PT INTERNATIONAL DEVELOPMENT CORPORATION LIMITED

保 德 國 際 發 展 企 業 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 372)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO SUBSCRIPTION OF 65% EQUITY INTEREST IN THOUSAND VANTAGE INVESTMENT LIMITED

THE SUBSCRIPTION

On 29 March 2021, the Subscriber, being a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with the Target Company and the Guarantor to subscribe for 668,571,429 new ordinary shares of the Target Company at the Subscription Price, being the Redemption Amount which is the aggregate sum of the subscription price for the Preference Shares of HK$200,000,000 and the Accrued Amount up to the date of Completion (for reference, the Accrued Amount up to 31 March 2021 is expected to be approximately HK$3,825,000). Based on the Subscription Price, the price per Subscription Share shall be approximately HK$0.3049. The Subscription Price shall be paid on Completion by way of offsetting against the Redemption Amount payable by the Target Company for redemption of the Preference Shares issued by the Target Company to the Subscriber on 16 April 2018. Upon Completion, the Subscriber will hold approximately 65.0% of all the issued shares of the Target Company as enlarged by the Subscription Shares, and all Preference Shares issued by the Target Company shall have been fully redeemed.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Subscription Agreement and the transactions contemplated thereunder exceeds 100%, the Subscription constitutes a very substantial acquisition for the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

* *For identification purpose only*

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Subscription Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Subscription which is different from other Shareholders, and thus no Shareholder is required to abstain from voting at the SGM.

The Circular containing, among other things, (i) details of the Subscription Agreement and the transactions contemplated thereunder; (ii) the financial information and other information of the Group; (iii) the financial information and other information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation report on the Target Group; and (vi) a notice of the SGM together with a form of proxy for use at the SGM, is expected to be despatched to the Shareholders on or before 30 June 2021, having taken into account the time required for preparing the aforesaid information to be included in the Circular.

Completion is subject to the fulfilment (or waiver, where applicable) of the conditions precedent set out in the Subscription Agreement, and the Subscription may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the announcements of the Company dated (i) 16 April 2018 in relation to the subscription of the Preference Shares by the Subscriber; (ii) 16 April 2020 in relation to, among other things, the possible acquisition of equity interests in the Target Company; and (iii) 9 November 2020 in relation to the extension of the redemption date of the Preference Shares respectively. The Board is pleased to announce that on 29 March 2021, the Subscriber, being a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with the Target Company and the Guarantor to subscribe for 668,571,429 new ordinary shares of the Target Company at the Subscription Price, being the Redemption Amount which is the aggregate sum of the subscription price for the Preference Shares of HK$200,000,000 and the Accrued Amount up to the date of Completion (for reference, the Accrued Amount up to 31 March 2021 is expected to be approximately HK$3,825,000). Based on the Subscription Price, the price per Subscription Share shall be approximately HK$0.3049. The Subscription Price shall be paid on Completion by way of offsetting against the Redemption Amount payable by the Target Company for redemption of the Preference Shares issued by the Target Company to the Subscriber on 16 April 2018. Upon Completion, the Subscriber will hold approximately 65.0% of all the issued shares of the Target Company as enlarged by the Subscription Shares, and all Preference Shares issued by the Target Company shall have been fully redeemed.

THE SUBSCRIPTION AGREEMENT

The major terms of the Subscription Agreement are set out as follows:

Date

29 March 2021 (after trading hours of the Stock Exchange)

Parties

(i) The Subscriber (as the subscriber for the Subscription Shares);

(ii) the Target Company (as the issuer of the Subscription Shares); and

(iii) Mr. Zhu (the ultimate beneficial owner of the Target Company, acting as the guarantor to guarantee the due and punctual performance of the obligations of the Target Company under the Subscription Agreement).

To the best of the Directors' knowledge, information and belief, having making all reasonable enquiries, the Target Company and its ultimate beneficial owner (i.e. the Guarantor) are third parties independent of and not connected with the Company and its connected persons.

Subject matter

Pursuant to the Subscription Agreement, the Target Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for the Subscription Shares, representing approximately 185.7% of all the issued ordinary shares of the Target Company as at the date of this announcement and approximately 65.0% of all the issued ordinary shares of the Target Company as enlarged by the allotment and issue of the Subscription Shares. Upon Completion, the Target Company will be held as to approximately 65.0% by the Group and approximately 35.0% by Mr. Zhu.

Further information on the Target Group is set out in the section headed "Information on the Target Group" below.

Subscription Price

Pursuant to the Subscription Agreement, the Subscription Price, which is equivalent to the Redemption Amount, shall be paid on Completion by way of offsetting against the Redemption Amount payable by the Target Company for redemption of the Preference Shares issued by the Target Company to the Subscriber on 16 April 2018.

The Subscription Price was determined after arm's length negotiations among the Company, the Target Company and the Guarantor based on (i) the preliminary valuation of the Target Group as assessed by an independent valuer (the "**Valuer**") engaged by the Company as at 28 February 2021 of approximately HK$476.7 million with reference to the management accounts of the Target Company; and (ii) the unaudited net asset value of the Target Group as at 30 June 2020 of approximately HK$261.8 million. The preliminary valuation and net asset value attributable to the approximately 65.0% equity interest were approximately HK$309.9 million and approximately HK$170.2 million, respectively.

Upon Completion, the Preference Shares will be fully redeemed and there will be no other preference shares of the Target Company in issue.

The Directors (including the independent non-executive Directors), having taken into account of the valuation of the Target Group (as explained in more detail below), consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of valuation and methodology

The Target Company is an investment holding company. The Target Company's main asset is its 75% shareholding in the PRC Subsidiary which is principally engaged in construction and operation of petrochemical terminals and warehousing services in Guangxi Province, the PRC.

