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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANY

INTRODUCTION

On 26 February 2021 (after trading hours), each of the relevant Sellers, each being an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, an Independent Third Party, pursuant to which the relevant Seller(s) conditionally agreed to sell to the Purchaser the entire equity interests in the Target Company, at the consideration of RMB1.0 (equivalent to approximately HK\$1.2) subject to the terms of the Agreement.

Upon Completion, 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 5% but all are less than 25%, the entering into of the Agreement and the transaction contemplated thereunder constitute a discloseable transaction of the Company and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL

On 26 February 2021 (after trading hours), each of the relevant Sellers, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the relevant Seller(s) conditionally agreed to sell to the Purchaser the entire equity interests in the Target Company, at the consideration of RMB1.0 (equivalent to approximately HK\$1.2) subject to the terms of the Agreement.

The Agreement

Date	:	26 February 2021		
Seller(s)	:	The Seller A and the Seller B		
Purchaser	:	The Purchaser		
Subject matter – assets to be disposed of	:	100% equity interest in Target Company, which in turn holds the below equity interest:		
		100% equity interest in Jilin Ground Real Estate	100% equity interest in Jilin Zhujia	100% equity interest in Jilin Wansheng
		Major assets of Jilin Ground Real Estate – completed properties held for sales in Jilin City in respect of residential and commercial units	Major assets of Jilin Zhujia – deposits for land development expenditure as being monies advanced to local government for land development at a land site in Jilin City	Major assets of Jilin Wansheng – completed properties held for sales in Jilin City in respect of residential and commercial units

Consideration : RMB1.0 (equivalent to approximately HK\$1.2)

The Consideration was arrived at after arm's length negotiations between the parties to the Agreement after taking into consideration of various factors, including (i) the reasons for the Disposal as set out in the section headed "Reasons for and benefits of the Disposal" below; (ii) the negative consolidated net asset value of the Target Group of approximately RMB31.7 million as at 31 December 2020; and (iii) the current deteriorating financial position and operating conditions of the Target Group leading to a write-down of the completed properties held for sale of the Target Group of approximately RMB85.3 million as at 31 December 2020.

Term of payment : The Consideration has been settled in full upon the signing of the Agreement

Conditions precedent : Completion of the Agreement is conditional upon the satisfaction or waiver (subject to the compliance with all relevant laws, rules and regulations) of the following conditions:

- (a) the Agreement having been signed and become effective;
- (b) the obtaining of the written consent on the Disposal from the relevant financial institutions which have provided financing to the Group or the relevant Target Group (if any);
- (c) the Seller's/Sellers' and the Purchaser's warranties and representations under the Agreement having been adhered to and complied with by the relevant Seller(s) and the Purchaser;
- (d) the passing by the board of director(s) and shareholder(s) of each of the Sellers and the Target Company of the resolution(s) to approve the transfer of the equity interests contemplated under the Agreement;

- (e) the Purchaser having obtained all necessary consents and approvals in relation to the transfer of equity interest contemplated under the Agreement;
- (f) if applicable, the 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 Agreement;
- (g) the Target Company having completed all necessary consents and approvals in relation to the increase in registered capital by RMB100 million; and
- (h) the Agreement having become unconditional.

For the avoidance of the doubt, the above conditions (a) to (b) and (d) to (h) are not capable of being waived by the parties to the Agreement.

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 Sellers and the Purchaser within 30 days of the Long Stop Date, either party shall have the right to terminate Agreement.

Completion : Completion shall take place on the day 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**”).

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Group completed three property development projects in Jilin City, Jilin Province (“**Jilin Property Projects**”). As of 31 December 2020, the completed properties held for sale in these three projects included the remaining residential and commercial units with an aggregate gross floor area of 48,915 square metres and 344 car parking units that have not been sold and recognised. Since the completion of these three projects, the Target Group has made an aggregate write-downs in respect of the property projects of approximately RMB85.3 million and impairment loss on other assets of approximately RMB266.9 million taking into account that market demand for villas and car parking spaces has slowed down in Jilin City as compared to other cities within Jilin Province.

