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Planetree International Development Limited

梧桐國際發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00613)

DISCLOSEABLE TRANSACTION — ACQUISITION OF A PROPERTY HOLDING COMPANY AND DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

THE SUBSCRIPTION AGREEMENT

The Board announces that on 13 July 2020 (after trading hours of the Stock Exchange), Top Insight, an indirect non-wholly owned subsidiary of the Company, and Planetree BVI (the immediate holding company of Top Insight) entered into the Subscription Agreement with Multi Kingdom, pursuant to which Multi Kingdom has agreed to subscribe, and Top Insight has agreed to allot and issue, the Subscription Shares at the aggregate subscription price of HK\$67,300,000, which shall be settled in kind by Multi Kingdom by transferring the entire issued share capital of Jumbo Hall to Top Insight.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rules 14.07 of the Listing Rules in respect of the Subscription Agreement is more than 5% but less than 25%, the entering into of the Subscription Agreement together with the transactions contemplated thereunder (i.e. the Acquisition and the Deemed Disposal) constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to the Listing Rules.

INTRODUCTION

The Board announces that on 13 July 2020 (after trading hours of the Stock Exchange), Top Insight, an indirect non-wholly-owned subsidiary of the Company, and Planetree BVI (the immediate holding company of Top Insight) entered into the Subscription Agreement with Multi Kingdom, pursuant to which Multi Kingdom has agreed to subscribe, and Top Insight has agreed to allot and issue, the Subscription Shares at the aggregate subscription price of HK\$67,300,000, which shall be settled in kind by Multi Kingdom by transferring the entire issued share capital of Jumbo Hall to Top Insight.

THE SUBSCRIPTION AGREEMENT

Principal terms of the Subscription Agreement are set out below:

Date: 13 July 2020

Parties:

- (i) Multi Kingdom as the subscriber of the Subscription Shares and the vendor of Jumbo Hall;
- (ii) Top Insight as the issuer of the Subscription Shares and the buyer of Jumbo Hall; and
- (iii) Planetree BVI as the shareholder of Top Insight.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Multi Kingdom and its ultimate beneficial owners are Independent Third Parties of the Company and its connected persons.

The Acquisition — assets to be acquired

Pursuant to the Subscription Agreement, Multi Kingdom has agreed to subscribe, and Top Insight has agreed to allot and issue, the Subscription Shares at the aggregate subscription price of HK\$67,300,000, which shall be settled in kind by Multi Kingdom by transferring the entire issued share capital of Jumbo Hall to Top Insight. Hence, the Company would acquire Jumbo Hall as an indirect non-wholly-owned subsidiary upon completion of the Subscription Agreement.

Deemed disposal of equity interest in a subsidiary

Upon completion of the Subscription Agreement, Multi Kingdom will hold 35% shareholding in Top Insight while Planetree BVI's shareholding in Top Insight will decrease from 100% to 65%. Consequently, the Company's beneficial interest in the equity capital of Top Insight would decrease from approximately 82.22% to approximately 53.44%. Hence, the allotment and issue of the Subscription Shares by Top Insight to Multi Kingdom pursuant to the Subscription Agreement would constitute a deemed disposal of equity interest in Top Insight by the Company under the Listing Rules. Top Insight will remain as a subsidiary of the Company upon completion of the Subscription Agreement.

Consideration

The aggregate subscription price of the Subscription Shares is HK\$67,300,000, which shall be settled in kind by Multi Kingdom by transferring the entire issued share capital of Jumbo Hall to Top Insight. The Consideration in the sum of HK\$67,300,000 represents the consideration for the Acquisition as well as the consideration for the Deemed Disposal.

Basis for the Consideration

The consideration was determined and agreed between the parties to the Subscription Agreement after arm's length negotiations after taking into account of: (i) the net asset value of Jumbo Hall and Top Insight; (ii) the valuations of the Wanchai Property and the Wong Chuk Hang Property as at 31 December 2019 prepared by two separate independent valuers respectively; (iii) the financial performance and position of the Jumbo Hall and Top Insight; and (iv) the indirect controlling interest in Jumbo Hall to be acquired by Planetree BVI upon Completion. To ensure the proportionate shareholding in Top Insight between Planetree BVI and Multi Kingdom largely reflects the value of their respective properties, Multi Kingdom has undertaken that Jumbo Hall will not have inter-company debts or shareholder loan and Planetree BVI has undertaken that Top Insight will not have inter-company debts or shareholder loan at Completion, pursuant to the Subscription Agreement.