The Valuer adopts the Guideline Public Company method under market approach for the purpose of the valuation of the Target Group. In coming to this decision, the Valuer and the Company had considered a number of approaches including the market approach, the cost approach and the income approach. The cost approach was considered inappropriate for valuing the Target Group as it does not directly incorporate information about the economic benefits contributed by the PRC Subsidiary. The income approach was also considered inappropriate as this approach requires subjective assumptions over a long time horizon and the result may be very sensitive to certain inputs. Thus, the Valuer has adopted the market approach for the valuation of the Target Group which introduces objectivity in application as publicly available inputs are used.

In the valuation of the Target Group, the Valuer considered that the enterprise value to total assets multiple (the "**EV/Total Assets Multiple**") is the most suitable benchmark multiple as it is commonly used for asset intensive industries and the profitability and value of the PRC Subsidiary is mainly attributable to the size and amount of the property, plant and equipment that enable the PRC Subsidiary to generate future economic benefit. The EV/Total Assets Multiple is calculated as enterprise value as at the valuation date divided by the total assets as at or close to the valuation date. Enterprise value is then adjusted by cash, non-operating assets and non-operating liabilities to arrive at the market value of the Target Group.

Under the market approach, a list of comparable companies was identified according to the selection criteria including (i) the comparable companies shall engage in port operation and warehouse service focusing on crude oil and liquid chemicals in the PRC; (ii) the comparable companies are searchable in Bloomberg; (iii) the comparable companies are publicly listed; and (iv) there are available and sufficient data, including the market capitalisation, enterprise value and total assets as at the valuation date, of the comparable companies. Based on the above selected criteria, the Valuer identified four comparable companies which the Valuer considered fair and representative.

Conditions precedent

Completion of the Subscription is conditional upon the satisfaction or, if applicable, the waiver of the following conditions precedent:

(i) where applicable, the passing of the requisite resolution by the Shareholders (other than those, if any, who are required to abstain from voting under the Listing Rules or applicable laws, rules and regulations) approving the Subscription Agreement and the transactions contemplated thereunder, including the New Shareholders' Agreement, at a general meeting to be convened for such purpose in compliance with the requirements of the Listing Rules;

(ii) each of the representations, warranties and undertakings given by the Target Company under the Subscription Agreement being true and accurate in all material respects and not misleading as at the date of the Subscription Agreement and remaining true and accurate in all material respects and not misleading as at Completion; and

(iii) no change, effect, event, occurrence or development of a state of circumstances or facts which has had or reasonably could be expected to have a material and adverse effect on the financial condition, prospects, earnings, business, operations, properties, liabilities, undertaking or assets of the PRC Subsidiary or the Target Group taken as a whole (as the Subscriber may, in its sole and absolute discretion, determine) having occurred.

Neither the Target Company nor the Subscriber may waive the condition precedent (i) above. The Subscriber may, without prejudice to any of its rights and remedies under the Subscription Agreement, at its discretion at any time waive in whole or in part any of the other conditions precedent.

If any of the conditions precedent is not fulfilled on or before the date falling on the expiry of six months from the date of the Subscription Agreement (or such other date as the Subscriber and the Target Company may agree in writing) and/or the conditions precedent (ii) and (iii) do not remain fulfilled up to the date of Completion, and is not (where applicable) waived by the Subscriber, the Subscription Agreement shall automatically terminate and none of the parties shall have any claim against the others under the Subscription Agreement except for antecedent breach.

Completion

Subject to conditions precedent (ii) and (iii) remaining fulfilled, Completion shall take place on the third business day after the date on which the condition precedent (i) set out above having been fulfilled, or such other date and time as the Target Company and the Subscriber may agree in writing.

Upon Completion, the Target Company will become an indirect non-wholly-owned subsidiary of the Company. Accordingly, the financial results, assets and liabilities of the Target Group will be consolidated into the accounts of the Group.

Termination of the Management Agreement

Reference is made to the voluntary announcement of the Company dated 9 November 2020 in relation to, among other things, the entering into of the Management Agreement. Under the Management Agreement, the Group, through PT Investment (or through other member(s) of the Group as appropriate) shall provide advisory, management and administrative services to the Target Group on a best effort basis. For details of the Management Agreement, please refer to the abovementioned announcement.

Upon Completion, the Group will become the controlling shareholder of the Target Group and therefore trigger the termination clause pursuant to the terms of the Management Agreement. The Company will serve a written notice to the Target Group as and when appropriate to terminate the Management Agreement.

New Shareholders' Agreement

On Completion, the Target Company, the Subscriber and the Guarantor shall enter into a New Shareholders' Agreement, which shall regulate the rights and obligations between the Subscriber and the Guarantor in respect of their respective shareholding in the Target Company and the operation and management of the Target Group as from the date of Completion, to replace the existing shareholders' agreement dated 16 April 2018. The major provisions of the New Shareholders' Agreement are set out below.

Directors:	The maximum number of directors of the Target Company shall be seven, out of whom five shall be nominated and appointed by the Subscriber and so long as the Guarantor's shareholding in the Target Company does not fall below 30%, the other two by the Guarantor. All directors and other officers of the subsidiaries of the Target Company which the Target Company is entitled to nominate shall be nominated and appointed by the Subscriber.

Transfers of shares:	If a shareholder of the Target Company wishes to dispose of its interest in the Target Company to a third party, the other shareholder is entitled to a right of first refusal to purchase all (but not part) of the ordinary shares of and the shareholder's loan to the Target Company which the transferring shareholder intends to dispose of on the same terms as offered by the third party. If the Subscriber is the selling shareholder and the other shareholder does not exercise its right of first refusal, the Subscriber has the right to require the other shareholder to sell all of its ordinary shares in the Target Company to the proposed purchaser under the same terms and conditions.