Given the property values of certain remaining unsold units or car parking spaces in Jilin Property Projects had fallen below its original costs, it is unlikely that the Group will make profit from the sales of the remaining units or car parking spaces in these three projects. In consideration of the cost and effort in selling these remaining units and the market condition in Jilin City in respect of the property types offered in these three property projects, it has become burdensome for the Group to maintain these projects; and it is considered more appropriate for the Group to deploy its resources in other ongoing property projects. In addition, the Group had in the past made advanced payments for future potential property projects in Jilin City; and due to various factors these future potential property projects are expected not to be materialised. Therefore, an impairment loss had been made on these advanced payments. As of 31 December 2020, the Target Group have aggregate net liabilities of approximately RMB31.7 million. The Board, therefore, considered that the Disposal will help the Group to improve the financial position of the Group by disposing of these loss making subsidiaries.

Upon the completion of the Disposal, the Group’s bank and other borrowings will decrease by approximately RMB51.0 million. This will lead to an estimated saving on interest expenses of approximately RMB8.1 million for each financial year. It is expected that upon Completion of the Disposal, the Group would be able to focus its resources on the operation and development of its other businesses and hence arising at maximising return to the Shareholders.

The Group had obtained project loans granted to Fusong Changbaishan or Fusong Ground Real Estate by financial institutions in the PRC for the development project in Changbaishan. As at the date of this announcement, the aggregate loan balance was RMB558.3 million, and were secured and/or guaranteed by the Group’s properties under development, the Company, certain of its subsidiaries and certain connected persons of the Company as guarantors. Among such security or guarantee, it involves a guarantee provided by the Target Company in favour of the relevant financial institution(s), as well as the equity interests of Jilin Ground Real Estate and Jilin Zhujia as security pledged in favour of the relevant financial institution(s).

In contemplation of the Disposal, according to the terms of the Agreement, the Purchaser agreed that, provided that Fusong Changbaishan or Fusong Ground Real Estate fulfils the repayment obligation, such guarantee and security provided by the Target Group would remain until the maturity of the relevant loans. The Company confirms that such arrangement was negotiated on arm's length basis, and based on the management's understanding with the relevant financial institutions, also foresees that the release or termination of such guarantee and security upon the relevant loans become mature will not have material adverse impact on the financial position of the Group or the Group's ability to refinance its development projects. Given these arrangements, the Board considered that the Disposal would allow an opportunity to improve the financial position of the Group while not causing material impact to the other existing financial arrangement of the Group.

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 Target Group will cease to be subsidiaries of the Company and its financial results, assets and liabilities will no longer be consolidated into the financial statements of the Group.

As the total consideration receivable is RMB1.0 under the Disposal, there is no material proceed from the Disposal.

It is estimated that the gain on disposal of the equity interests in the Target Group calculated in accordance with the HKFRSs would be approximately RMB31.3 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.

Given the above net gain on disposal to the Group, the consolidated net asset value attributable to the Shareholders is preliminarily estimated to increase by approximately RMB31.3 million (subject to audit) upon Completion. On the above basis, the consolidated total assets of the Group is expected to decrease by approximately RMB354.1 million (subject to audit), and the consolidated total liabilities of the Group is expected to decrease by approximately RMB385.4 million (subject to audit) upon Completion. However, the actual financial impacts of the Disposal to be recognised by the Group will be subject to the then financial position of the Target Group and the final audit upon Completion.

The above calculation and accounting treatment are subject to review by the auditors of the Group. The actual financial impact to the Group arising from the Disposal to be recorded in the Group's consolidated financial statements will be recalculated based on the net asset value of the Target Group as at the date of Completion.

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, and property investment.

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

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

Information relating to the Target Companies

Target Company is a joint stock limited liability company established in the PRC and is approximately 15% owned by the Seller A and approximately 85% by the Seller B. The principal activity of the Target company is property development and sales. As at the date of this announcement, the Target Company has 100% equity interest in Jilin Ground Real Estate; 100% equity interest in Jilin Zhujia and 100% equity interest in Jilin Wansheng.