The aggregate subscription price for HK\$67,300,000 for the 350 Subscription Shares represents the subscription price for approximately HK\$192,286 per Subscription Share. Based on the combined valuation of Wan Chai Property and Wong Chuk Hang Property as at 31 December 2019, the net asset value of Top Insight upon Completion is preliminarily estimated as approximately HK\$238,700,000 with 1,000 shares in issue upon Completion, representing Top Insight's net asset value per share at approximately HK\$238,700 by that time. By comparing such estimate of net asset value per share (i.e. HK\$238,700) with the subscription price per Subscription Share (i.e. HK\$192,286), there is an estimate discount of about 19.4% for the Subscription Shares offered to Multi Kingdom, equivalent to a discount of approximately HK\$16,200,000 in total. Such a discount for issuing Subscription Shares can also be considered as the control premium payable by Top Insight for acquiring the controlling interest in Jumbo Hall by way of shares instead of cash. The Board considers that the aforesaid 19.4% discount is reasonable when compared to the general rule of less than 20% discount for issuing shares under placings by listed issuers pursuant to the Listing Rules. The actual net asset value of Top Insight upon Completion is subject to finalization and other potential adjustments that may be made during subsequent audit.

The Directors consider that the Consideration and the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Ranking of Subscription Shares

The Subscription Shares, when issued as fully-paid shares, will rank pari passu with all other shares of Top Insight in issue on the date of allotment and issue of the Subscription Shares.

Completion of the Subscription Agreement

Completion of the Subscription Agreement will take place within 3 Business Days from the date on which all of the conditions precedent of the Subscription Agreement shall have been satisfied (or such other date as the parties thereto may agree in writing). Upon Completion, Jumbo Hall shall become an indirect non-wholly owned subsidiary of the Company and Jumbo Hall's financial results, assets and liabilities will be consolidated into the financial statements of the Group.

CONDITIONS PRECEDENT

The Completion is conditional upon:

- (a) Multi Kingdom having conducted and completed due diligence on all business, assets and liabilities, legal and financial matter in respect of Top Insight and all such other matters as deemed necessary;
- (b) Top Insight having conducted and completed due diligence on all business, assets and liabilities, legal and financial matter in respect of Jumbo Hall and the Wanchai Property and all such other matters as deemed necessary;
- (c) the taking of all actions and passing of all resolutions as may be required to issue the Subscription Shares in accordance with the terms of the Subscription Agreement;
- (d) each of the parties to the Subscription Agreement having obtained all necessary consents, approvals and permissions for the entering into of the Subscription Agreement and the Shareholders' Agreement and performance and completion of the transactions contemplated thereunder; and
- (e) the execution and delivery of the Shareholders' Agreement by each of the parties thereto.

If the conditions precedent have not been fulfilled on or before 5:00 p.m. (Hong Kong time) within 1 month from the date of the Subscription Agreement (or such later date as may be agreed in writing between the parties), the Subscription Agreement shall cease and terminate and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

SHAREHOLDERS' AGREEMENT

Pursuant to the Subscription Agreement, the parties thereto shall execute the Shareholders' Agreement on or before the completion date of the Subscription Agreement in order to govern the relationship of the shareholders in Top Insight and the material terms are set out below.

Parties

- (1) Multi Kingdom as a shareholder of Top Insight
- (2) Planetree BVI as the other shareholder of Top Insight
- (3) Top Insight as the subject company under the Subscription Agreement

Business scope and aims

Top Insight shall engage in property investment and leasing and such business activities that are incidental thereto.

The shareholders of Top Insight are desirous of combining their respective assets, resources, expertise and networks to manage and develop the property investment and leasing business of Top Insight in order to increase the revenue and rental income of the properties held by Top Insight and to expand the assets portfolio of Top Insight as and when good opportunities arise.

Term

The Shareholders' Agreement shall become effective from the Completion Date and shall remain in full force and effect as long as Top Insight continues to exist, unless earlier terminated pursuant to any other provisions of the Shareholders' Agreement.

