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GROUND INTERNATIONAL DEVELOPMENT LIMITED

廣澤國際發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 989)

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

INTRODUCTION

Reference is made to the announcement of the Company dated 18 December 2019 in relation to, among other things, the LOI entered into for the potential disposal of property interest.

On 24 February 2020 (after trading hours), each of the Sellers (a direct/an indirect wholly owned subsidiary of the Company) and the Company, entered into the respective Agreement with each of the Purchasers, pursuant to which each of the Sellers agreed to sell to each of the Purchasers the entire equity interests in the respective Target Companies, at the aggregate consideration of HK\$305,280,000 subject to the terms of each of the Agreements.

Upon Completion, each of the Target Companies will cease to be a subsidiary of the Company and their financial results and assets and liabilities will no longer be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but all are less than 75%, the entering into of the Agreements and the transactions contemplated thereunder constitute a major transaction of the Company and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal, written shareholder's approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Controlling Shareholder, holding 3,238,020,000 issued Shares, representing approximately 61.40% of the issued share capital of the Company as at the date of this announcement, has given its written approval in respect of the Disposal. Accordingly, no special general meeting of the Company will be convened for the purpose of approving the Disposal.

A circular containing, among other things, further details of the Disposal and other information as required by the Listing Rules is expected to be despatched to the Shareholders on or before 16 March 2020.

THE DISPOSAL

Reference is made to the announcement of the Company dated 18 December 2019 in relation to, among other things, the LOI entered into for the potential disposal of property interest.

On 24 February 2020, each of the Sellers (a direct/an indirect wholly owned subsidiary of the Company) and the Company, entered into the respective Agreement with each of the Purchasers, pursuant to which each of the Sellers agreed to sell to each of the Purchasers the entire equity interests in the respective Target Companies, at the aggregate consideration of HK\$305,280,000 (subject to adjustments) subject to the terms of each of the Agreements.

The Agreements

Date : 24 February 2020

Seller : The Seller A The Seller B The Seller C The Seller D

Purchaser : The Purchaser A The Purchaser B The Purchaser C The Purchaser D

Guarantor : The Company

Subject matter — : The Sale Shares represent the issued share capital of each of the
assets to be Target Companies held by the respective Sellers. The underlying
disposed of assets held by the Target Companies are the Properties.

As at the date of the announcement, the Properties are pledged to secure all sums of money in respect of the Bank Loans in favour of a bank.

Consideration : HK\$84,300,000 HK\$96,490,000 HK\$96,490,000 HK\$28,000,000

, being an aggregate of HK\$305,280,000

The Consideration was arrived at after arm's length negotiations between the parties to the Agreements and was determined with reference to, among others, (i) the financial position of the Target Companies; (ii) the preliminary valuation (the “**Valuation**”) prepared by an independent valuer showing an indicative market value of the Properties as at 31 January 2020, being not less than an aggregate of HK\$340 million under income capitalisation approach for the Property A, Property B and Property C and sales comparison approach for Property D; and (iii) the reasons for and benefits of the Disposal as stated under the section headed “Reasons for the benefits for the transaction”.

The Directors (including the independent non-executive Directors) consider the terms of the Disposal (including but not limited to the Consideration) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Term of payment : (a) As to the deposit

HK\$2,761,399.36 HK\$3,160,704.93 HK\$3,160,704.93 HK\$917,190.78

, being an aggregate of HK\$10 million (being the earnest money) paid by the Purchasers to the Purchasers' solicitors as stakeholders upon the signing of the LOI which shall be released to the Sellers' solicitors as stakeholders upon the signing of the Agreements; and

HK\$5,668,600.64 HK\$6,488,295.07 HK\$6,488,295.07 HK\$1,882,809.22

, being an aggregate of HK\$20,528,000 to be paid by the Purchasers to the Sellers' solicitors as stakeholders upon the signing of the Agreements; and

On 24 February 2020, the deposit has been paid to the Sellers' solicitors as stakeholders.

(b) As to the balance

HK\$75,870,000 HK\$86,841,000 HK\$86,841,000 HK\$25,200,000

, being an aggregate of HK\$274,752,000, subject to the adjustment mechanism (as stated below), if any, to be paid by the Purchasers upon Completion

Condition Precedent : The Company having obtained a written approval from the Controlling Shareholder approving, among other matters, the transactions contemplated in the Agreements in accordance with the requirements and in a manner permitted under the Listing Rules.

On 24 February 2020, the Condition Precedent has been fulfilled.

