IV of the circular issued by the Company dated 14 August 2020 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page IV-1 in Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 100% equity interest in the Target Company and its subsidiaries (the "Acquisition") on the Group's financial position as at 31 December 2019 as if the Acquisition had taken place at 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated statement of financial position at 31 December 2019 set out in the Company's published annual report for the year ended 31 December 2019.

Directors' Responsibilities for the Unaudited Pro forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have complied the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

— the related pro forma adjustments give appropriate effect to those criteria; and

— the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

CCTH CPA Limited
Certified Public Accountants
Hong Kong

Ng Kam Fai
Practising Certificate Number P06573

14 August 2020

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from B.I. Appraisals Limited, an independent property valuer, in connection with its opinion of value of the Property as at 31 May 2020.

B.I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants

22/F, China Overseas Building,
139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2127 7762 Fax (852) 2137 9876
E-mail: info@biappraisals.com
Website: www.biappraisals.com

14 August 2020

The Board of Directors
TFG International Group Limited
Flat 403 & 405, 4th Floor
Kowloon City Plaza
128 Carpenter Road
Kowloon City, Kowloon
Hong Kong

Dear Sirs,

Re: The development site of the proposed 富元廣場 (Fu Yuan Guang Chang) located at Zhufeng Avenue (珠峰大道), Doumen District (斗門區), Zhuhai City, Guangdong Province, The People's Republic of China ("PRC")

In accordance with the instructions from TFG International Group Limited (hereinafter referred to as the ''Company'') for us to value the captioned property (hereinafter referred to as the ''Property''), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property as at 31 May 2020 (hereinafter referred to as the ''Date of Valuation'').

It is our understanding that this valuation document is to be used by the Company for disclosure purpose in relation to a proposed acquisition (hereinafter referred to as the ''Proposed Acquisition'') that involved the Property. We further understand that our report is to be incorporated in a circular to be issued by the Company in relation to the Proposed Acquisition.

This letter, forming part of our valuation report, states the instructions, identifies the property being valued, explains the basis and methodology of our valuation, and lists out the assumptions and the title investigation we have made in the course of our valuation, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value 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''.

Our valuation has been carried out in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

We have valued the Property, which is a development site under construction, in accordance with the latest development proposal provided to us and have adopted the Direct Comparison Method assuming it is capable of being sold in existing state with the benefit of immediate vacant possession and making reference to comparable sales evidence as available from the relevant markets. In addition, we have taken into consideration the construction costs that have already been expended as at the Date of Valuation and the outstanding construction costs that will be expended for completing the development to reflect the quality of the completed development.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the Property would be sold in the open market without the benefit of deferred terms contracts, leasebacks, joint venture, management agreements, or any similar arrangements that would serve to affect its value. In addition, no account has been taken of any option or right of pre-emption concerning or effecting a sale and no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing the property valued nor for any expenses 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 outgoing of an onerous nature that could affect its value.

We have assumed that the Property will be constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. We have further assumed that all consents, approvals, required licences, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of the Property upon which our valuation is based.

TITLE INVESTIGATION

We have been provided by the Company with copies of title documents and a copy of the legal opinion dated 12 August 2020 prepared by 廣東四合律師事務所 (Guangdong Sihe Law Firm), the Company's legal advisor on the PRC law (hereinafter referred to as the ''PRC Legal Advisor''), regarding the title to and the interest in the Property. We have not inspected the original of the title documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents and leases have been used for reference only.

In the course of our valuation, we have relied on the advice given by the Company and the legal opinion of the PRC Legal Advisor regarding the title to and the interest in the Property. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the Property that is assumed to be good and marketable.

LIMITING CONDITIONS

We are not able to conduct the inspection of the Property due to the quarantine measures for individuals in the context of the COVID-19 outbreak currently enforced in Hong Kong and in the PRC. In the course of our valuation, as agreed with the Company, we have relied on the video showing the environment and the neighborhood of the Property taken by the Company on 18th June 2020. No structural survey has been made nor have any tests been carried out on any of the building services provided in the Property. Therefore, we are not able to report whether the Property are free of rot, infestation or any other structural defects.

We have not carried out site measurements to verify the correctness of the site and floor areas of the Property but have assumed that the areas shown on the documents provided to us are correct. Dimensions, measurements and areas included in the valuation report attached are based on information contained in the documents provided to us by the Company and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any development.