Board composition

Multi Kingdom shall be entitled to nominate one candidate to serve as director of Top Insight and its subsidiaries while Planetree BVI shall be entitled to nominate two candidates as directors. The composition of the board of directors of Top Insight and its subsidiaries basically reflects the proportionate shareholding in Top Insight held by Multi Kingdom and Planetree BVI respectively.

Profit sharing

The profit of Top Insight shall be shared by way of dividends between Multi Kingdom and Planetree BVI in proportion to their respective shareholdings in Top Insight. Pursuant to the Shareholders' Agreement, Top Insight shall during the first 3 financial years after Completion distribute dividends to all the shareholders in the guaranteed amount at the rate of 4% per annum of such shareholder's initial investment amount in Top Insight as follows:

- Planetree BVI's investment amount HK\$171,400,000
- Multi Kingdom's investment amount HK\$67,300,000

Matters requiring Shareholders' unanimous consent

The following matters of Top Insight require consent in writing of all the shareholders holding in aggregate 100% of voting rights of Top Insight:

- (a) the appointment or removal of Top Insight's auditors;
- (b) any change of the Top Insight's name;
- (c) any acquisitions or disposals by Top Insight and its subsidiaries with a value exceeding the sum of US\$5,000,000;
- (d) the incurrence of any capital expenditure which would, in any 12-month period, exceed US\$5,000,000;
- (e) the entering into of a contract, engagement or transaction, or any amendment to any contract, engagement or transaction already entered into, with a shareholder of Top Insight or its affiliate(s) other than in the ordinary and usual course of business; and
- (f) the increase or decrease of the authorised share capital of Top Insight.

INFORMATION ON TOP INSIGHT

As at the date of this announcement, Top Insight is an indirect non-wholly owned subsidiary of the Company. Top Insight is an investment holding company incorporated in the British Virgin Islands with limited liability and holds the entire share capital of Cicero Capital Ltd. (an investment holding company incorporated in the British Virgin Islands with limited liability) which in turn holds the entire issued share capital of ISL, a property holding company incorporated in Hong Kong with limited liability. ISL is the registered owner of the Wong Chuk Hang Property.

Immediately after the completion of the Subscription Agreement, the property portfolio of Top Insight will comprise the Wanchai Property and the Wong Chuk Hang Property.

As Top Insight is a company incorporated in the British Virgin Islands, no separate audited consolidated financial statements have been prepared by Top Insight as permitted under the laws of the British Virgin Islands. The unaudited financial information of Top Insight for the year ended 31 December 2018 and 2019 are set out below:

	For the year ended 31 December	
	2018	2019
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	23,581	12,109
Profit after taxation	23,581	12,109

Based on the unaudited financial statements of Top Insight, the consolidated net assets value of Top Insight together with its two subsidiaries was HK\$171.9 million as at 31 December 2019.

As at the date of this announcement, ISL has obtained a mortgage loan on the Wong Chuk Hang Property and has recently drawn down the mortgage loan in the sum of HK\$94.8 million. All the loan proceeds are at present kept by ISL in cash and Top Insight intends to utilize the cash for general working capital and business development and expansion.

INFORMATION ON JUMBO HALL

As at the date of this announcement, Jumbo Hall is a direct wholly-owned subsidiary of Multi Kingdom, which is an investment holding company incorporated in the British Virgin Islands with limited liability. Jumbo Hall is a property holding company incorporated in Hong Kong with limited liability and is the registered owner of the Wanchai Property. Multi Kingdom is an indirect wholly-owned subsidiary of China Ever Grand Financial Leasing Group Co., Ltd., which is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange with stock code: 00379. China Ever Grand Financial Leasing Group Co., Ltd. together with its subsidiaries principally engages in provision of finance lease and related consulting services in the mainland China, the trading of equity securities, investment in property, investment in terminal and logistics services business, investment holding, investment in food additives business and money lending business.

The financial information of Jumbo Hall for the year ended 31 December 2018 and 2019 are set out below:

	For the year ended 31 December	
	2018	2019
	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	489	2,331
Loss after taxation	489	2,331

Based on the unaudited financial statements of Jumbo Hall, the net assets value of Jumbo Hall was approximately HK\$67.8 million as at 31 December 2019.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AGREEMENT

The Company is a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange. The Company is an investment holding company and the principal activities of the Group are: (i) financial services — brokerage and related services covering the provision of dealing in securities, dealing in futures contracts and asset management services; (ii) financial services — money lending; (iii) treasury management; and (iv) property leasing.