Adjustment to the Consideration : The Consideration is subject to the following adjustment:

- (a) there shall be added to the Consideration the amount (if any) by which the sum of the Qualifying Assets and Liabilities as shown in the Proforma Accounts is greater than zero; or
- (b) there shall be deducted from the Consideration the amount (if any) by which the sum of the Qualifying Assets and Liabilities shown in the Proforma Accounts is less than zero.

The Sellers and the Purchasers have agreed that, pursuant to the terms of the Agreements, the Proforma Accounts will be audited by a firm of certified public accountants in Hong Kong. In the event that the net asset value as calculated from the Audited Completion Accounts is different from that calculated from the Proforma Accounts, there will be further adjustment (if any) to the Consideration with similar adjustment mechanism as outlined above.

Completion : Completion shall take place on one of the following:

- (i) 20 March 2020 if prior to such date the Condition Precedent shall have been satisfied; or
- (ii) such other date as each of the Sellers and each of the Purchasers may agree in writing.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Purchasers and the ultimate beneficial owner(s) of the Purchasers are Independent Third Parties.

Guarantee

The Company agrees to (i) guarantee to each of the Purchasers the performance of each of the Sellers' obligations in accordance with the Agreements; and (ii) pay, on demand, any sum which each of the Sellers fails to pay to each of the Purchasers under or in connection with the Agreements.

Property Enhancement Project

It is agreed under the Agreements that:

- (i) all outstanding payments payable by the relevant Property in connection with the chiller plant replacement works will be settled on or before Completion and all costs and expenses in connected with the matters contemplated thereunder shall be borne solely by the relevant Seller, which up to the date of this announcement, amount to approximately HK\$454,000 in aggregate;
- (ii) if as requested by the management office of the relevant property (whether with or without passing resolutions of owners' meeting of the building(s) where the relevant Property situates) or as agreed between the relevant Seller and the relevant Purchaser, with respect to carrying out of any drainage replacement works at the building prior to Completion, the relevant Seller shall be responsible for all costs and expenses (whether before or after Completion) payable by the Company in accordance with such management office's request and/or resolutions of owners' meeting of the building and/or agreement between the relevant Seller and the relevant Purchaser; and
- (iii) the relevant Seller shall be responsible for the costs and expenses in connection with and incidental to the repair and/or replacement of all the toilet(s) in the relevant Property, which amount to approximately HK\$300,000 in aggregate.

As at the date of the Agreements, the Property Enhancement Project is in progress. The costs for completion of the Property Enhancement Project shall be payable by the relevant Seller and will be considered as a "liability" as part of the Qualifying Assets and Liabilities for the adjustment of the Consideration.

The Master Deed

On 24 February 2020, Seller A, Seller B, Seller C and Seller D collectively as sellers; Purchaser A, Purchaser B, Purchaser C and Purchaser D collectively as purchasers; and the Company as the Sellers' guarantor have agreed to enter into the Master Deed as a deed for the purpose of regulating the exercise of termination or rescission right by the Purchasers under each of the Agreement(s) and (where all the Agreements shall remain valid and subsisting before Completion) ensuring that Completion of all the Agreements takes place simultaneously and in accordance with the terms and conditions of the Master Deed.

Pursuant to the Master Deed, each of the parties acknowledges and confirms that:

- (a) the provisions of the Master Deed shall prevail over any and all of the provisions of each of the Agreements in the case of any inconsistency and that they will respectively ensure that the provisions of each of the Agreements shall be implemented in accordance with the Master Deed; and
- (b) save where all of the Agreements are terminated or rescinded by the Purchasers before Completion, Completion under an Agreement cannot, and shall not, take place unless and until all of the other Agreements complete simultaneously on the day of Completion and at the same place and time.

REASONS FOR AND BENEFITS FOR THE TRANSACTION

The Group acquired the Properties back in 1998 at the consideration of HK\$138.8 million. Over the years with various changes in controlling shareholders of the Company, the Properties have been kept and used for leasing purpose as investment properties or own use as office premises. The Group's management has taken into consideration of (i) the current property rental market in Kowloon Bay and nearby districts (the “**Kowloon East CBD**”); (ii) the many new grade-A buildings recently available in the Kowloon East CBD; and (iii) the recent development in Hong Kong. It is considered to be appropriate to divest the Properties. With the consideration of HK\$305,280,000, the Group will make an investment return of 119.9%.

In addition, the Properties are currently pledged to secure the Bank Loans. Based on the bank's preliminary annual review, the bank has indicated to the Group's management that its intention to request the Group to pay down on part of the Bank Loans. Given such request and the pre-requisite conditions associated with the Disposal to release the charge on the Properties, the Group should make an early repayment of the Bank Loans.

