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SILVER GRANT INTERNATIONAL HOLDINGS GROUP LIMITED

銀建國際控股集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 171)

**INSIDE INFORMATION
MEMORANDUM OF UNDERSTANDING
IN RESPECT OF THE
PROPOSED TRANSACTION INVOLVING THE DISPOSAL OF
LOAN INTEREST OF THE GROUP**

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is pleased to announce that on 18 March 2024 (after trading hours), the Company entered into the MOU with Guangdong Zhuguang, pursuant to which the Company intends to sell and Guangdong Zhuguang intends to acquire the Loan Interest, whereas the consideration shall be satisfied by Guangdong Zhuguang by way of (i) assuming the obligations of Beijing East Gate under the Entrusted Loan Agreements (including but not limited to the repayment obligation of the Entrusted Loans in the aggregate outstanding principal amount of RMB1,880 million (equivalent to approximately HK\$2,075 million) and the interest accrued thereon, the release of all existing charges, guarantee and pledge of shares, and the provision of new charge(s), guarantee and/or pledge of shares pursuant to the requests of the entrusting party and the lender, if required); and (ii) assignment of the Target Properties.

Further announcement(s) will be made in respect of the Formal Agreement and/or the development of the Proposed Transactions as and when appropriate in compliance with the Listing Rules.

The Company wishes to emphasise that the Proposed Transaction is subject to, among other things, the signing of the Formal Agreement, the terms and conditions of which are yet to be agreed and finalised. Shareholders and potential investors of the Company should note that the Proposed Transaction may or may not proceed and the final structure and terms of the Proposed Transaction, which are pending further negotiations between the parties, have yet to be finalised and may deviate from those set out in the MOU. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares and other securities of the Company.

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MEMORANDUM OF UNDERSTANDING

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As at 31 December 2023, the aggregate outstanding principal amount and interest accrued under the Loan Agreements amounted to approximately RMB2,201 million (equivalent to approximately HK\$2,429 million).

Principal terms of the MOU

Date: 18 March 2024 (after trading hours)

Parties: (i) the Company, being the potential vendor; and
(ii) Guangdong Zhuguang, being the potential purchaser.

Consideration

The consideration for the Proposed Transaction is RMB2,200 million (equivalent to approximately HK\$2,428 million), which shall be satisfied by Guangdong Zhuguang by (i) entering into the Deed of Novation to assume the obligations of Beijing East Gate under the Entrusted Loan Agreement (including but not limited to the repayment obligation of the Entrusted Loans in the principal amount of RMB1.88 billion and the interest accrued thereon, the release of all existing charges, guarantee and pledge of shares, and the provision of new charge(s), guarantee and/or pledge of shares pursuant to the requests of the entrusting party and the lender, if required); and (ii) assignment of the Target Properties, at Completion.

Conditions Precedent

Completion of the Proposed Transaction is expected to be conditional upon, among other things, the following conditions precedent:

- (1) the passing by the Independent Shareholders at the EGM of all resolution(s) to approve the Formal Agreement and the transactions contemplated thereunder;
- (2) all necessary consents and approvals to be obtained on the part of the Company and the Lenders in respect of the Proposed Disposal, the transfer of the Target Properties and the Debt Novation having been obtained, and such consents and approvals remain valid and not being revoked;
- (3) all necessary consents and approvals to be obtained on the part of Guangdong Zhuguang in respect of the Proposed Disposal, the transfer of the Target Properties and the Debt Novation having been obtained, and such consents and approvals remain valid and not being revoked;
- (4) all necessary consents and approvals to be obtained on the part of Beijing East Gate in respect of the Debt Novation (including but not limited to the obtaining of the written consent from the principal lender and the entrusting party under the Entrusted Loans), and such consents and approvals remain valid and not being revoked;
- (5) the Company is satisfied with the results of the due diligence in respect of the Target Properties;
- (6) the representations and warranties in the Formal Agreement remaining true, accurate and not misleading in all material respects, and there being no events, facts or circumstances that constitute or may constitute a breach of representations or warranties in the Formal Agreement;
- (7) the obtaining of a valuation report (in form and substance satisfactory to the Company) issued by an independent valuer appointed by the Company showing that the valuation of the Target Properties to be not less than RMB350,000,000 within three (3) months prior to the date of the Formal Agreement; and

- (8) the real estate certificate(s) of the Target Properties having been received by the Company (or its representatives).