INFORMATION OF THE TARGET GROUP

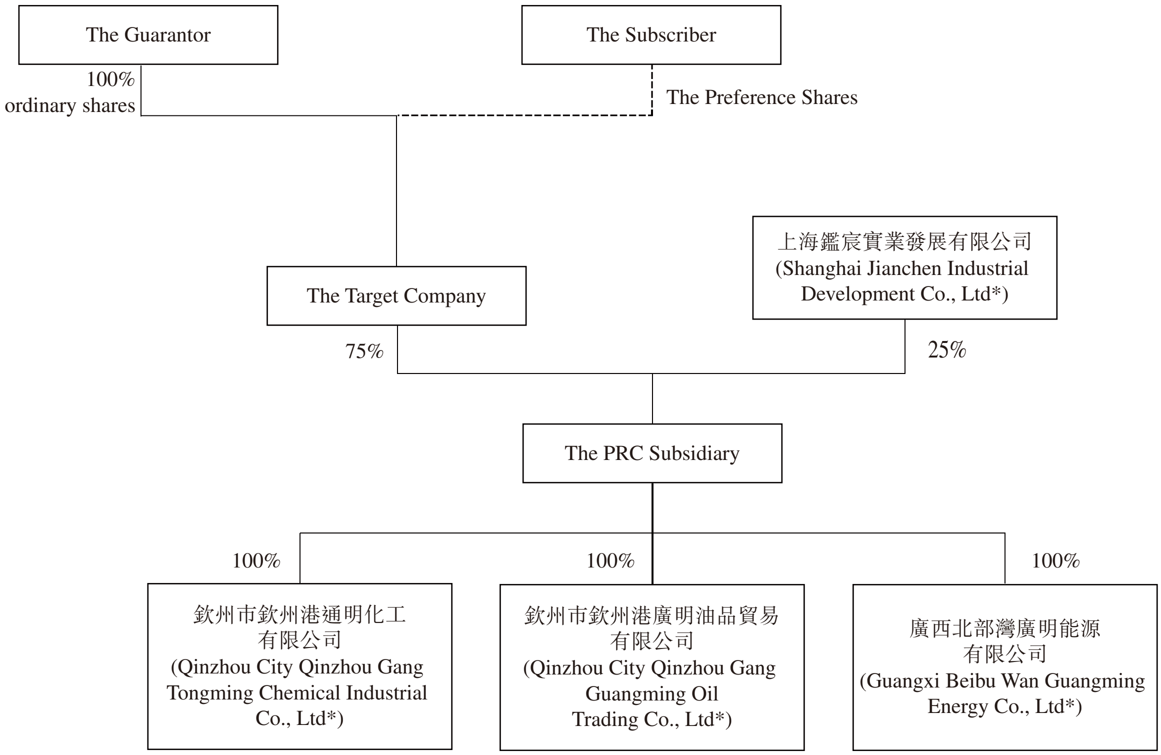
The Target Company is a company incorporated in Hong Kong with limited liability, the entire voting equity of which is wholly and beneficially owned by the Guarantor prior to Completion. The Target Company holds 75% equity interest in the PRC Subsidiary, which is principally engaged in the provision of petrochemical port and storage service as well as port related services and strategically located in South Western PRC. The remaining 25% equity interest in the PRC Subsidiary is held by 上海鑑宸實業發展有限公司 (Shanghai Jianchen Industrial Development Co., Ltd.*), which in turn is wholly owned by 京港聯興(北京)國際貿易發展有限公司 (Beijing Lianxing (Beijing) International Trading Development Co., Ltd.*) (" **Beijing Lianxing**"). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Beijing Lianxing and its ultimate beneficial owners, namely Mr. Chang Bin and Mr. Yan Jun, are third parties independent of and not connected with the Company and its connected persons.

The PRC Subsidiary was established in March 1995. It is primarily engaged in the business of handling and storage of liquid dangerous goods such as gasoline, diesel oil, mixed aromatics and fuel oil through operation of a terminal in 欽州港金谷區鷹嶺作業區 ("**Qinzhou Port**") in Guangxi Province, the PRC (the "**Terminal**"). It holds the required licences and permits for the operation of the Terminal including a port operation permit (港口經營許可證) and Annexed Certificate for Hazardous Goods Operations at Ports (港口危險貨物作業附證). To the best of the Directors' knowledge, information and belief, Qinzhou Port is one of the busiest deep-water ports near Qinzhou Petrochemical Park ("**QPP**") in Guangxi, an international shipping hub in South Asia, and QPP is one of the top petrochemical parks in South Central China.

