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GOLDEN WHEEL TIANDI HOLDINGS COMPANY LIMITED

金輪天地控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1232)

MAJOR TRANSACTION PROPOSED DISPOSAL OF THE TARGET COMPANY AND SHAREHOLDER'S LOAN

THE PROPOSED DISPOSAL

The Board is pleased to announce that on 11 October 2019 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), the Company and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Share, representing the entire issued share capital of the Target Company, and the Shareholder's Loan, with effect from Completion. The initial Consideration for the Proposed Disposal is HK\$515,000,000, subject to adjustments (and the maximum Consideration is HK\$530,000,000). The Target Company is the owner of the Hotel.

LISTING RULES IMPLICATIONS

Since one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Disposal exceeds 25% but is less than 75%, the Proposed Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

An EGM will be convened by the Company during which, among other matters, an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed Disposal, the Sale and Purchase Agreement and all transactions contemplated thereunder. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the resolution for approving the Proposed Disposal, the Sale and Purchase Agreement and all transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) the major terms of the Sale and Purchase Agreement; (ii) further details of the Proposed Disposal; (iii) a property valuation report in respect of the Property; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before 22 November 2019, which is more than 15 Business Days after the publication of this announcement, as the Company requires more time to prepare the information to be included in the circular.

Completion of the Proposed Disposal is subject to the fulfilment of the conditions precedent to the Sale and Purchase Agreement. The Proposed Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing or contemplating dealing in the Shares or other securities (if any) of the Company.

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 11 October 2019 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), the Company and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Share, representing the entire issued share capital of the Target Company, and the Shareholder's Loan, with effect from Completion. Summarised below are the major terms of the Sale and Purchase Agreement:

Date

11 October 2019

Parties

- (1) The Vendor
- (2) The Purchaser
- (3) The Company, as the Vendor's guarantor in relation to the due and punctual performance and observance of the obligations of the Vendor under the Sale and Purchase Agreement

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, (i) the Sale Share, which represents the entire issued share capital of the Target Company; and (ii) the Shareholder's Loan, which represents all the outstanding amounts owing by the Target Company to the Vendor as at Completion.

For illustrative purposes only, based on the unaudited management accounts of the Target Company for the eight months ended 31 August 2019, as at 31 August 2019, the amount of the Shareholder's Loan is approximately HK\$179 million.

Neither party shall be obliged to complete the sale and purchase of either the Sale Share or the Shareholder's Loan unless the completion of the sale and purchase of the Sale Share and the Shareholder's Loan shall take place simultaneously.

Consideration and adjustment to Consideration

Subject to the adjustment mechanism as described below, the Consideration payable by the Purchaser for the Proposed Disposal shall be HK\$515,000,000 (the consideration of the Shareholder's loan shall equal to the amount of the Shareholder's Loan and the consideration of the Sale Share shall equal to the balance of the Consideration after deducting the amount of the consideration of the Shareholder's Loan) and shall be paid in the following manner:

- (i) a deposit in the sum of HK\$51,500,000 (the "**Deposit**") has been paid by the Purchaser to the Vendor's solicitors as stakeholder upon the signing of the Sale and Purchase Agreement;
- (ii) the Completion Balance shall be paid by the Purchaser to the Vendor in the following manner:
 - (a) a sum equal to the outstanding amount owing in respect of the Existing Loan and the amount payable to fully release and discharge the Existing Securities (the "**Redemption Amount**") as notified, directed and instructed by the Vendor and/or its solicitors to the Purchaser and/or its solicitors in writing no later than three (3) Business Days before Completion shall be made payable by the Purchaser directly to the Existing Lender for the Vendor to procure and effect the full repayment of the Existing Loan and the full release and discharge of the Existing Securities; and

- (b) a sum equal to the Completion Balance less the Redemption Amount shall be paid by the Purchaser to the Vendor (or such other entity as the Vendor may direct in writing to the Purchaser no less than three (3) Business Days before Completion) at Completion.