Due Diligence

The Company shall or shall procure its advisers and representatives to, after the signing of the MOU, conduct due diligence review on the Target Properties. Guangdong Zhuguang shall, and shall procure its representatives to, provide assistance in this regard.

Exclusivity

During the period of three (3) months from the date of the MOU (or such later date(s) as may be agreed by the parties) (i.e. the Exclusivity Period), each of the Company and Guangdong Zhuguang agrees, and agrees to procure their respective related parties, directors, officers, employees, agents and/or representatives, not to (i) persuade, initiate or encourage enquiries or invitations; (ii) initiate, continue negotiations or provide information; or (iii) enter into any agreement, letter of intent or memorandum of understanding, with any person or entity other than the Company or Guangdong Zhuguang concerning the Proposed Disposal, the transfer of the Target Properties and/or the Debt Novation, and each of the Company and Guangdong Zhuguang shall promptly notify the other party of any such inquiries by any third parties regarding the foregoing.

Formal Agreement

The Company and Guangdong Zhuguang will proceed with further negotiations for the entering into of the Formal Agreement within the Exclusivity Period. The Formal Agreement shall include customary terms, conditions, undertakings and indemnities for transactions of similar nature and the conditions precedent as set out in the section headed “Conditions Precedent” above.

Legal Effect

The MOU is not legally binding on the parties thereto save for certain provisions including those relating to the Exclusivity Period, confidentiality and governing law.

INFORMATION ON THE PARTIES

The Group and the Company

The Group is principally engaged in property leasing and investments. The Company is an investment holding company.

Guangdong Zhuguang

Guangdong Zhuguang is a company established in the PRC with limited liability and is principally engaged in project investments, trading, import and export of goods, marketing development and consultation, interior designs and decorations and business information consultation.

To the best of the Company's knowledge, information and belief, and having made all reasonable enquiries, Guangdong Zhuguang and its ultimate beneficial owners are Independent Third Parties.

INFORMATION ON THE LOAN INTEREST

As at the date of this announcement, the Loan Interest comprises 54 loans advanced from the Lenders, 52 borrowers of which are in the PRC and 2 borrowers of which are in Hong Kong, all of which are unsecured. Except for five Loans with the total outstanding principal amount and interest of approximately HK\$97 million, all other Loans are overdue. The interest rate of the Loans ranges from 15% per annum to 20% per annum.

As at 31 December 2023, the aggregate outstanding principal amount and interest under the loan agreement of the Loan Interest amounted to approximately RMB2,201 million (equivalent to approximately HK\$2,429 million).

The Lenders comprise of the Company and its wholly owned subsidiaries, including (i) Silver Grant International Finance; (ii) Silver Grant International Guangzhou; (iii) Yinjian Energy Trading; (iv) Beihai Mao Yuan; (v) Beijing East Gate; and (vi) Taizhou Yinjian. Save for Silver Grant International Finance, a company incorporated in Hong Kong with limited liability, which holds a money lender license in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) as at the date hereof, all other Lenders are companies established in the PRC with limited liability.

To the best of the Company's knowledge, information and belief, having made all reasonable enquiries, the Borrowers and their respective ultimate beneficial owners are Independent Third Parties.

INFORMATION ON THE DEBT NOVATION AND THE ENTRUSTED LOANS

On 6 July 2021, Beijing East Gate as borrower, a bank in the PRC (the "**Bank**") as lender, and a PRC financial institution (the "**PRC Institution A**") as entrusting party have entered into an entrusted loan agreement (as amended and supplemented by a supplemental entrusted loan agreement on even date) (the "**Entrusted Loan Agreement A**"), pursuant to which, among others, the Bank has agreed to provide an entrusted loan with the outstanding principal amount of RMB1,880 million (the "**Entrusted Loan A**") to Beijing East Gate. On even date, the PRC Institution A and Beijing East Gate have entered into guarantee agreements with each of (i) Guangdong Zhuguang, (ii) the Company, and (iii) Mr. Chu, pursuant to which, among others, each of (i) Guangdong Zhuguang, (ii) the Company, and (iii) Mr. Chu has agreed to provide joint liability guarantee of not more than the total amount of the Entrusted Loan A and the corresponding interest, liquidated damages, damages

compensation and relevant fees paid by the Bank for realising its rights. The Entrusted Loan A is also secured by (i) certain investment properties (the “**Charged Properties**”) owned by Beijing East Gate located in Beijing, the PRC; and (ii) the pledge of the entire issued share capital in Beijing East Gate held by Silver Grant International Investment Management Limited, a indirect wholly-owned subsidiary of the Company.