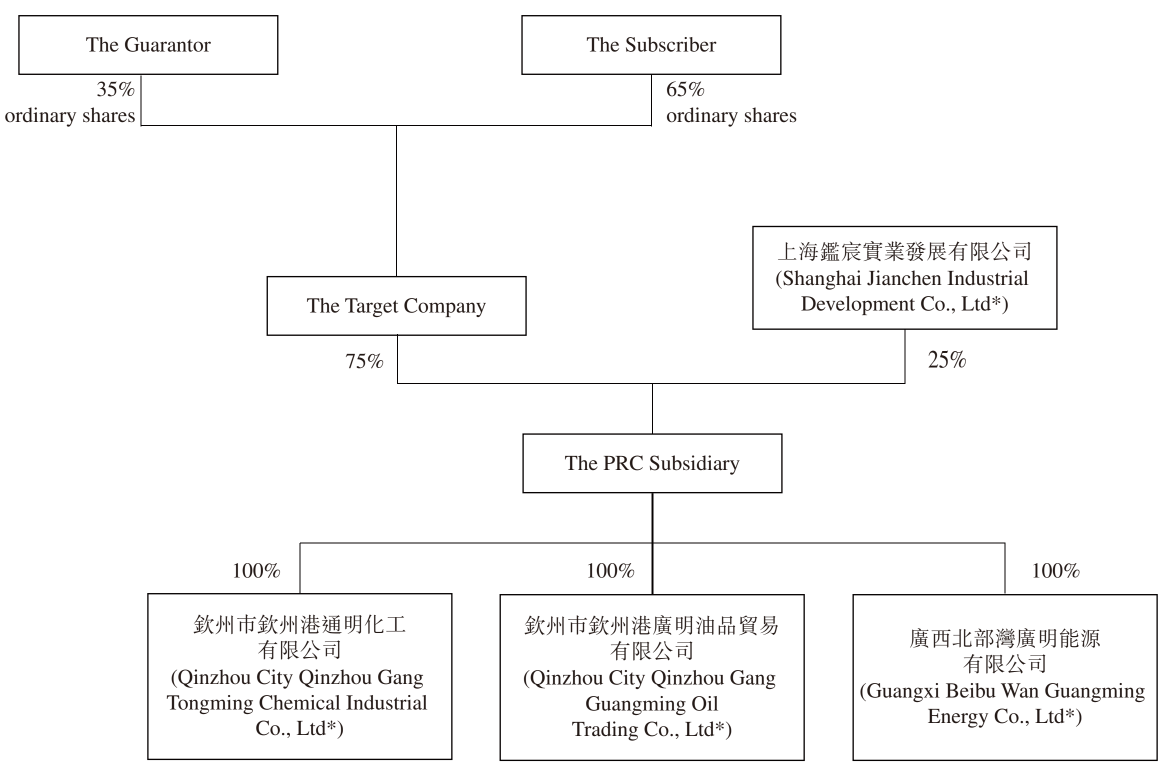
The PRC Subsidiary also owns 100% equity interests in each of the following three companies established in the PRC, namely 欽州市欽州港通明化工有限公司 (Qinzhou City Qinzhou Gang Tonming Chemicals Industrial Co., Ltd.*) which was principally engaged in trading of petrochemical products prior to April 2018, and 廣西北部灣廣明能源有限公司 (Guangxi Beibu Wan Guangming Energy Co., Ltd.*) and 欽州市欽州港廣明油品貿易有限公司 (Qinzhou City Qinzhou Gang Guangming Oil Trading Co., Ltd.*) which were inactive during the three years ended 31 December 2019.

Set out below is the shareholding structure of the Target Group (i) as at the date of this announcement; and (ii) immediately after Completion:

(i) as at the date of this announcement



(ii) immediately after Completion



The Terminal

The Terminal is strategically located in Guangxi to benefit from the One-Belt-One-Road Initiative. Guangxi is positioned as an international corridor linking the ASEAN countries, and a strategic pillar to support the growth of the southwest and mid-south regions. It offers accessibility to Central and Southeast Asia by rail instead of through Guangdong, which presents significant cost savings. It is also directly linked with China's national rail network, which enables accessibility from China to Europe through Central Asia in 15 to 18 days which is half the time needed by sea. For reference, a freight train departing from the Terminal can reach Guangzhou, Kunming, Chongqing and Wuhan in 7.5 hours, 11 hours, 13 hours and 16 hours respectively at a speed of 80 kilometres per hour. The Terminal is also one of the important ports in the region which gives expeditious accessibility to the countries located in South Asia by sea. For reference, at a speed of 16 knots per hour, a vessel departing from the Terminal can reach Hai Phong Port, Vietnam, in half a day; Singapore and Thailand in four to four and a half days; and Sri Lanka and Bangladesh in eight to nine days.

Benefitting from the well-connected railway systems in China, the reach of the Target Group covers not only Guangxi but also other provinces including Guangdong, Sichuan, Yunnan and Guizhou. According to the statistic published by National Bureau of Statistics, the aggregated population in the abovementioned provinces in 2019 was more than 330 million, which was almost one-fourth of the total population of the PRC.

The Terminal currently has one berth with docking capacity of 50,000 DWT located on the southern side of Yingling Mountain in Qinzhou, Guangxi Province, the PRC, which has been in full operation since September 2020 (the "**New Berth**") and 29 storage tanks. The New Berth is designed for handling around 2 million tonnes of petrochemical and energy products per annum.

Prior to the commencement of operation of the New Berth, the Terminal relied on the original berth with a capacity of 12,000 DWT for its operation. Deconstruction of the original berth began in October 2020 and is expected to complete by mid-April 2021 for an expansion of capacity to 50,000 DWT. It is designed to handle over 2 million tonnes of energy products per annum. The design of the second berth had been finalised and submitted to the local government for their approval. It is expected that the local government will approve the design by end of April 2021, and the Target Group will invite tender for construction of the second berth by May 2021. The management expects that the construction of the second berth would take around 18 to 24 months after award of tender, and the expected completion date of the second berth would be around June 2023. The Target Group has already obtained sufficient banking facilities to finance the construction of the second berth and therefore the Group will not need to inject any additional capital for it.

Among the 29 storage tanks, 23 tanks with total capacity of 333,700 cbm are in full operation. The remaining six newly built storage tanks are undergoing examination by the local government. Four of the new tanks with total capacity of 200,000 cbm are specialised for storage of crude oil which commands a higher storage price, and the other two new tanks with total capacity of 100,000 cbm are specialised for storage of petrochemical products. The management expects that the examinations will be completed by late April 2021 or early May 2021 and the additional storage tanks will be in operation once the examinations are completed. By then, the Target Group will be able to provide a total of 29 storage tanks with approximately 633,700 cbm of petrochemical and energy products storage capacity in aggregate. These 29 tanks, together, are expected to handle over 3 million tonnes of petrochemical and energy products per annum.