Accordingly, the Group intends to utilise majority of the net proceeds (being approximately HK\$298.1 million) for the repayment of the Bank Loans, thereby reducing the Group's liabilities and interests expenses. For the year ended 31 March 2019, the interest expenses charged to the profit or loss in respect of the Bank Loans amounted to approximately HK\$13.3 million; and the related rental income and net profit (before intra-group management fee and change in fair value of investment properties) generated from the Properties for the year ended 31 March 2019 amounted to approximately HK\$10.0 million and approximately HK\$7.9 million respectively. Based on the above information, the Group would have made an annual savings of approximately HK\$5.4 million (assuming there is no further gain in fair value of the Properties).

In light of the nature of principal business of the Group, the Board believes that the Disposal will not have material impact on the Group's operation.

For the divestment process of the Properties, the Group's management appointed a sole agent to look for potential buyers of the Properties over the past few months; and assessed the prices offered by these potential buyers, of which the Purchasers offered the highest price for the disposal of the Properties.

The Directors, including the independent non-executive Directors, are of the view that the Disposal and the terms of the Agreements are on normal commercial terms, are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND THE PROPOSED USE OF PROCEEDS

Upon Completion, each of the Target Companies will cease to be a subsidiary of the Company and their financial results, assets and liabilities will no longer be consolidated into the financial statements of the Group.

It is estimated that the loss on disposal of the equity interests in the Target Companies calculated in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institutes of Certified Public Accountants would be approximately HK\$39.6 million, comprising the Consideration (net of estimated consideration adjustments of approximately HK\$2.4 million) less the carrying value of the investment in the Target Companies and after deducting the expenses directly attributable to the Disposal.

The net proceeds from the Disposal (after deducting the expenses directly attributable to the Disposal) are estimated to be approximately HK\$298.1 million. The Group intends to apply the net proceeds from the Disposal to settle certain Bank Loans owing by the Group and as general working capital.

GENERAL

Information relating to the Company and the Sellers

The Company is an investment holding company. The Group is principally engaged in property development and management, including planning, design, budgeting, licensing, contract tendering and contract administration, property investment, and provision of financial services.

Each of the Sellers is a company incorporated in the BVI and is a direct/an indirect wholly owned subsidiary of the Company. The principal activity of each of the Sellers is investment holding.

Information relating to the Target Companies

Each of the Target Companies is a company incorporated in Hong Kong with limited liability and is a direct wholly owned subsidiary of each of its respective Seller engaged in property holding. Each of the Target Companies is the sole legal and beneficial owner of each of the Properties.

The Properties constitute 20th Floor of Tower I, Tower II and Tower III and Car parking spaces Nos. A1 to A14 (inclusive) on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon.

According to the Valuation prepared by an independent valuer, the indicative market value of the Properties as at 31 January 2020 is not less than an aggregate of HK\$340 million under income capitalisation approach for the Property A, Property B and Property C and sales comparison approach for Property D.

Combined financial information of the Target Companies

Set out below are the unaudited combined results of the Target Companies prepared under Hong Kong Financial Reporting Standards (“**HKFRSs**”):

	Year ended 31 March	
	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Profit before tax	24,736,000	31,231,000
Profit after tax	24,685,000	35,441,000

As at 31 March 2019, the unaudited combined net assets of the Target Companies under HKFRSs amounted to approximately HK\$395,555,000.

Information relating to the Purchasers

Each of the Purchasers is a company incorporated in Hong Kong. The principal activity of each of the Purchasers is property investment.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but all are less than 75%, the entering into of the Agreements and the transactions contemplated thereunder constitute a major transaction of the Company and are therefore subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal, written shareholder’s approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Controlling Shareholder, holding 3,238,020,000 issued Shares of, representing approximately 61.40% of the issued share capital of, the Company as at the date of this announcement, has given its written approval in respect of the Disposal. Accordingly, no special general meeting of the Company will be convened for the purpose of approving the Disposal.

A circular containing, among other things, further details of the Disposal and other information as required by the Listing Rules is expected to be despatched to the Shareholders on or before 16 March 2020.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Agreements”	the sale and purchase agreements all dated 24 February 2020, each entered into between the respective Seller as seller, the Company as guarantor and the respective Purchaser as purchaser in relation to the Disposal, and each an “Agreement”
“associate”	has the meaning ascribed to it under the Listing Rules
“Audited Completion Accounts”	the accounts of the Company made up to the Completion Date prepared in accordance with the requirements of all applicable laws and the relevant accounting standards and in a manner fully consistent with the audited accounts of the Company and audited by the auditor of the Company
“Bank Loans”	the loans owing by the Company and Ground Financial (each as a borrower) to a bank (as a lender), the outstanding principal amount being HK\$273,000,000 in aggregate as at 31 January 2020
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	Ground International Development Limited (廣澤國際發展有限公司) (stock code: 989), a company incorporated in Bermuda with limited liabilities whose ordinary shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreements
“Completion Date”	the date on which Completion takes place
“Condition Precedent”	the condition precedent to the Agreements as set out in the section headed “Condition Precedent” in this announcement
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the total consideration of HK\$305,280,000 for the Disposal pursuant to the Agreements
“Directors”	the directors of the Company, and each a “Director”
“Disposal”	the disposal of the Sale Shares by the Sellers to the Purchasers pursuant to the Agreements

