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Connected Transaction
Proposed Disposal of an Office Building - Menara Guoco

On 2 March 2020, DC Offices, an indirect wholly-owned subsidiary of GLM which in turn is the Company's indirect subsidiary listed on Bursa Malaysia, entered into a conditional sale and purchase agreement with MTrustee, for the proposed disposal by DC Offices to MTrustee an office building known as Menara Guoco at a cash consideration of RM242,100,000 (approximately HK\$448,085,943).

MTrustee is the trustee of Tower REIT of which HLCM is a deemed major unitholder. As HLCM is the ultimate holding company and a substantial shareholder of the Company, MTrustee is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The Proposed Disposal therefore constitutes a connected transaction of the Company. As the applicable percentage ratios of the Proposed Disposal exceed 0.1% but are less than 5%, it is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval of the Company under Chapter 14A of the Listing Rules.

DETAILS OF THE PROPOSED DISPOSAL

Date of the Agreement

2 March 2020

Parties

- (1) DC Offices as Vendor; and
- (2) MTrustee (acting in its capacity as trustee of Tower REIT) as Purchaser.

Salient terms of the Agreement

Pursuant to the Agreement, DC Offices agreed to sell and MTrustee (acting in its capacity as trustee of Tower REIT) agreed to purchase the Property, a 19-storey office building with a total net lettable area of 232,133 square feet. The Property is part of an integrated commercial development known as Damansara City, comprising another office building, a hotel, a retail mall, serviced apartments and car parks.

The Property is sold in "as is where is" basis, free from encumbrances and subject to all existing agreements in relation to the Property (including but not limited to the tenancy agreements) which will be novated or assigned to the Purchaser at completion.

Consideration

The consideration for the Property is RM242,100,000 (approximately HK\$448,085,943) in cash payable on completion of the Proposed Disposal.

The consideration was arrived at on a willing-buyer willing-seller basis with reference to the market value of the Property of RM242,100,000 (approximately HK\$448,085,943) as at the material date of valuation of 22 January 2020 as appraised by an independent professional valuer appointed by GLM.

Conditions Precedent

The completion of the Proposed Disposal pursuant to the Agreement shall be conditional upon, among other things, the approval of the shareholders of GLM at a general meeting and the approval of the unitholders of Tower REIT at a general meeting in respect of the Proposed Disposal.

If any of the conditions precedent under the Agreement is not fulfilled within four months from the date of the Agreement or such other period as may be mutually agreed between both parties, either party may terminate the Agreement by notice in writing to the other, whereupon neither party shall have any claim against the other.

FINANCIAL INFORMATION OF THE PROPERTY

The Property is an investment property which generated rental income of approximately RM14,800,000 (approximately HK\$27,392,284) and RM15,600,000 (approximately HK\$28,872,948) for the financial year ended 30 June 2018 and 30 June 2019 respectively. In the audited financial statement of GLM as at 30 June 2019, the Property is stated at the fair value of RM242,100,000 (approximately HK\$448,085,943) which is based on market valuation by an independent valuer. Upon completion of the Proposed Disposal, GLM Group is expected to record an estimated net gain of approximately RM6,824,000 (approximately HK\$12,630,064) calculated based on the consideration and the reversal of deferred tax pertaining to the Property of approximately RM7,454,000 (approximately HK\$13,796,087) less the audited fair value of RM242,100,000 (approximately HK\$448,085,943) and the estimated expenses for the proposed disposal of the Property of approximately RM630,000 (approximately HK\$1,166,023).

It is intended that approximately RM145,339,000 (approximately HK\$268,997,781) of the sale proceeds would be used to repay existing bank borrowings of GLM Group, approximately RM96,131,000 (approximately HK\$177,922,139) would serve as working capital of GLM Group and the balance would be used to defray estimated expenses for the Proposed Disposal.

RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal represents an opportunity for GLM Group to realise its investment in the Property. It is also in line with GLM Group's strategy to focus on property development. The proceeds from the Proposed Disposal will provide additional working capital, reduce bank borrowings and interest expenses which would help to improve the GLM Group's overall cash flow management. The Board (including the independent non-executive directors) considers that the terms and conditions of the Proposed Disposal are of normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

MTrustee is the trustee of Tower REIT and HLCCM is a deemed major unitholder interested in 32.4% of the total unitholding, excluding 21.7% held through a subsidiary of GLM which in turn is an indirect subsidiary of the Company. As HLCCM is the ultimate holding company and a substantial shareholder of the Company, MTrustee is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The Proposed Disposal therefore constitutes a connected transaction of the Company. As the applicable percentage ratios of the Proposed Disposal exceed 0.1% but are less than 5%, it is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval of the Company under Chapter 14A of the Listing Rules.

Mr. Kwek Leng Hai and Mr. Kwek Leng San, directors of the Company, are also shareholders of HLCCM. While they are not considered as having a material interest in the Proposed Disposal, they have voluntarily elected to abstain from voting on the relevant board resolutions in relation to the approval of the Proposed Disposal.

INFORMATION ON THE COMPANY, DC OFFICES, MTRUSTEE AND TOWER REIT

The Company is an investment holding and management company with operations and investments principally located in Asia and Europe. Its subsidiaries and associated companies are primarily involved in four core businesses, namely principal investment, property development and investment, hospitality and leisure operations and financial services.

DC Offices is an indirect wholly-owned subsidiary of GLM. GLM is 65.0% owned by GuocoLand, which in turn is a 66.8% owned subsidiary of the Company. GLM is listed on the Main Market of Bursa Malaysia. The principal activity of GLM is investment holding. The principal activities of GLM's subsidiaries are property development, property investment, hotel operations, investment holding, provision of management and property-related services, and operation of oil palm estate.

MTrustee is the trustee of Tower REIT, a real estate investment trust listed on the Main Market of Bursa Malaysia. The investment objective of Tower REIT is to invest primarily in a portfolio of real estate including quality office buildings, commercial properties, residential properties and industrial properties. Tower REIT's portfolio currently comprises 2 commercial office buildings located in Kuala Lumpur, Malaysia.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 2 March 2020 entered into between the Vendor and the Purchaser in respect of the sale and purchase of the Property
“Board”	the board of directors of the Company
“Bursa Malaysia”	Bursa Malaysia Securities Berhad
“DC Offices” or “Vendor”	DC Offices Sdn. Bhd., a company incorporated in Malaysia and an indirect wholly-owned subsidiary of GLM
“GLM”	GuocoLand (Malaysia) Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia. It is a 65.0% owned subsidiary of GuocoLand
“GLM Group”	GLM and its subsidiaries

“Guoco” or “Company”	Guoco Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 53)
“GuocoLand”	GuocoLand Limited, a company incorporated in Singapore and listed on the Main Board of The Singapore Exchange Securities Trading Limited and a 66.8% owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region
“HLCM”	Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia, the ultimate holding company and a substantial shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MTrustee” or “Purchaser”	MTrustee Berhad, a company incorporated in Malaysia, acting in its capacity as trustee of Tower REIT
“Property”	19-storey office building known as Menara Guoco erected on part of that piece of freehold land held under Geran 74955, Lot 58303 in the Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur, Malaysia
“Proposed Disposal”	the proposed disposal of the Property by DC Offices to MTrustee pursuant to the Agreement
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tower REIT”	Tower Real Estate Investment Trust, a real estate investment trust listed on the Main Market of Bursa Malaysia. Its management company and trustee are GLM REIT Management Sdn. Bhd. (a wholly owned subsidiary of GLM) and MTrustee
“%”	per cent.

Note:

The exchange rate of RM:HK\$ as referred to in this announcement is RM1:HK\$1.85083 as at 2 March 2020 and is for reference only.

By Order of the Board
Stella Lo Sze Man
Company Secretary

Hong Kong, 2 March 2020

As at the date of this announcement, the Board comprises Mr. Kwek Leng Hai as Executive Chairman; Mr. Tang Hong Cheong as President & CEO; Mr. Kwek Leng San as Non-executive Director and Mr. Roderic N. A. Sage, Mr. David Michael Norman and Mr. Huang Lester Garson, SBS, JP as Independent Non-executive Directors.