We have relied to a considerable extent on the information provided by the Company and accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, latest development proposal, particulars of occupancy, site and floor plans, site and floor areas and all other relevant matters in the identification of the Property. We have not seen original planning consents and have assumed that the Property have been/would be erected, occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

Our valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

This report and each part of it is prepared and intended for the exclusive use of the Company for the purpose hereinbefore stated. In accepting this report, the Company expressly agrees not to use or rely upon this report or any part of it for any other purpose without obtaining our prior written consent.

CURRENCY

Unless otherwise stated, all monetary amounts stated in the valuation certificate attached are in Renminbi (RMB).

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Company, the Property and its owner or the value reported herein.

Our valuation report is attached herewith.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED

William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
Registered Business Valuer
MRICS, MHKIS, MCIREA
Executive Director

Note:

Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 35 years' experience in the valuation of properties in Hong Kong and has over 25 years' experience in the valuation of properties in the PRC and the Asia Pacific region.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2020
The development site of the proposed 富元廣場 (Fu Yuan Guang Chang) located at Zhufeng Avenue (珠峰大道), Doumen District (斗門區), Zhuhai City, Guangdong Province, The People's Republic of China ("PRC").	The Property comprises a parcel of land with a site area of approximately 48,653.20 sq.m. situated off the southeastern side of Zhufeng Avenue near the roundabout of Jianfeng Bridge (尖峰大橋), bounded by Hebin Road (河濱路), within Doumen District of Zhuhai City. The Property is permitted to be developed for hotel, commercial and office uses with a total permitted plot ratio gross floor area of approximately 155,690.24 sq.m. *(See Note 2 below)*. The Property comprises three phases to be developed into a commercial complex comprising a hotel of 5-star standard, 3 office towers and a shopping centre with a basement car park of 1,357 car parking spaces and other ancillary public facilities. The proposed total gross building area is approximately 197,101.55 sq.m. of which the plot ratio gross floor area is approximately 155,690.20 sq.m. The breakdown of which is as follows:	The Property is currently vacant. Phase I is currently under construction and Phases II & III are currently pending construction approval from the relevant government authorities. The construction of Phase I is expected to be completed by June 2022.	RMB840,000,000

Use	Approximate Gross Building Area *(sq.m.)*
Hotel	93,414.12
Office	48,532.53
Commercial	13,129.05
Basement	41,125.28
Ancillary facilities	900.57
Total	197,101.55

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2020
	Phase I development, currently under construction, comprises two blocks of 19 to 21-storey office/ commercial building with a garbage collection point built over a basement providing 117 car parking spaces. The total planned gross floor area is approximately 51,721.53 sq.m., including approximately 9,050.74 sq.m. of basement area and 107.85 sq.m. of ancillary facilities area. Phases II & III comprise a hotel and a shopping centre, the development proposal of which have not yet been approved by the relevant government authorities. The land use rights of the Property have been granted for a term from 24 January 2018 to 23 January 2058 for hotel & catering (住宿餐飲) and business & finance/wholesale & retail (商務金融/批發零售) uses.		

Notes:

(1) Pursuant to the 不動產權證 粵 (2018) 珠海市不動產權第0083938號 (Real Estate Ownership Certificate) (Yue (2018) Zhuhai City Fixed Assets Ownership No. 0083938) registered on 2 November 2018, the land use rights of the Property with a site area of approximately 48,653.20 sq.m. is vested in 珠海市富元商業發展有限公司 (Zhuhai Fuyuan Business Development Company Limited, hereinafter referred to as "Fuyuan") for hotel & catering and business finance/wholesale & retail uses for a term from 24 January 2018 to 23 January 2058.

