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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 (I) DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANIES; AND (II) CESSATION OF CONTINUING CONNECTED TRANSACTIONS

Financial adviser to the Company



INTRODUCTION

On 26 March 2020 (after trading hours), the Seller, an indirect wholly-owned subsidiary of the Company, entered into the Agreements with the Purchaser, pursuant to which the Seller conditionally agreed to sell to the Purchaser the entire equity interests in the Target Companies, at the aggregate Consideration of RMB122,000,000 (equivalent to approximately HK\$134,200,000) subject to the terms of each of the Agreements.

Upon Completion, the members of the Target Group will cease to be subsidiaries 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 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 20 April 2020.

THE DISPOSAL

On 26 March 2020 (after trading hours), the Seller, an indirect wholly-owned subsidiary of the Company, entered into the Agreements with the Purchaser, pursuant to which the Seller conditionally agreed to sell to the Purchaser the entire equity interests in the Target Companies, at the aggregate Consideration of RMB122,000,000 (equivalent to approximately HK\$134,200,000) subject to the terms of the Agreements.

The Agreements

Date	:	26 March 2020
Seller	:	The Seller
Purchaser	:	The Purchaser
		To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.
Subject matter - assets to be disposed of	:	The entire equity interests in the Target Companies. The Target Companies together own the entire equity interests in FR Guarantee
Consideration	:	RMB122,000,000 (equivalent to approximately HK\$134,200,000)

The Consideration was arrived at after arm's length negotiations between the parties to the Agreements after taking into consideration of various factors, including, among others, (i) the reasons for the Disposal as set out in the section headed "Reasons for and benefits of the Disposal" below; (ii) the current financial position and operating conditions of FR Guarantee; (iii) the exit-multiples of comparable market transactions; and (iv) the consolidated net asset value of the Target Group of RMB122.2 million (equivalent to approximately HK\$134.4 million) as at 29 February 2020.

- Term of payment : (a) As to RMB12,200,000 (equivalent to approximately HK\$13,420,000), representing 10% of the Consideration, to be paid to the Seller by the Purchaser within 5 days after the signing of the Agreements;
- (b) as to RMB48,800,000 (equivalent to approximately HK\$53,680,000), representing 40% of the Consideration, to be paid to the Seller by the Purchaser within 30 days after the signing of the Agreements; and
- (c) as to the balance of RMB61,000,000 (equivalent to approximately HK\$67,100,000), representing the remaining 50% of the Consideration, to be paid to the Seller by the Purchaser within 6 months after Completion.

The Agreements shall be rescinded *ab initio* upon termination. In the situation where the termination happens after Completion, the Purchaser shall return the entire equity interests in the relevant Target Company to the Seller and both parties to the Agreements shall procure the Target Companies to perform all applicable procedures for the termination of the Agreements in accordance with relevant laws, rules and regulations.

Upon the termination of the Agreements, subject to the fulfilment of the obligation of the Purchaser as mentioned above, the Seller shall thereby within 15 business days refund the Consideration actually received by the Seller to the Purchaser without interest.

- Conditions precedent : Completion of each of the Agreements is conditional upon the satisfaction or waiver (subject to compliance with all relevant laws, rules and regulations) of the following conditions):
- (a) the Agreements having been signed and become effective;
 - (b) save as previously disclosed by the Seller to the Purchaser, there have been no significant change to the business operations of the relevant Target Company and FR Guarantee;
 - (c) save as previously disclosed by the Seller to the Purchaser, there have been (i) no material adverse change to the asset structures and conditions of the relevant Target Company and FR Guarantee; (ii) no incidents that would result in a material adverse change to the financial position, prospects, assets or obligations of the relevant Target Company and FR Guarantee; (iii) no circumstances that would cause the relevant Target Company and FR Guarantee to cease operation; and (iv) no circumstance that makes the equity interests in the relevant Target Company and FR Guarantee to be seized or frozen;
 - (d) the Seller's and the Purchaser's warranties and representations under the respective Agreement having been adhered to and complied with by the Seller and the Purchaser;
 - (e) the passing by the board of director(s)/executive director(s) and shareholder(s) of the Seller and the respective Target Company of the resolution(s) to approve the transfer of the equity interests contemplated under the respective Agreement;
 - (f) the Purchaser having obtained all necessary consents and approvals in relation to the transfer of equity interest contemplated under the respective Agreement;

- (g) if necessary, to obtain Shareholder's approval at a Shareholders special general meeting (or to obtain written Shareholders' approval from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that special general meeting to approve the transaction where such written Shareholders' approval is accepted in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules) approving the transactions contemplated under the Agreements; and
- (h) if applicable, all necessary approvals and consents under the relevant rules and regulations (including the Listing Rules) having been obtained by the Company in respect of the transactions contemplated under the Agreements.