The Completion Balance payable on Completion shall be calculated based on the Net Asset Value and adjustment shall be made in accordance with the draft Completion Management Accounts.

Completion Management Accounts

The Vendor shall deliver to the Purchaser or its solicitors, at least five (5) days prior to the Completion Date, the draft Completion Management Accounts and the initial Consideration shall be adjusted (the “**Completion Adjusted Consideration**”) in the following manner:

- (i) if the amount of the Net Asset Value as shown in the draft Completion Management Accounts is a positive figure, by adding to the initial Consideration the amount of the Net Asset Value; or
- (ii) if the amount of the Net Asset Value as shown in the draft Completion Management Accounts is a negative figure, by deducting from the initial Consideration the absolute value of the amount of the Net Asset Value.

After Completion, the Vendor shall instruct an auditor to audit the Completion Management Accounts and use its reasonable endeavours to ensure that the auditor will deliver the audited Completion Management Accounts to the Vendor and the Purchaser or the Purchaser’s solicitors within 90 days from the Completion Date.

If there is a difference in the Net Asset Value as calculated by reference to the draft Completion Management Accounts and the audited Completion Management Accounts, the Completion Adjusted Consideration shall be adjusted upwards or downwards based on the difference in the Net Asset Value so calculated. Any excess paid on Completion shall be returned to the Purchaser and any shortfall shall be paid to the Vendor, in each case, within ten (10) Business Days after agreement or determination of the audited Completion Management Accounts. The parties agree that the amount of upward adjustment to the Consideration shall not exceed HK\$15,000,000.

Basis of consideration

The Consideration was determined on the basis of normal commercial terms and after arm's length negotiation among the parties to the Sale and Purchase Agreement and with reference to, among other things, the fair market value of the Property and the operating assets used to operate the Hotel.

Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon:

- (a) approval having been obtained from the Shareholders for the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM on or before Completion;
- (b) the Hotel Management Agreement having been terminated and the operation of the Hotel shall have been ceased on or before the Completion Date, as evidenced by the Termination Agreement; and
- (c) certain major warranties (in relation to the Sale Share, the Shareholder's Loan, solvency of the Target Company, and the Property) given by the Vendor under the Sale and Purchase Agreement remaining true, accurate and not misleading in all material respects.

The Vendor and the Company shall use all reasonable endeavours to procure the satisfaction of condition (a) and shall procure the satisfaction of all other conditions, in each case on or before the Completion Date. The Purchaser may at any time waive any of the conditions (except condition (a)) on such terms as it may decide.

If condition (a) is not satisfied on or before the Completion Date:

- (a) the Vendor shall forthwith return the Deposit and any other monies paid (if any) in full to the Purchaser without interest; and
- (b) the Sale and Purchase Agreement shall lapse whereupon the provisions of the Sale and Purchase Agreement (other than various surviving clauses such as clauses on conditions not satisfied, notices and announcements and restrictions on disclosure) shall from such date have no further force and effect and no party shall have any liability under the Sale and Purchase Agreement (without prejudice to the rights of the parties in respect of any antecedent breaches).

If any of the conditions (b) and (c) is not satisfied or waived by the Purchaser on or before the Completion Date, unless the Vendor and the Purchaser otherwise agree in writing, then without prejudice to any other rights and remedies the Purchaser may have (including the right to seek specific performance and/or damages which the Purchaser may sustain by reason of such failure on the part of the Vendor), the Vendor shall itself or procure that the Vendor's solicitors will, within three (3) Business Days after the Purchaser exercising its right to determine the Sale and Purchase Agreement by serving a written notice to such effect on the Vendor, return the Deposit (without interest) to the Purchaser.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Target Company will cease to be an indirect wholly-owned subsidiary of the Company.