(2) Pursuant to the 國有建設用地使用權出讓合同 (變更合同) (Amendment Contract to Contract for Grant of State-owned Construction Land Use Rights) (Contract No.: 440401-2018-000001) dated 24 January 2018 entered into between 珠海市國土資源局 (Zhuhai Municipal State-owned Land Resources Bureau) and Fuyuan, the land use rights of the Property have been agreed to be granted to Fuyuan. Major conditions of the said contract are summarized as follows:

(a)	Lot no.	:	珠國土儲2017-60號;
(b)	Site area of the lot	:	48,653.20 sq.m.;
(c)	Permitted uses	:	Hotel & catering (for site area of 29,191.92 sq.m.) Business & finance/wholesale & retail (for site area of 19,461.28 sq.m.)
(d)	Term of land use rights	:	40 years commencing from the date of handing-over of the land parcel;
(e)	Land grant premium	:	RMB426,000,000;

(f)	Payment term	:	1st payment of RMB213,000,000 shall be paid before 8 February 2018; 2nd payment of RMB213,000,000 shall be paid before 8 July 2018;
(g)	Permitted plot ratio gross floor area	:	155,690.24 sq.m., of which not less 60% shall be for the hotel development and not more than 40% for the commercial and office development;
(h)	Plot ratio	:	Not more than 3.20;
(i)	Green land ratio	:	Not less than 30%;
(j)	Site coverage	:	Not greater than 50% for podium and not greater than 30% for building tower(s);
(k)	Height of building	:	Not higher than 40 metres along river side and not more than 100 metres for other areas;
(l)	Hotel development	:	The proposed hotel shall be of at least 5-star standard;
(m)	Construction period	:	Construction is to commence before 13 February 2019 and shall be completed before 13 February 2022.
(n)	Alienation clause	:	Prior approval from the government of Doumen District has to be obtained for the transfer of the Property before the completion of the entire project and for the transfer of the hotel portion within 3 years from its completion.

(3) Pursuant to the 建設用地規劃許可證 地字第 (斗門) 2018-044號 (Construction Land Use Planning Permit) (Di Zi No. (Doumen) 2018-044) issued by 珠海市住房和城鄉規劃建設局 (Zhuhai Municipal Housing and Urban Rural Planning Construction Bureau) on 30 May 2018, the land use planning of the Property is in compliance with the relevant planning requirements.

(4) Pursuant to the 建設工程規劃許可證 建字第 (斗門) 2019-026號 (Construction Works Planning Permit) (Jian Zi No. (Doumen) 2019-026) issued by 珠海市自然資源局 (Zhuhai Municipal Natural Resources Bureau) on 8 March 2019, the proposed phase I development is in compliance with the relevant planning requirements.

(5) Pursuant to the 富元廣場一期規劃設計修改申請的覆函 珠規建斗 (建工) 函〔2019〕40號 (Reply to the Application for Planning and Design Modification of Fu Yuan Guang Chang Phase I) (Zhu Gui Jian Dou (Jian Gong) Han No.〔2019〕40) issued by 珠海市住房和城鄉規劃建設局斗門規劃分局 (Zhuhai Municipal Housing and Urban Rural Planning Construction Bureau Doumen Planning Branch Office) on 9 May 2019, the proposed planning and design modification of the phase I development was approved. The basement area was adjusted from 9,229.36 sq.m. to 9,050.74 sq.m. and eventually the total planned gross floor area was adjusted from 51,900.15 sq.m. to 51,721.53 sq.m.

(6) Pursuant to the 建設工程施工許可證 (Construction Works Commencement Permit) No. 440403201908090101 issued by 珠海市斗門區住房和城鄉規劃建設局 (Zhuhai Municipal Doumen District Housing and Urban Rural Planning Construction Bureau) on 8 August 2019, the proposed construction works for Fu Yuan Guang Chang (Phase I) of the Property comply with the relevant requirements for commencement and are approved to commence.

(7) Pursuant to the 廣東省珠海市商品房預售許可証 (Pre-sale Permit of Commodity Property) No. DMS20200004 issued by 珠海市斗門區住房和城鄉建設局 (Zhuhai Municipal Doumen District Housing and Urban Rural Construction Bureau) on 28 May 2020, approval for presale of Block 4 of Fu Yuan Guang Chang (Phase I) of the Property with a total gross floor area of 14,592.69 sq.m. has been granted.

(8) Pursuant to the 廣東省珠海市商品房預售許可証 (Pre-sale Permit of Commodity Property) No. DMS20200004-2 issued by 珠海市斗門區住房和城鄉建設局 (Zhuhai Municipal Doumen District Housing and Urban Rural Construction Bureau) on 31 July 2020, approval for presale of Block 3 of Fu Yuan Guang Chang (Phase I) of the Property with a total gross floor area of 19,522.88 sq.m. has been granted.