Financial information

Set out below are certain key financial data of the Target Group based on the unaudited management accounts of the Target Group for each of the two years ended 31 December 2018 and 2019 and for the six months ended 30 June 2020:

HK$' million (Unaudited)	**For the year ended 31 December 2018**	**2019**	**For the six month ended 30 June 2020**
Revenue	52.2	37.4	37.6
Gross (loss)/profit	(12.6)	(17.4)	7.1
Other income, other (losses)/gains	(10.1)	130.3	3.6
(Loss)/profit before and after taxation	(71.2)	80.0	0.6

HK$' million (Unaudited)	**As at 31 December 2018**	**2019**	**As at 30 June 2020**
Total assets	1,313.9	1,354.4	1,276.2
Total liabilities	1,103.4	1,069.4	1,014.4
Net assets	210.6	285.0	261.8

The above consolidated financial information of the Target Group for the financial years ended 31 December 2018 and 2019 is subject to audit and accordingly may differ from that set out in the accountants' report of the Target Group for the years ended 31 December 2018, 2019 and 2020 to be included in the Circular.

The revenue of the Target Group decreased from approximately HK$52.2 million for the year ended 31 December 2018 to approximately HK$37.4 million for the year ended 31 December 2019, representing a decrease of approximately 28.4%. To the best of the Directors' knowledge, information and belief, such decrease was mainly attributable to the repair and maintenance of storage tanks and railway system which led to the suspension of operation from April 2018 to September 2019 in the port area. As the railway system was the major means of transportation of petrochemical products in the port area connecting to the national railway network, the PRC Subsidiary could only transport petrochemical products by trucks during the repair and maintenance period, which drastically reduced the efficiency of the transportation and therefore adversely affected the overall revenue of the Target Group.

The gross loss of the Target Group deteriorated to approximately HK$17.4 million for the year ended 31 December 2019 from approximately HK$12.6 million for the year ended 31 December 2018. The deterioration was mainly due to (i) the decrease in revenue generated from the trading of petrochemical products; and (ii) the fixed costs such as depreciation of port facilities of the Target Group and the fixed operating expenses in maintaining the operation of the petrochemical port and storage facilities as they would not be decreased in proportion to the volume of the business activities of the Target Group.

The loss after taxation of the Target Group was approximately HK$71.2 million for the year ended 31 December 2018, which turned around to a net profit of approximately HK$80.0 million for the year ended 31 December 2019. Such improvement was attributable to the other income of approximately HK$130.3 million mainly derived from the one-off disposal gain of land owned by the Target Group to the PRC Government recognised during the year ended 31 December 2019. Excluding the abovementioned other income, the net loss after taxation of the Target Group would have been approximately HK$50.3 million, which represented improvement of approximately HK$20.9 million, or approximately 29.4% as compared to the net loss after taxation for the year ended 31 December 2018.

With a view to assisting the Target Group to improve its financial performance and expand its business scale, the Group appointed Mr. Heinrich Grabner ("**Mr. Grabner**"), an executive Director, Mr. Ching Man Ho Paul ("**Mr. Paul Ching**"), the president of the Group's operation in China, and Ms. Chen Kui ("**Ms. Chen**"), the financial controller of the Group, to the Target Group in April 2018. They took up the positions as legal representative, general manager and head of finance department respectively. Mr. Grabner, Mr. Paul Ching and Ms. Chen participated in the day-to-day business operation of the PRC Subsidiary, and in particular assisted in upgrading the management system, internal control, financial control and quality control of the daily operation, expediting the infrastructure expansion plan by closely supervising the execution, and improving utilisation rate of storage tanks by implementing effective repair and maintenance protocols. As a result, the financial performance of the Target Group has gradually improved. For the six months ended 30 June 2020, the Target Group recorded revenue of approximately HK$37.6 million, which is higher than the full year revenue for the year ended 31 December 2019. The Target Group also recognised net profit of approximately HK$0.6 million for the six months ended 30 June 2020. After excluding the other income, the Target Group demonstrated a significant improvement in the net loss from approximately HK$50.3 million for the year ended 31 December 2019 to approximately HK$3.0 million for the six months ended 30 June 2020. The Target Group also turned from a gross loss of approximately HK$17.4 million for the year ended 31 December 2019 into a gross profit of approximately HK$7.1 million for the six months ended 30 June 2020. The turnaround was mainly attributable to (i) the improvement of the efficiency of the operation which led to an increase in the utilisation of its oil tanks and eventually increased the revenue; and (ii) the directly attributable cost of the Target Group, mainly comprising (a) depreciation expenses of its oil storage which is a fixed cost; and (b) the direct labour cost which is relatively stable, would not be materially affected by the volume of the business activities carried out by the Target Group.

As at 30 June 2020, the Target Group's total assets amounted to approximately HK$1,276.2 million, primarily comprising fixed assets and construction in progress of approximately HK$930.5 million, trade and other receivables of approximately HK$175.4 million, and cash and bank balances of approximately HK$95.9 million; and total liabilities amounted to approximately HK$1,014.4 million, mainly comprising bank and other borrowings of approximately HK$707.9 million, the Preference Shares at amortised cost of HK$200.0 million which shall set off against part of the Subscription Price, and other payables of approximately HK$99.8 million. As the operation of the Target Group was heavily leveraged on external financing, the net assets of the Target Group amounted to approximately HK$261.8 million as at 30 June 2020.

Future prospects

Increase of imports of crude oil and diesel

According to the statistic published by the General Administration of Customs of the People's Republic of China, the import of crude oil, which is a major energy product, for Mainland China increased steadily from 8.4 million barrels per day in 2017 to 10.1 million barrels per day in 2019, and a further increase to 10.85 million barrels per day in 2020, representing a compound annual growth rate of approximately 8.9%. The Mainland China's imports of crude oil exceeded the United States' imports and ranked first among the world for its first time in 2017. Mainland China remains the largest importer of crude oil with a daily import of approximately 11.13 million barrels of crude oil for January and February of 2021.