On 6 July 2021, Beijing East Gate as borrower, the Bank as lender, and a PRC financial institution (the “**PRC Institution B**”) as entrusting party have entered into an entrusted loan agreement (the “**Entrusted Loan Agreement B**”), pursuant to which, among others, the Bank has agreed to provide an entrusted loan with the principal amount of RMB100 million (the “**Entrusted Loan B**”) to Beijing East Gate. On even date, the PRC Institution B and Beijing East Gate have entered into guarantee agreements with each of (i) Guangdong Zhuguang and (ii) Mr. Chu, pursuant to which, among others, each of (i) Guangdong Zhuguang and (ii) Mr. Chu has agreed to provide joint liability guarantee of not more than the total amount of the Entrusted Loan B and the corresponding interest, liquidated damages, damages compensation and relevant fees paid by the Bank for realising its rights. The Entrusted Loan B is also secured by the Charged Properties.

As at 31 December 2023, the outstanding principal amount of the Entrusted Loans was RMB1,880 million (equivalent to approximately HK\$2,075 million) and the outstanding interest accrued thereon amounted to approximately RMB4 million (equivalent to approximately HK\$4.4 million).

INFORMATION ON THE TARGET PROPERTIES

The Target Properties are located in the Guangdong province of the PRC, which comprised of approximately 1,470 car parking spaces with gross floor area of approximately 17,764 square metres. Further details of the Target Properties will be confirmed in the Formal Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MOU AND THE PROPOSED TRANSACTION

The Group is principally engaged in property leasing and investments. As stated in the annual report and interim report of the Company for the year ended 31 December 2022 and 30 June 2023, respectively, the Group has been striving to improve its financial position by continuing to implement measures to speed up the timing of collection of outstanding loan receivables and interest receivables, as well as expedite the disposal of financial asset investments, including equity investments and non-performing assets portfolio.

As stated above, as at 31 December 2023, the aggregate outstanding principal amount and interest under the Loan Agreements amounted to approximately RMB2,201 million (equivalent to approximately HK\$2,429 million), all of which are unsecured. Except for five Loans with the total outstanding principal amount and interest of approximately HK\$97 million, all other Loans are overdue.

Thus, the Proposed Transaction, if materialises, would provide a good opportunity to the Group to substantially recover the outstanding amount owed under the Loan Agreements within a foreseeable timeframe and in a relatively short period of time, thereby minimising the uncertainty and the credit risks associated with the Loan Interest and the administrative costs to be incurred by the Group for collecting the outstanding Loan Interest, and the Debt Novation provides a good opportunity for the Group to settle the Entrusted Loans and the rights and liabilities of the Group under the Entrusted Loan Agreements will be discharged. The proposed transfer of the Target Properties to the Company allows the Group to enlarge and diversify its investment properties portfolio with high quality assets, as well as to strengthen the income base of the Group and to generate stable cash flows to the Group.

GENERAL

In the event the Proposed Transaction materialises, the Proposed Disposal may constitute a very substantial disposal of the Company under the Listing Rules and the transfer of the Target Properties may constitute a very substantial acquisition of the Company under the Listing Rules.

Further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules.

The Company wishes to emphasise that the Proposed Transaction is subject to, among other things, the signing of the Formal Agreement, the terms and conditions of which are yet to be agreed and finalised. Shareholders and potential investors of the Company should note that the Proposed Transaction may or may not proceed and the final structure and terms of the Proposed Transaction, which are pending further negotiations between the parties, have yet to be finalised and may deviate from those set out in the MOU. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“Beihai Mao Yuan”	Beihai Mao Yuan Investment Co., Limited* (北海茂元投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Beijing East Gate”	East Gate (Beijing) Property Management Co., Ltd.* (東環(北京)物業管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, being the borrower under the Entrusted Loan Agreement
“Board”	the board of Directors