(9) Pursuant to the Management Agreement dated 4 December 2018 entered into between Fuyuan and Hilton Hotel Management (Shanghai) Co., Ltd. (hereinafter referred to as the ''Manager''), it is agreed that the proposed hotel, upon completion, will be operated and managed by the Manager for a term of 16 years. The Manager will be entitled to a licence fee calculated at 1.7% of the revenue and a management fee in the range of 5% to 7.25% of the gross operating profit of the of the proposed hotel.

(10) Pursuant to the Cooperative Agreement dated 24 July 2020 entered into between Fuyuan and 中山市大信管理投資有限公司 (Zhongshan Dasin Management Investment Company Limited, hereinafter referred to as the ''Lessee''), Fuyuan agreed to lease the proposed commercial facilities ancillary to the hotel with a gross floor area of approximately 54,725 sq.m. (subject to measurements taken at completion inspection) together with about 550 car parking spaces of the Property to the Lessee for a period of 20 years commencing from the date the premises will be handed-over to the Lessee. The monthly rental will be calculated at RMB25 per sq.m. for the initial 5 years, RMB50 per sq.m. for the 6th to 8th years and thereafter with 7% increment every three years from the previous prevailing rent.

(11) We have been advised that the total acquisition and development cost already expended on the Property as at 31 May 2020 was approximately RMB620 million and the estimated cost to complete the proposed development would be approximately RMB1,240 million.

(12) The market value as if completed of the Property as at the Date of Valuation is reasonably assessed at RMB2,690,000,000.

(13) The opinion of the PRC Legal Advisor is summarized as follows:

(a) Fuyuan is a company duly formed and validly existing under the laws of the PRC.

(b) Fuyuan is in possession of the temporary qualification for operation in the real estate development business.

(c) Fuyuan is in possession of the proper legal title to the 100% rights and interest of the Property and is entitled to dispose of, develop and use the Property.

(d) The Property is not involved in any mortgage, seizure, objection or document filing

(e) The land grant premium has been settled in full.

(14) The Property is located in Doumen District of Zhuhai City, which is one of the core districts of the 珠海西部生態新區 (New Ecological District of Western Zhuhai). The municipal government of Zhuhai City is planned to develop the western area of Zhuhai City into a new urban area by the end of 2021 and to be integrated with the overall development of the Greater Bay Area.

In the course of our valuation, we have made reference to transactions of land parcels of similar uses in Doumen and the nearby areas in the past two years. We have analyzed the comparable land transactions and noted that the accommodation values (''AV'', defined as the land value divided by the gross floor area which is allowed to be built on the land) of these transactions which indicate a price range from RMB2,565 to RMB8,330 per sq.m. The market value of the Property as reported above represents an accommodation value of approximately RM5,395 per sq.m., which is considered within the price range indicated by comparable land transactions identified.

(15) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

Real Estate Ownership Certificate (for the land only)	Obtained
Contract for Grant of State-owned Construction Land Use Rights	Signed
Construction Land Use Planning Permit	Obtained
Construction Works Planning Permit (Phase I only)	Obtained
Construction Works Commencement Permit (Phase I only)	Obtained
Pre-sale Permit of Commodity Property (Block 3 and Block 4 only)	Obtained

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 enquiries, 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

2.1. Interests and short positions of the Directors and the chief executive of the Company

Set out below are the interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of each Director and chief executive of the Company as at the Latest Practicable Date which (i) were required, pursuant to Divisions 7 and 8 or Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), to be notified to the Company and the Stock Exchange; (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, to be notified to the Company and the Stock Exchange:

Long position in the Shares:

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
The Guarantor	Interest in controlled corporation	2,955,939,152 *(Note 1)*	42.55%
	Beneficial owner	11,608,000	0.17%
Yu Shunhui	Interest in controlled corporation	164,712,000 *(Note 2)*	2.37%

Notes:

(1) As at the Latest Practicable Date, these Shares were held by All Great, which was owned as to 51% by Jade Leader International Investment Limited ("**Jade Leader**"), 35% by Honor Huge Investment Holdings Limited ("**Honor Huge**") and 14% by Ever Star International Investment Limited ("**Ever Star**", which in turn was wholly-owned by Honor Huge). As at the Latest Practicable Date, the Guarantor was the sole beneficial owner of the entire issued share capital of Jade Leader and Honor Huge and hence, was deemed to be interested in the 2,955,939,152 Shares held by All Great under the SFO. The Guarantor is a director of All Great, Honor Huge, Jade Leader and Ever Star.