In view of the increasing demand of crude oil and diesel of Mainland China and the strategic location of the Terminal, the Directors expect that the financial performance of the Target Group will continue to improve over the next few years.

Fixed assets investments in Guangxi

In recent year, due to the environmental protection policies in Hebei and southeast coastal area, many manufacturing companies moved to Guangxi. According to《2019年全區攻堅突破重點項目清單》(List of key projects for breakthroughs in all regions in 2019*) published by the People's Government of Guangxi Zhuang Autonomous Region, hundreds of companies from different industries, including but not limited to manufacturing and infrastructures, will set up their production lines in Guangxi with a total investment amount up to approximately RMB1.5 trillion (equivalent to approximately HK$1.8 trillion). According to the National Bureau of Statistics, the fixed assets investment in Guangxi increased by more than 20% for the first five months in 2020 as compared to the corresponding period in 2019. In view of the substantial fixed asset investments in Guangxi, the throughput of the berths owned by the Target Group is also expected to enjoy a high growth so as to accommodate the demands for energy and petrochemical products for meeting the needs from construction and manufacturing.

Population of Guangxi and neighbouring provinces

As petrochemical products are widely used in our daily life such as fuel for cars and planes, and production of plastic materials, cosmetics, and foods and drugs, consumption of petrochemical products is huge. As mentioned in the paragraph headed "The Terminal" under the section headed "Information of the Target Group" above, benefitting from the well-connected railway systems in China, the coverage of the Target Group includes not only Guangxi but also other provinces including Guangdong, Sichuan, Yunnan and Guizhou with more than 330 million aggregated population, which was almost one-fourth of the total population of the PRC. Having considered the versatile applications of petrochemical and energy products and close proximity of Guangxi to Guangdong, Sichuan, Yunnan and Guizhou, the Target Group will benefit from the high population and the economic growths in the abovementioned regions.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

Background of the Subscription

The Group, pursuant to its long-term strategy of exploring potential investments and enhancing the value of its strategic investments by active participation in or close liaisons with the management of the Group's invested companies, continued to strategically invest or hold significant interests, both directly or indirectly, in a portfolio of listed companies in Hong Kong and Korea and also high-potential private companies and funds, through equity instruments and debt financing, financial assets and securities, engaged in trading of commodities, chemical storage business, provision of management services, financial institute business and loan financing services.

The Group has been seeking for exposure towards oil and petrochemical sector which the Board believes will continue to be an important fuel in the growth engine of the PRC under the One-Belt-One-Road Initiative promoted by the government of the PRC. In 2017, the Group has commenced the commodities trading business having considered the significant market demand for metal products driven by the continuous growth of the Chinese economy.

With the intended exposure towards oil and petrochemical sector in mind, the Group advanced a loan facility of HK$200 million to the Guarantor, who is the ultimate beneficial owner of the Target Company, in July 2017 (details of which are disclosed in the announcement of the Company dated 20 July 2017). In April 2018, the Group subscribed for the Preference Shares of the Target Company at the subscription price of HK$200 million by utilising the proceeds from repayment of the aforesaid loan (details of which are disclosed in the announcement of the Company dated 16 April 2018). Each Preference Share confers the Group the right to receive a cumulative fixed preferential dividend at the rate of 2% per annum of the subscription price thereof. As a term of the relevant subscription agreement, the Group was granted an exclusive right (the "**Revised Exclusive Right**") during the period commencing from the date of issue of the Preference Shares up to the full payment of the Redemption Amount (or as may be extended) to purchase all or part of the issued ordinary shares of and all or part of the shareholder's loan due by the Target Company or to subscribe for new ordinary shares to be issued by the Target Company.

To further consolidate the Group's commodities trading business and advance to an integrated commodities trading firm, the Group has also invested in Yangtze Prosperity Development Limited (firstly as a loan in 2018 which was then capitalised for equity interest in 2019), which is in the course of setting up infrastructure for operating chemical storage at Yangkou Port, Jiangsu Province, the PRC; and STX Corp, a company listed on the stock exchange in Korea, which is principally engaged in energy trading, commodity trading, machinery and engine trading, and shipping and logistics, through AFC Mercury Fund in 2018.

The Subscription and the investments in Yangtze Prosperity Development Limited and STX Corp form part of the Group's business strategy to establish the Group as an integrated commodities trading firm in Asia. The assets and resources of the Target Group, Yangtze Prosperity Development Limited and STX Corp strengthen the Group's ability in offering storage and transportation services to its suppliers and customers of the commodities trading business, and therefore significantly enhances the Group's business profile and bargaining power in the commodities trading sector.

In line with the Group's upstream integration strategy

The Board has always been of the view that investment in port related operations remains a vital part of the growth of the Chinese economy and further believes that the petrochemical sector will yield better returns as compared with traditional cargo terminals. Accordingly, the Group decided to strategically move up on the supply chain of commodity trading to midstream investment in storage facilities, which are midstream assets that major commodity trading firms usually own.

Commodity storage plays a vital economic role by helping to bring commodity markets back to balance in times of supply and demand shocks. Most of the largest global commodities trading firms have their own storage facilities. Trading firms earn arbitrage profits by releasing or increasing inventories while simultaneously creating offsetting positions in futures markets and gain a competitive advantage by maintaining inventories in their own facilities. As arbitrage opportunities are transient, the cost of even a short delay in obtaining goods can be considerable. Trading firms that store their commodities in facilities they do not own are not able to exploit such opportunities effectively or at all because traders need instant access to their assets to execute arbitrage successfully. Therefore, the rationale behind midstream assets ownership is the economic benefits from reducing the risks of the trading firms not being able to access their commodities timely (i.e. the transaction costs) by owning such assets. Ownership of storage facilities, especially petrochemical storage facilities due to the strict environmental standards, is particularly important for successful petrochemical trading; not only does it offer better arbitrage opportunities but also creates value-added to customers since it reduces their risk of lack of storage which the Group will usually package it as a complete deal. Such storage facilities are limited in supply, especially in Mainland China, since they are subject to stringent construction, safety requirements and ownership.