“Borrowers”	a total of 54 borrowers under the respective Loan Agreements, all of which are Independent Third Parties
“Company”	Silver Grant International Holdings Group Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Proposed Transaction in accordance with the terms and conditions of the Formal Agreement
“Consideration”	RMB2,200 million (equivalent to approximately HK\$2,428 million), being the total consideration to be satisfied by Guangdong Zhuguang to the Company for the Proposed Disposal
“Debt Novation”	the proposed novation of all obligations and liabilities of Beijing East Gate under the Entrusted Loan Agreement to Guangdong Zhuguang upon Completion
“Deed of Novation”	the deed of novation to be entered into by Guangdong Zhuguang in relation to the Debt Novation
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Formal Agreement and the transactions contemplated thereunder (including but not limited to the Proposed Transaction)
“Entrusted Loans”	collectively, Entrusted Loan A and Entrusted Loan B
“Entrusted Loan Agreements”	collectively, Entrusted Loan Agreement A and Entrusted Loan Agreement B
“Exclusivity Period”	the period of three (3) months from the date of the MOU (or such later date(s) as may be agreed in writing by the parties)
“Formal Agreement”	the definitive and legally-binding agreement in relation to the Proposed Transaction to be entered into by the Company and Guangdong Zhuguang
“Group”	the Company and its subsidiaries

“Guangdong Zhuguang”	Guangdong Zhuguang Group Company Limited* (廣東珠光集團有限公司), a company established in the PRC with limited liability, the ultimate beneficial owners of which are Mr. Xie Bingzhao* (謝炳釗) and Mr. Zhu Geliang* (朱各亮)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	the Shareholders and/or their respective associates who are entitled to vote at the EGM and are not required under the Listing Rules to abstain from voting at the EGM, other than those persons who have material interest in the Proposed Transaction (if any)
“Independent Third Party(ies)”	person(s) who, to the best of the Company’s knowledge, information and belief having made all reasonable enquiry, is not a connected person of the Company pursuant to the Listing Rules
“Lender(s)”	collectively, (i) the Company; (ii) Silver Grant International Finance; (iii) Silver Grant International Guangzhou; (iv) Yinjian Energy Trading; (v) Beihai Mao Yuan; (vi) Beijing East Gate; and (vii) Taizhou Yinjian, each a “Lender”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan(s)”	each loan advanced by the Lenders to the Borrowers pursuant to the Loan Agreements and to be transferred and assigned to Guangdong Zhuguang upon Completion
“Loan Agreement(s)”	each loan agreement entered into between respective Lenders as lender and respective Borrowers as borrower during the period from March 2021 to December 2023 in relation to the Loans
“Loan Interest”	all the rights, title, benefits and interests of the Company to, in and under the Loan Agreements (including but not limited to the Loans and all interests accrued thereon) upon the terms and conditions set out in the Formal Agreement
“MOU”	the memorandum of understanding dated 18 March 2024 entered into between the Company and Guangdong Zhuguang in relation to the Proposed Transaction

“Mr. Chu”	Mr. Chu Hing Tsung (alias Zhu Qing Yi), the Chairman, executive Director and Co-Chief Executive Officer of the Company
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Disposal”	the proposed disposal of the Loan Interest by the Company to Guangdong Zhuguang pursuant to the Formal Agreement
“Proposed Transaction”	the Proposed Disposal, the transfer of Target Properties and the Debt Novation
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with no par value of the Company
“Shareholder(s)”	holder(s) of the Shares
“Silver Grant International Finance”	Silver Grant International Finance Company Limited (銀建國際財務有限公司), a company incorporated in Hong Kong with limited liability, which holds a money lender license in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) as at the date hereof, and a wholly-owned subsidiary of the Company
“Silver Grant International Guangzhou”	Silver Grant International Holding (Guangzhou) Co., Limited* (銀建國際控股(廣州)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taizhou Yinjian”	Taizhou Yinjian Energy Investment Co., Limited* (泰州銀建能源投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Target Properties”	the target properties situated at Guangdong Province, the PRC, details of which are set out in the section headed “Information on the Target Properties” in this announcement
“Yinjian Energy Trading”	Yinjian Energy Trading (Guangzhou) Co., Limited* (銀建能源貿易(廣州)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“%”

per cent.

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1 to HK\$1.1038. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By order of the Board
Silver Grant International Holdings Group Limited
Chu Hing Tsung
Chairman, Co-Chief Executive Officer and Executive Director

Hong Kong, 18 March 2024

As at the date of this announcement, the Board comprises Mr. Chu Hing Tsung (alias Zhu Qing Yi) (Chairman and Co-Chief Executive Officer), Mr. Chen Yongcun (Co-Chief Executive Officer), Mr. Luo Zhihai, Mr. Tang Lunfei and Mr. Weng Jian as executive Directors; Mr. Chen Zhiwei as a non-executive Director; and Mr. Liang Qing, Mr. Zhang Lu and Mr. Hung Muk Ming as independent non-executive Directors.

** For identification purposes only*