(2) As at the Latest Practicable Date, these Shares were held by Rising Giant Investments Limited, which was wholly-owned by Mr. Yu Shunhui. Accordingly, Mr. Yu Shunhui was deemed to be interested in the 164,712,000 Shares held by Rising Giant Investments Limited under the SFO. Mr. Yu Shunhui is a director of Rising Giant Investments Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or 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 or 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 as contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

2.2. Interests and short positions of persons holding 5% or more interests

Set out below are interests or short positions in the Shares or underlying Shares held by any person (other than a Director or chief executive of the Company) as at the Latest Practicable Date which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or interests of persons who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Enlarged Group or held any options in respect of such securities:

Long positions in the shares:

Name	Nature of interest	Number of shares or amount of registered capital	Name of company in which shares are held	Approximate percentage of shareholding
All Great	Beneficial owner	2,955,939,152 *(Note 1)*	The Company	42.55%
Honor Huge	Interest in controlled corporation	2,955,939,152 *(Note 1)*	The Company	42.55%
Jade Leader	Interest in controlled corporation	2,955,939,152 *(Note 1)*	The Company	42.55%
Lin Rujie	Interest of spouse	2,967,547,152 *(Note 2)*	The Company	42.72%
Yang Xiang Bo	Interest in controlled corporation	1,320,000,000 *(Note 3)*	The Company	19.00%

Name	Nature of interest	Number of shares or amount of registered capital	Name of company in which shares are held	Approximate percentage of shareholding
Shirble Department Store Holdings (China) Limited	Interest in controlled corporation	1,320,000,000 *(Note 3)*	The Company	19.00%
Huang Xue Rong	Interest of spouse	1,320,000,000 *(Note 4)*	The Company	19.00%
Yu Shunhui	Interest in controlled corporation	200,000 *(Note 5)*	Hengqin Germany City Investment (Macau) Limited	20.00%
Un Chong San	Beneficial owner	100,000 *(Note 5)*	Hengqin Germany City Investment (Macau) Limited	10.00%
Lin Yongguang	Interest in controlled corporation	22,500 *(Note 6)*	Bright Profit Investments Limited	45%
Lin Yongguang	Interest in controlled corporation	22,500 *(Note 7)*	Jubilation Properties Limited	45%
The Guarantor	Interest in controlled corporation	50,000 *(Note 8)*	The Target Company	100.00%
The Target Company	Beneficial owner	10,000	The HK Company	100.00%
The HK Company	Beneficial owner	RMB250,000,000 *(Note 9)*	The Land Company	100.00%
The HK Company	Beneficial owner	RMB10,000,000 *(Note 10)*	The Management Company	100.00%

Notes:

(1) As at the Latest Practicable Date, these Shares were held by All Great, which was owned as to 51% by Jade Leader, 35% by Honor Huge and 14% by Ever Star. Accordingly, Honor Huge and Jade Leader were deemed to be interested in 2,955,939,152 Shares held by All Great under the SFO. The Guarantor is a director of All Great, Honor Huge, Jade Leader and Ever Star.

(2) Ms. Lin Rujie is the spouse of the Guarantor. According, she is deemed to be interested in the 2,967,547,152 Shares held by or deemed to be interested in by the Guarantor.

(3) Pursuant to the disclosure of interests forms filed, (i) Mr. Yang Xiang Bo had 100% control of Xiang Rong Investment Limited, (ii) which had 100% control of Shirble Department Store Limited, (iii) which had 53.9% control of Shirble Department Store Holdings (China) Limited, the issued shares of which were listed on the Stock Exchange (stock code: 312), and (iv) which in turn had 100% control of Baoke Trading (BVI) Company Limited. Accordingly, Mr. Yang Xiang Bo and Shirble Department Store Holdings (China) Limited were deemed to be interested in such 1,320,000,000 Shares.

(4) Ms. Huang Xue Rong, the spouse of Mr. Yang Xiang Bo, was deemed to be interested in the Shares deemed to be interested in by Mr. Yang Xiang Bo.