Jilin Ground Real Estate is a company established in the PRC and is a direct wholly-owned subsidiary of the Target Company. The principal activity of Jilin Ground Real Estate is property development.

Jilin Zhujia is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of the Target Company. The principal activity of Jilin Zhujia is property development.

Jilin Wansheng is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of the Target Company. The principal activity of Jilin Wansheng is property development.

Financial information of the Target Group

Set out below are the unaudited results and net assets/(liabilities) of the Target Group prepared under HKFRSs:

	Year ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) before tax		
Target Company	1,293	(550)
Jilin Ground Real Estate	(163,755)	(26,412)
Jilin Zhujia	(65,134)	(1,222)
Jilin Wansheng	(119,767)	(15,479)
	(347,363)	(43,663)
Profit/(loss) after tax		
Target Company	1,293	(959)
Jilin Ground Real Estate	(166,397)	(22,559)
Jilin Zhujia	(65,134)	(1,222)
Jilin Wansheng	(124,666)	(7,050)
	(354,904)	(31,790)
		As at
		31 December 2020
		<i>RMB'000</i>
Net (liabilities) assets		
Target Company		(20,922)
Jilin Ground Real Estate		(2,922)
Jilin Zhujia		3,397
Jilin Wansheng		(11,231)
		(31,678)

Information relating to the Purchaser

The Purchaser is an entity established in the PRC, which is principally engaged in investment holding, and its ultimate beneficial owner is a merchant in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties as at the date of this announcement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5% but all are less than 25%, the entering into of the Agreement and the transaction contemplated thereunder constitute a discloseable transaction of the Company and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the conditional share transfer agreement dated 26 February 2021 entered into between the Seller A and the Seller B as sellers and the Purchaser as purchaser in relation to the Disposal
“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 liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	RMB1.0, being the total consideration of the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire equity interests in the Target Company by the relevant Sellers to the Purchaser pursuant to the Agreement
“Fusong Changbaishan”	撫松長白山廣澤旅遊開發有限公司 (Fusong Changbaishan Ground Tourism Development Company Limited*), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Fusong Ground Real Estate”	撫松廣澤房地產開發有限公司 (Fusong Ground Real Estate Development Company Limited*), a company established under the laws of the PRC 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
“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
“Jilin Ground Real Estate”	吉林省廣澤地產有限公司 (Jilin Ground Real Estate Company Limited*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Jilin Zhujia”	吉林市築家房地產開發有限公司 (Jilin Zhujia Real Estate Development Company Limited*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Jilin Wansheng”	吉林市萬升房地產開發有限公司 (Jilin Wansheng Property Development Company Limited*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	25 May 2021 or such later date as the Sellers and the Purchaser may agree
“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 only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	中貿商務顧問(深圳)有限公司 (Zhongmao Business Consulting (Shenzhen) Company Limited*), a foreign wholly-owned enterprise established in the PRC with limited liability, being the purchaser of the Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Seller A”	吉林省融利投資有限公司 (Jilin Rongli Investment Company Limited*), an indirect wholly-owned subsidiary and is established in the PRC with limited liability
“Seller B”	吉林省融裕投資有限公司 (Jilin Rongyu Investment Company Limited*), an indirect wholly-owned subsidiary of the Company and is established in the PRC with limited liability
“Sellers”	collectively, the Seller A and the Seller B, and each a “Seller”
“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 Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	廣澤地產集團股份有限公司 (Ground Real Estate Group Company Limited*), an indirect wholly-owned subsidiary and is a joint stock limited liability company established in the PRC
“Target Group”	collectively, the Target Company, Jilin Ground Real Estate, Jilin Zhujia and Jilin Wansheng
“%”	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\$1.20. 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 February 2021

As at the date of this announcement, the executive Directors are Ms. Cui Xintong, Ms. Ji Ping and Mr. Li Junjie; 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.