Synergy with the Group's commodities trading business

The Subscription would allow the Group to expand its midstream assets portfolio and own port and storage facilities in a strategic location in the PRC. The Group endeavours to optimise the synergistic effects between the Group's commodities trading business and the Target Group's business by:

(i) utilising the Target Group's storage facilities to reduce the transaction cost and thereby enhance the price competitiveness of the petrochemical products offered by the Group to its customers. Having its own storage facilities, the Group will also be less restricted by the time and cost for transactions and transportation;

(ii) holding actual reserve as inventory in the Target Group's storage facilities to hedge the price risk and supply/demand exposures and optimise arbitrage opportunities; and

(iii) approaching large petrochemical suppliers and customers with the capability of offering storage spaces owned by the Group through the Target Group and Yangtze Prosperity Development Limited.

The Subscription would also complete the Group's holistic chain of upstream and downstream services in relation to its commodities trading business. While the Group may leverage on STX Corp's fleet to offer secured and competitive shipping and logistics services to its customers where necessary, the Target Group's berths and storage facilities enable the Group to provide certainty on loading, unloading and storage of its customers' petrochemical and energy products. Based on its experience, the Company believes that large petrochemical and energy products suppliers consider a commodity trading firm having security on berthing, storage and logistics services essential because the lack of or failure in securing any of the above services may potentially result in substantial loss since the cost of maintaining a vessel full of products in sea could be as high as US$0.8 million a day including penalties. Therefore, the Group will be in a more advantageous position to negotiate and conduct businesses with large petrochemical and energy products suppliers with its secured source of ports, storage facilities and vessels.

Strategic location of the Terminal

As mentioned in the paragraph headed "The Terminal" under the section headed "Information of the Target Group" above, the Terminal is strategically located in Guangxi to benefit from the One-Belt-One-Road Initiative introduced by the PRC government. In particular, energy connectivity infrastructure, being one of the most important strategic focuses of the One-Belt-One-Road Initiative, would drive the expansion of the scale of and the needs for domestic and international petrochemical ports and pipelines connectivity. Further, the 13th Five Year Plan (十三五規劃) of the PRC government places a focus on energy security of the country, and therefore progress will be accelerated in relation to (i) construction of strategic corridors for importing oil and gas; and (ii) construction of oil and gas storage facilities to increase capacity and peak saving ability. The location of the Terminal stands to benefit from the above global infrastructure development strategy and the national policy of the PRC government.

One-stop petrochemical port and ancillary services facilities in Guangxi

The Terminal is fully equipped with the New Berth with a capacity of 50,000 DWT, 29 storage tanks with approximately 633,700 cbm of petrochemical and energy products storage capacity in aggregate, truck loading stations, and rail loading terminal to provide integrated port and port-related services including loading and unloading of containers and cargo for international and domestic trades, berthing, unberthing, moorage services of vessels, container inspection at gate inside the port area and intra-port container transportation services. Construction of the second berth with a capacity of 50,000 DWT is expected to be completed around June 2023.

To the best of the Directors' knowledge, information and belief, the PRC Subsidiary is the only entity in the form of a sino-foreign joint venture which owns petrochemical terminals and storage facilities in Guangxi. The Subscription represents a rare and valuable opportunity to the Group.

The Group's in-depth knowledge of the Target Group

As mentioned in the paragraph headed "Background of the Subscription" under the section headed "Reasons for and benefits of the Subscription" above, the Group, in achieving the upstream integration strategy in respect of its commodities trading business, strategically advanced a loan facility of HK$200 million to the Guarantor in July 2017. In April 2018, the Group subscribed for the Preference Shares utilising the repayment proceeds from the aforesaid loan and was granted with the Revised Exclusive Right. In order to explore the potential of the energy industry in the PRC, the Group has assigned Mr. Grabner, Mr. Paul Ching and Ms. Chen to participate in the business operation of the PRC Subsidiary since the subscription of the Preference Shares in April 2018. The abovementioned senior officers of the Group are heavily involved in the formulation of the business strategy, business development and day-to-day operation of the Target Group since their appointments and have therefore gained solid experience and knowledge in the operation of petrochemical port and storage business in the PRC. Particularly, they have dedicated tremendous efforts in assisting the PRC Subsidiary in the expansion of business scale by upgrading the management system, internal control, financial control and quality control of the daily operation, expediting the infrastructure expansion plan by closely supervising the execution, and improving utilisation rate of storage tanks by implementing effective repair and maintenance protocols. Their efforts are instrumental to the completions of the New Berth and the 300,000 cbm storage tanks, which have either passed inspection recently or are now under inspection, and the improvements in financial performance of the Target Group as explained in the section headed "Information of the Target Group" above. Since November 2020, the Group also entered into the Management Agreement, which gave it direct management control of the Target Group, giving further exposure and understanding of the Target Group's assets to the entire management team of the Group.

In addition, Mr. Paul Ching, the General Manager of the PRC Subsidiary, holds the license for 危險化學品經營 (Hazardous Chemicals Management*) as required by 國家安全生產監督管理局 (State Administration of Work Safety*) of the PRC, which is a requirement imposed by law (i.e. 危險化學品經營許可證管理辦法 (Administrative Measures for Business Permits for the Operation of Hazardous Chemicals*)) on the key responsible person of an entity engaged in business relating to hazardous chemicals. The licensing requirement involves attending the required training and passing of an examination on relevant laws and regulations concerning hazardous chemical handling and management. The Directors consider the Group has now possessed the necessary management and operation expertise in the petrochemical port and storage business in the PRC.