(5) 珠海橫琴富昌盛實業發展有限公司 (Zhuhai Hengqin Fuchangsheng Real Estate Development Limited*), a member of the Group, is wholly-owned by Hengqin Germany City Investment (Macau) Limited, which is owned as to 70% by the Group, 10% by Mr. Un Chong San, and 20% indirectly by Mr. Yu Shunhui.

(6) 中山星晨廣場房地產發展有限公司 (Zhongshan Morning Star Plaza Housing and Real Estate Development Limited*), a member of the Group, is wholly-owned by Bright Profit Investments Limited, which in turn is owned as to 55% by the Group and as to 45% directly by City-Prime Profit Limited, which is owned as to 100% directly by Mr. Lin Yongguang.

(7) 中山市星晨花園會所有限公司 (Zhongshan Morning Star Villa Club Co., Ltd.*) and 中山星晨花園房地產發展有限公司 (Zhongshan Morning Star Villa Housing and Real Estate Development Limited*), both members of the Group, are wholly-owned by Jubilation Properties Limited, which in turn is owned as to 55% by the Group and as to 45% directly by City-Prime Profit Limited, which is owned as to 100% directly by Mr. Lin Yongguang.

(8) The Target Company is indirectly wholly-owned by the Vendor, which in turn is wholly-owned by the Guarantor.

(9) As at the Latest Practicable Date, the registered capital of the Land Company was RMB250,000,000, of which RMB150,000,000 had been paid up.

(10) As at the Latest Practicable Date, the registered capital of the Management Company was RMB10,000,000, of which none had been paid up.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no person (other than a Director and chief executive of the Company) had or was deemed or taken to have an interest or a short position in the Shares or the 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 or was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Enlarged Group or any options in respect of such securities.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with any member of the Group which was not expiring or determinable by the Group within one year without payment of compensation other than statutory compensation.

* *For identification purpose only*

4. INTERESTS IN ASSETS AND CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, save that the Guarantor was the ultimate beneficial owner of the entire equity interest of the Target Group, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, save for the Sale and Purchase Agreement, and the amount due and owing by the Target Group to the Guarantor (in the principal amount of HK$27,096,655) as at the date of the Sale and Purchase Agreement, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group subsisting which was significant in relation to the business of the Enlarged Group.

5. COMPETING BUSINESS

As at the Latest Practicable Date, the following Directors had interests in the following companies with businesses which competed or were likely to compete, either directly or indirectly, with the business of the Enlarged Group:

Name of Director	Name of company	Nature of businesses considered to compete or likely to compete with the business of the Group	Nature of interest
The Guarantor	The Vendor	Property investment and development in the PRC	The Vendor was wholly-owned by the Guarantor, and the Guarantor was a director of the Vendor and certain of its subsidiaries
	Affluent Splendid Investment Holdings Limited	Property investment in the PRC	The Guarantor had indirect interests in Affluent Splendid Investment Holdings Limited, and the Guarantor was its director
Mr. Yu Shunhui	中山大南集團有限公司 (Zhongshan Danan Group Limited)	Property investment and development in the PRC	Mr. Yu Shunhui was a controlling shareholder of 中山大南集團有限公司 (Zhongshan Danan Group Limited)
Mr. Wong Kui Shing, Danny	Greater Bay Area Dynamic Growth Holding Limited	Hotel business in the PRC	Mr. Wong Kui Shing, Danny was an executive director
	Value Creation Finance Limited	Money lending business in Hong Kong	Mr. Wong Kui Shing, Danny was a director

6. LITIGATIONS

To the best knowledge of the Directors, the Directors were not aware of any litigations or claims of material importance pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

7. MATERIAL CONTRACTS

The following contracts had been entered into by the Enlarged Group (not being entered into in the ordinary course of business of the Enlarged Group) within two years immediately preceding the Latest Practicable Date, which are or may be material:

(i) two sale and purchase agreements dated 4 September 2018 entered into between中山富浩投資有限公司(Zhongshan Fuhao Investment Company Limited*) an indirect wholly-owned subsidiary of the Company and 成都市郫都區國土資源局 (Chengdu Pidu Land Bureau*), a governmental body in the PRC, pursuant to which Zhongshan Fuhao Investment Company Limited agreed to acquire two land parcels located in Pidu District, Chengdu, Sichuan Province, the PRC from Chengdu Pidu Land Bureau at a total consideration of RMB176,820,000;

(ii) the Sale and Purchase Agreement; and

(iii) the MOU.