For the avoidance of the doubt, the above conditions (a), (e), (f), (g) and (h) are not capable of being waived by the parties to the Agreements. As at the date of this announcement, conditions (a), (e), (f), (g) and (h) have been fulfilled. Conditions (b), (c) and (d) will be fulfilled upon Completion.

If the above conditions precedent have not been fulfilled on or before the Long Stop Date and no such later date can be agreed between the Seller and Purchaser within 30 days of the Long Stop Date, either party shall have the right to terminate the Agreements.

Completion : Completion shall take place within 5 business days after the fulfillment (or waiver as the case may be) of all conditions precedent set out above; and upon completion of the equity transfer registration procedures required by the local State Administration for Market Regulation of the PRC (the "**Relevant PRC Procedures**").

If the Relevant PRC Procedures cannot be fulfilled within 5 business days (or any other later date agreed by both parties' written consent) upon the fulfillment of all conditions precedent (or being waived by both parties to the Agreements in writing subject to the permission under relevant laws, administrative regulations or rules) and that Completion cannot take place, the Agreements may be terminated upon written consent of both parties to the Agreements.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Since the Group's acquisition of the property assets back in 2016 and the guarantee business in 2017, the Group had adopted a growth model of "one primary sector supplemented with two" (「一主兩輔」) being cultural tourism as the primary sector, and property development, investment and management and financial services as the supplementary sectors. It was the Board's intention to have a long- and short-term view that, given the growing PRC domestic demand for domestic leisure travel, cultural tourism would generate a long-term stable financial performance and cash flows in the long run. Nevertheless, cultural tourism sector requires a significant capital investment and has a long payback period. Hence, this strategic plan is intended to be supported by the two supplementary businesses of (i) property development, investment and management; and (ii) financing guarantee, which helps provide sustainable financial results and cash flows for the Group in the short run.

The Group's management has monitored the progress of such growth model on an ongoing basis with periodic reporting to the Board. During the past years, the global economy has faced with challenges arising from the Sino-US trade war, Brexit and the COVID-19 pandemic outbreak, the PRC economy has been adversely affected resulting in an estimated slow-down of its 2020 GDP growth.

Following the Board's re-assessment on (i) the Group's growth model, (ii) the macro-economy in the PRC; (iii) the current market condition in Jilin Province, the PRC; and (iv) the prospects of the financial service industry in the PRC, it is considered to be appropriate to minimise the risk exposure of the Group. In particular, the Group's contingent liabilities in respect of the outstanding financing guarantees issued to its customers in favour of the financial institutions amounted to approximately RMB2,031 million (equivalent to approximately HK\$2,234.1 million) as at 29 February 2020. Also, the guarantee business also offered entrusted loans to certain of its financing guarantee customers which the aggregate principal sums amounted to approximately RMB465.4 million (equivalent to approximately HK\$511.9 million). As there has been a significant increase in credit risk for default in repayment for the corporate customers, an additional impairment losses on the entrusted loan receivables of approximately RMB81.2 million (equivalent to approximately HK\$89.3 million) and provision for financing guarantee losses of approximately RMB27.3 million (equivalent to approximately HK\$30.0 million) had been made for the six months ended 30 September 2019. For the five-month period from 1 October 2019 to 29 February 2020, further impairment losses of approximately RMB209.7 million (equivalent to approximately HK\$230.7 million) have been made on the entrusted loan receivables as certain corporate customers have experienced financial difficulties which rendered them unable to meet their repayment obligations under the entrusted loans and such loans have now been reclassified as "non-performing" loans. Also, additional provision for financing guarantee losses of approximately RMB107.9 million (equivalent to approximately HK\$118.7 million) have been made for the five-month period from 1 October 2019 to 29 February 2020.

This re-assessment echoes with the Company's interim report for the six months ended 30 September 2019, where the Company stated that having considered the risk exposure of the financing guarantee business, the income contribution to and the existing financial position

of the Group, the management will be more cautious in controlling business risks and reducing expansion in new business and instead, will keep looking for an opportunity to divest.

In light of the nature and scale of the remaining principal businesses of the Group, the Board believes that the Disposal will not have a material impact on the Group's operations.

The Board is of the view that the Disposal and the terms of the Agreement are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL AND THE PROPOSED USE OF PROCEEDS

Upon Completion, the members of the Target Group will cease to be subsidiaries 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 Group calculated in accordance with the HKFRSs would be approximately RMB2.7 million (equivalent to approximately HK\$2.97 million), comprising the Consideration less the carrying value of the investment in the Target Group 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 RMB121.0 million (equivalent to approximately HK\$133.1 million). The Group intends to apply the net proceeds from the Disposal for (i) development in the Group's property development or cultural tourism projects; and (ii) general working capital.

GENERAL

Information relating to the Company and the Seller

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.

The Seller is a company established in the PRC and is an indirect wholly-owned subsidiary of the Company. The principal activity of the Seller is enterprise management services.