Given the completion of the infrastructure improvement and turnaround of financial performance of the Target Group after the assignment of the abovementioned senior officers to the Target Group, the Directors consider that it is the most opportune time to convert the Preference Shares into a majority equity interest in the Target Company to realise its strategy on upstream integration laid down as early as in 2017.

No further capital outlay from the Group

The Subscription would be entirely settled by way of offsetting against the Redemption Amount payable by the Target Company for the redemption of the Preference Shares. Therefore, it would not involve any capital outlay or external borrowings of the Group or dilution in the shareholding of the existing shareholders in the Company.

In light of the aforementioned, the Directors consider that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms, and the Subscription is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE SUBSCRIPTION

Following Completion, the Target Group will become indirect non-wholly-owned subsidiaries of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the Group's accounts. Further details of the financial effect of the Subscription on the Group will be disclosed in the Circular.

LISTING RULES IMPLICATION

As one of the relevant percentage ratio (as defined in the Listing Rules) in respect of the Subscription exceeds 100%, the Subscription constitutes a very substantial acquisition for the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Subscription which is different from other Shareholders, and thus no Shareholder is required to abstain from voting at the SGM.

The Circular containing, among other things, (i) details of the Subscription Agreement and the transactions contemplated thereunder; (ii) the financial information and other information of the Group; (iii) the financial information and other information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation report of the Target Group; and (vi) a notice of the SGM together with a form of proxy for use at the SGM, is expected to be despatched to the Shareholders on or before 30 June 2020, having taken into account the time required for preparing the aforesaid information to be included in the Circular.

Completion is subject to the fulfilment (or, where applicable, waiver) of the conditions precedent set out in the Subscription Agreement and the Subscription may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used will have the following meanings:

"Accrued Amount"	all accrued and unpaid dividends on the Preference Shares up to the date of Completion
"Board"	the board of Directors
"business day"	means a day (excluding a Saturday) on which banks in Hong Kong are open for business in Hong Kong throughout their normal business hours
"Circular"	the circular relating to the Subscription to be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules
"Company"	PT International Development Corporation Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 372)
"Completion"	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Director(s)"	the director(s) of the Company

"Enlarged Group"	the Group as enlarged by the Target Group
"Group"	the Company and its subsidiaries
"Guarantor" or "Mr. Zhu"	Mr. Zhu Bin
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management Agreement"	the management agreement dated 9 November 2020 entered into between PT Investment and the Target Company in relation to the provision of advisory, management and administrative services by PT Investment (or through other member(s) of the Group as appropriate) to the Target Group
"New Shareholders' Agreement"	the shareholders' agreement of the Target Company to be entered into among the Subscriber, the Guarantor and the Target Company upon Completion
"One-Belt-One-Road Initiative"	a significant development strategy launched by the PRC government with the intention of promoting economic co-operation among countries
"PRC"	the People's Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Subsidiary"	廣西廣明碼頭倉儲有限公司 (Guangxi Guangming Warehouse Storage Limited*), a company established in the PRC the equity interest of which is owned as to 75% by the Target Company and as to 25% by 上海鑑宸實業發展有限公司 (Shanghai Jianchen Industrial Development Co., Ltd.*)
"Preference Shares"	the 100 non-voting redeemable preference shares of the Target Company issued to the Subscriber pursuant to the subscription agreement dated 16 April 2018 entered into among the Target Company, the Subscriber and the Guarantor, and each a "Preference Share"

"PT Investment"	PT Investment Corporation Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
"Redemption Amount"	the aggregate of subscription price for the Preference Shares, being HK$200,000,000, and the Accrued Amount
"SGM"	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder
"Shareholder(s)"	the holder(s) of the issued share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	PT OBOR Financial Holdings Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
"Subscription"	the proposed subscription of the Subscription Shares by the Subscriber under the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 29 March 2021 entered into among the Subscriber, the Target Company and the Guarantor in relation to the Subscription
"Subscription Price"	the subscription price for the Subscription Shares, being an amount equivalent to the Redemption Amount, payable by the Subscriber
"Subscription Shares"	a total of 668,571,429 new ordinary shares of the Target Company, for which the Subscriber has agreed to subscribe and the Target Company has agreed to allot and issue upon the terms and subject to the conditions to the Subscription Agreement
"Target Company"	Thousand Vantage Investment Limited, a company incorporated in Hong Kong with limited liability
"Target Group"	the Target Company and its subsidiaries, including the PRC Subsidiary

"cbm"	cubic metres
"DWT"	deadweight tonne, which is a measure of how much weight a vessel can safely carry. DWT is the sum of the weight of cargo, fuel, fresh water, ballast water, provisions, passengers, and crew, and the term is often used to specify a vessel's maximum permissible deadweight
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

For the purpose of this announcement, the exchange rate of RMB1.00 = HK$1.19 have been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK$ or RMB has been, could have been or may be converted at such a rate.

By Order of the Board
PT International Development Corporation Limited
Ching Man Chun, Louis
Chairman and Managing Director

Hong Kong, 29 March 2021

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Ching Man Chun, Louis (Chairman and Managing Director), Mr. Sue Ka Lok, Ms. Xu Wei, Mr. Yeung Kim Ting and Mr. Heinrich Grabner; and three independent non-executive Directors, namely, Mr. Yam Kwong Chun, Mr. Wong Yee Shuen, Wilson, and Mr. Lam Yik Tung.

* *For identification purpose only*