As at the date of this announcement, the Group holds 3 commercial properties in Hong Kong, including the Wong Chuk Hang Property held indirectly by Top Insight. The Group intends to develop property leasing and investment business in order to provide better return, and enhance value for, the shareholders of the Company. By entering into the Subscription Agreement with Multi Kingdom, the Company aims to combine Top Insight's assets, resources, expertise and networks with Multi Kingdom to manage and develop Group's the property investment business in order to increase the revenue and rental income of the enlarged properties portfolio and to expand the assets portfolio of Top Insight as and when good opportunities arise. The Directors are also of the view that the Company can effectively diversify the Group's property portfolio without incurring extra capital expenditure by way of entering into the Subscription Agreement.

The Board considers that the terms of the Subscription Agreement are negotiated at arm's length basis and on normal commercial terms and are fair and reasonable and that it is in the interest of the Company and the Shareholders as a whole to enter into the Subscription Agreement in order to execute the Acquisition.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Rules 14.07 of the Listing Rules in respect of the Subscription Agreement is more than 5% but less than 25%, the entering into of the Subscription Agreement together with the transactions contemplated thereunder (i.e. the Acquisition and the Deemed Disposal) constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to the Listing Rules.

DEFINITIONS:

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

“Acquisition”	the acquisition of the entire equity interest in Jumbo Hall by Top Insight upon Completion
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday and days on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
“Company”	Planetree International Development Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 00613)
“Completion”	completion of the transactions (including but not limited to the subscription of the Subscription Shares) pursuant to and in accordance with the terms of the Subscription Agreement
“Completion Date”	Within 3 Business Days after the day on which the conditions precedent of the Subscription Agreement have been fulfilled or any other date which may be agreed by the parties thereto
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$67,300,000 pursuant to the Subscription Agreement
“Deemed Disposal”	the dilution of the Company’s equity interest in Top Insight upon Completion
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	third party independent of and not connected with the Company and its connected persons
“ISL”	ISL Investments Limited, a company incorporated in Hong Kong with limited liability, which is an indirect non-wholly owned subsidiary of the Company
“Jumbo Hall”	Jumbo Hall International Limited, a company incorporated in Hong Kong with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Multi Kingdom”	Multi Kingdom Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“Planetree BVI”	Planetree (BVI) Capital Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect non-wholly owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement entered into on 13 July 2020 between Multi Kingdom, Top Insight and Planetree BVI in relation to, amongst other things, subscription of the Subscription Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into among Multi Kingdom, Planetree BVI and Top Insight pursuant to the Subscription Agreement to, amongst other things, regulate their relationship with each other
“Subscription Share(s)”	350 new share(s) of Top Insight to be allotted and issued by Top Insight to Multi Kingdom pursuant to the terms of the Subscription Agreement, representing 35% of the enlarged share capital of Top Insight upon Completion
“Top Insight”	Top Insight Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect non-wholly owned subsidiary of the Company
“Wanchai Property”	the property situate at 12/F., Kwan Chart Tower, No.6 Tonnochy Road, Wanchai, Hong Kong currently held in the name of Jumbo Hall

“Wong Chuk Hang
Property”

the property situate at 9/F. and 3 car parking spaces nos.109, 110 and 111, Global Trade Square, No.21 Wong Chuk Hang Road, Hong Kong currently held in the name of ISL

“%”

percent

By order of the Board
Planetree International Development Limited
Man Wai Chuen
Executive Director

Hong Kong, 13 July 2020

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Dr. Leung Wing Cheung, William
(*Executive Chairman*)

Mr. Lam Hiu Lo

Mr. Liang Kang

Ms. Cheung Ka Yee

Mr. Wong Hung Wai

Ms. Wong Sheun Fun, Estella

Mr. Man Wai Chuen

Non-Executive Director:

Mr. Kwong Kai Sing, Benny

Independent Non-Executive Directors

Mr. Chan Sze Hung

Mr. Ha Kee Choy, Eugene

Mr. Zhang Shuang

Mr. Chung Kwok Pan