8. EXPERTS AND CONSENTS

Set out below are the qualifications of the experts who have given their opinions and advices included in this circular:

Name	Qualifications
Merdeka Corporate Finance Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
CCTH CPA Limited	Certified Public Accountants
B.I. Appraisals Limited	An independent valuer
Guangdong Sihe Law Firm	PRC legal advisers

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letter and reference to its name and logo in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group and did not have any right, either legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets, which had been since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

(i) The registered office of the Company is The Offices of Sterling Trust (Cayman) Limited at Whitehall House, 238 North Church Street, George Town, Grand Cayman, KY1-1102, Cayman Islands. The Company's head office and principal place of business in Hong Kong is at Unit 403 and 405, 4/F, Kowloon City Plaza, 128 Carpenter Road, Kowloon City, Kowloon, Hong Kong.

(ii) The company secretary of the Company is Mr. Woo Chung Ping. Mr. Woo is an associate member of both The Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries.

(iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(iv) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (from 10:00 a.m. to 5:00 p.m.) on any weekday (except Saturdays, Sundays and public holidays) at the Company's head office and principal place of business in Hong Kong at Unit 403 and 405, 4/F, Kowloon City Plaza, 128 Carpenter Road, Kowloon City, Kowloon, Hong Kong, a period of 14 days from the date of this circular:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the years ended 31 December 2018 and 2019;

(iii) the letter from the Board, the text of which is set out on pages 5 to 24 of this circular;

(iv) the letter from the Independent Board Committee, the text of which is set out on page 25 of this circular;

(v) the letter from the Independent Financial Adviser, the text of which is set out on pages 26 to 50 of this circular;

(vi) the accountants' report on the Target Group, the text of which is set out in Appendix II to this circular;

(vii) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(viii) the valuation report of the Property, the text of which is set out in Appendix V to this circular;

(ix) the material contracts as referred to under the section headed "Material Contracts" in this appendix;

(x) the written consents from the experts as referred to under the section headed "Experts and Consents" in this appendix; and

(xi) this circular.

TFG INTERNATIONAL GROUP LIMITED
富元國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of TFG International Group Limited (the "**Company**") will be held at 7/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 11:00 a.m. on Friday, 11 September 2020 for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

Ordinary Resolution

"**THAT**:

(i) the sale and purchase agreement (the "**Agreement**", a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) dated 29 June 2020 entered into between TFG International Group Limited (the "**Company**") as purchaser, Yang's Development Limited as vendor and Mr. Yang Lijun as vendor's guarantor in relation to the sale and purchase of the entire issued share capital of Eway International Investment Limited at the aggregate consideration of HK$108,600,000 to be settled by issue of a promissory note in the principal amount of HK$108,600,000 at the interest rate of 9% per annum for a term of 3 years by the Company and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(ii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Agreement and the transactions contemplated thereunder."

By order of the Board
TFG International Group Limited
Yang Lijun
Chairman

Hong Kong, 14 August 2020

Head office and principal place of business in Hong Kong:
Flat 403 and 405, 4/F,
Kowloon City Plaza
128 Carpenter Road
Kowloon City, Kowloon
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the EGM convened by this notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where there are joint holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share will alone be entitled to vote in respect thereof.

3. To be valid, a form of proxy, and, if required, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy or office copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending the EGM and voting in person if he so wishes.

4. The register of members of the Company will be closed from Tuesday, 8 September 2020 to Friday, 11 September 2020 (both days inclusive) during which period no transfer of shares of the Company will be effected. In order to qualify for the right to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Tengis Limited at the same address stated in above Note 3 not later than 4:30 p.m. on Monday, 7 September 2020 for registration of transfer.

5. The resolution set out in this notice shall be decided by way of poll.

As at the date of this notice, the board of directors of the Company comprises Mr. YANG Lijun (Chairman) being the executive director, Mr. YU Shunhui and Mr. WONG Kui Shing, Danny being the non-executive directors; and Ms. CHAN Hoi Ling, Ms. SO Wai Lam and Mr. SUNG Yat Chun being the independent non-executive directors.