“Ground Financial”	Ground Financial Management Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary 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 PRC
“Independent Third Party(ies)”	third party(ies) which is/are independent of the Company and its Connected Persons
“Jade Cloud Estates”	Jade Cloud Estates Limited, being a company incorporated in Hong Kong with limited liability, an Independent Third Party and a nominee of the Purchasers
“Ka Yik” or “Controlling Shareholder”	Ka Yik Investments Limited, a company incorporated in the BVI and is the controlling Shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LOI”	the letter of intent dated 18 December 2019 entered into between the Company and Jade Cloud Estates in relation to the proposed Disposal
“Master Deed”	the master deed dated 24 February 2020 and entered into among Seller A, Seller B, Seller C and Seller D collectively as sellers; Purchaser A, Purchaser B, Purchaser C and Purchaser D collectively as purchasers; and the Company as the Sellers’ guarantor pursuant to and in connection with the Agreements
“Ms. Cui”	Ms. Cui Xintong (崔薪瞳), an executive Director, the chairperson of the Board, and the ultimate beneficial owner of Ka Yik
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proforma Accounts”	the accounts of the Company made up to the Completion Date prepared in accordance with the requirements of all applicable laws and the relevant accounting standards and certified by a Director
“Property A”	20th Floor of Tower I, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon

“Property B”	20th Floor of Tower II, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon
“Property C”	20th Floor of Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon
“Property D”	Car parking spaces Nos. A1 to A14 (inclusive) on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon
“Property Enhancement Project”	the asset enhancement project for, among other things, the chiller plant replacement works, building drainage works and toilet rectification works in relation to the relevant Properties
“Properties”	collectively, the Property A, the Property B, the Property C and the Property D, and each a “Property”
“Purchaser A”	Win Pacific Development Limited, a company incorporated in Hong Kong, being one of the purchasers of the Sale Shares under the Agreements
“Purchaser B”	New Harbour Holdings Limited, a company incorporated in Hong Kong, being one of the purchasers of the Sale Shares under the Agreements
“Purchaser C”	Sinco Enterprises Limited, a company incorporated in Hong Kong, being the purchaser of the Sale Shares under the Agreements
“Purchaser D”	Kingsbrook Limited, a company incorporated in Hong Kong, being the purchaser of the Sale Shares under the Agreements
“Purchasers”	collectively, Purchaser A, Purchaser B, Purchaser C and Purchaser D, and each a “Purchaser”
“Qualifying Assets and Liabilities”	the items of assets and liabilities qualified for adjustment to the consideration pursuant to the Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	Two (2) shares of Target Company A, two (2) shares of Target Company B, two (2) shares of Target Company C; and two (2) shares of Target Company D, representing the entire share capital of each of the Target Companies held by the respective Sellers
“Seller A”	Master Form Limited, a company incorporated in the BVI and an indirect wholly owned subsidiary of the Company

“Seller B”	Ground Holdings Limited, a company incorporated in the BVI and a direct wholly owned subsidiary of the Company
“Seller C”	Target Lane Investments Limited, a company incorporated in the BVI and an indirect wholly owned subsidiary of the Company
“Seller D”	Sungloss International Limited, a company incorporated in the BVI and an indirect wholly owned subsidiary of the Company
“Sellers”	collectively, the Seller A, the Seller B, the Seller C and the Seller D, and each a “Seller”
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company A”	Ground Properties (HK) Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Seller A
“Target Company B”	Ground Data System Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Seller B
“Target Company C”	Jackie Industries Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Seller C
“Target Company D”	World Sheen Properties Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Seller D
“Target Companies”	collectively, Target Company A, Target Company B, Target Company C and Target Company D, and each a “Target Company”
“%”	per cent

By order of the Board
Ground International Development Limited
Cui Xintong
Chairperson

Hong Kong, 24 February 2020

As at the date of this announcement, the executive Directors are Ms. Cui Xintong and Ms. Liu Hongjian; the non-executive Director is Mr. Cong Peifeng and the independent non-executive Directors are Mr. Tsang Hung Kei, Mr. Zhu Zuoan and Mr. Wang Xiaochu.