Information relating to the Target Companies

Each of the Target Companies is a company established in the PRC with limited liability and is direct wholly-owned subsidiary of the Seller. The principal activity of each of the Target Companies is investment holding. The underlying assets of the Target Companies are the entire equity interests in FR Guarantee.

FR Guarantee is a company established in the PRC with limited liability and, through Target Company A and Target Company B, is a direct wholly-owned subsidiary of the Target Companies. The principal activity of FR Guarantee is the provision of guarantee services.

Financial information of the Target Group

Set out below are the unaudited consolidated financial results of the Target Group prepared under the HKFRSs:

	11 months ended 29 February 2020 RMB'000	Year ended 31 March 2019 RMB'000	2018 RMB'000
(Loss)/Profit before tax	(392,846)	14,370	25,493
(Loss)/Profit after tax	<u>(431,737)</u>	<u>9,545</u>	<u>19,099</u>

As at 29 February 2020 and 31 March 2019, the unaudited consolidated net assets of the Target Group under HKFRSs amounted to approximately RMB122,181,000 (equivalent to approximately HK\$134,399,100) and RMB553,918,000 (equivalent to approximately HK\$609,309,800) respectively.

Information relating to the Purchaser

The Purchaser is an entity established in the PRC, which is principally engaged in technology development, technical consulting, technology transfer and technical services on computer software and hardware, information systems, cloud storage, internet, integrated circuit, computer programming, investment consulting, economic information consulting, business management and business information consulting.

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 transaction contemplated thereunder constitute a major transaction of the Company and are therefore subject to the 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 20 April 2020.

CESSATION OF CONTINUING CONNECTED TRANSACTIONS

As stated in the Company's announcement dated 17 July 2019 and the circular dated 20 August 2019, FR Guarantee entered into a guarantee services framework agreement with Ground Investment Holding in relation to the provision of guarantee services to Ground Investment Group for a term of three years from 1 April 2019 to 31 March 2022. Upon Completion, FR Guarantee will cease to be a subsidiary of the Company and accordingly, the guarantee services provided by FR Guarantee to Ground Investment Group will cease to constitute continuing connected transactions of the Company upon Completion.

DEFINITIONS

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

“Agreements”	the share transfer agreements all dated 26 March 2020 and each entered into between the Seller as seller and the Purchaser as purchaser respectively in relation to the Disposal, and each an “Agreement”
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB122,000,000 (equivalent to approximately HK\$134,200,000), being the aggregate consideration of the Disposal
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire equity interests in the Target Companies by the Seller to the Purchaser pursuant to the Agreements
“FR Guarantee”	吉林省豐潤融資擔保有限公司 (Jilin Province Fengrun Financing Guaranty Company Limited*), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company, which is owned as to 70% by Target Company A and as to 30% by Target Company B

“Ground Investment Holding”	廣澤投資控股集團有限公司 (Ground Investment Holding (Group) Company Limited*), a company established in the PRC with limited liability and is beneficially owned as to 25% by Ms. Chai; and 75% by Mr. Cui
“Ground Investment Group”	Ground Investment Holding and its associates
“Group”	the Company and its subsidiaries
“HKFRSs”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institutes of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with the Company and its connected persons
“Ka Yik” or “Controlling Shareholder”	Ka Yik Investments Limited, a company incorporated in the British Virgin Islands and is the controlling shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	10 April 2020 or such later date as the Seller and the Purchaser may agree
“Mr. Cui”	Mr. Cui Mindong (崔民東), the spouse of Ms. Chai and father of Ms. Cui
“Ms. Chai”	Ms. Chai Xiu (柴琇), a former executive Director, the spouse of Mr. Cui and mother of Ms. Cui
“Ms. Cui”	Ms. Cui Xintong (崔薪瞳), an executive Director, the chairperson of the Board, the ultimate beneficial owner of Ka Yik, and the daughter of Mr. Cui and Ms. Chai
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	中源鼎盛科技(深圳)有限公司 (Zhongyuan Dingsheng Technology (Shenzhen) Co., Ltd*), a wholly foreign owned enterprise established in the PRC, being the purchaser to each of the Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Jilin World Rich Management Limited (吉林省華益企業管理諮詢有限公司), a wholly foreign owned enterprise established in the PRC

“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company A”	吉林省中業商務資訊諮詢有限公司 (Jilin Province Zhongye Business Information Advisory Company Limited*), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Target Company B”	吉林豐潤商務資訊諮詢有限公司 (Jilin Fengrun Business Information Advisory Company Limited*), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Target Companies”	collectively, Target Company A and Target Company B, and each a “Target Company”
“Target Group”	Target Companies and FR Guarantee
“%”	per cent

* *The English translation of the Chinese names in this announcement, where indicated, are transliterations from their Chinese names and are for identification purposes only, and should not be regarded as the official English name(s) of such Chinese name(s). If there is any inconsistency, the Chinese name shall prevail.*

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.10. This exchange rate is adopted for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

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

Hong Kong, 26 March 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.