Guarantee by the Company

The Company is joined as a party to the Sale and Purchase Agreement to guarantee, by way of a continuing obligation, the due and punctual performance and observance of the obligations of the Vendor under the Sale and Purchase Agreement and other related transaction documents. The Company's guarantee is a continuing guarantee which will remain in force until the Vendor's obligations under the Sale and Purchase Agreement and the transaction documents have been fulfilled.

DEED OF TAX INDEMNITY

A Deed of Tax Indemnity is expected to be entered into among the Vendor, the Purchaser and the Target Company on Completion pursuant to which the Vendor will fully and effectually indemnify the Purchaser and/or the Target Company from and against certain tax liability of the Target Company and related charges, costs and expenses occurred and incurred up to the Completion Date.

FURTHER INFORMATION ON THE GROUP, THE VENDOR AND THE PURCHASER

The Company is an investment holding company, and its subsidiaries established in the People's Republic of China are primarily engaged in property development, property leasing and hotel operation.

As at the date of this announcement, the Vendor is a wholly-owned subsidiary of the Company.

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding business.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

FINANCIAL INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands and is principally engaged in investment holding business.

Based on the audited financial statements of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards, the net profit/(loss) before and after taxation of the Target Company for (i) the year ended 31 March 2017; (ii) the period from 1 April 2017 to 31 December 2017; and (iii) the year ended 31 December 2018 are as follows:

	For the year ended 31 March 2017 HK\$	For the period from 1 April 2017 to 31 December 2017 <i>(Note)</i> HK\$	For the year ended 31 December 2018 HK\$
Net profit/(loss) before taxation	43,951	(826,981)	813,008
Net profit/(loss) after taxation	(210,867)	(997,097)	1,330,510

Note: The Target Company changed its financial year end date from 31 March to 31 December in 2017.

Based on the unaudited management accounts of the Target Company for the eight months ended 31 August 2019, the total assets and net asset value of the Target Company as at 31 August 2019 are approximately HK\$212 million and approximately HK\$27 million, respectively.

FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

Upon completion of the Proposed Disposal, the Target Company will cease to be an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will no longer be consolidated with the results of the Group.

The Directors expect to recognise an unaudited gain of approximately HK\$70 million from the Proposed Disposal after taking into account of (i) the Consideration payable by the Purchaser in connection with the Proposed Disposal; (ii) the unaudited net asset value of the Target Company as at 31 August 2019; and (iii) related transaction expenses payable by the Group in connection with the Proposed Disposal. Shareholders should note that the actual amount of gain/loss on the Proposed Disposal to be recorded by the Company will be subject to review by the auditors of the Company. It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon Completion.

The Group currently intends to apply the net proceeds from the Proposed Disposal of approximately HK\$513 million (assuming no adjustment is made to the initial Consideration) for (i) repayment of the Existing Loan which amounted to approximately HK\$293 million and the full release and discharge of the Existing Securities at Completion; (ii) future potential acquisitions or investments of the Group; and (iii) the general working capital of the Group.

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Group is an integrated commercial and residential property developer, and is principally engaged in property development, property leasing and hotel operation in the People's Republic of China.

As at the date of this announcement, the Group has three hotels under operations. The Target Company is the holding company of the Property and carries on one of the hotel businesses of the Group at the Hotel.

The Directors consider that the Proposed Disposal provides a good opportunity for the Group to realise its investment in the Property and the Hotel which are located in Hong Kong and enhance the liquidity of the Group for further development of its hotel business in the People's Republic of China.

The Directors consider that the transactions contemplated by the Sale and Purchase Agreement are carried out in the ordinary course of business and are on normal commercial terms. As the terms of the Sale and Purchase Agreement were arrived at after arm's length negotiations among the parties thereto, the Directors are of the view that the terms of the Sale and Purchase Agreement are fair, reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

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GENERAL

An EGM will be convened by the Company during which, among other matters, an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed Disposal, the Sale and Purchase Agreement and all transactions contemplated thereunder. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the resolution for approving the Proposed Disposal, the Sale and Purchase Agreement and all transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) the major terms of the Sale and Purchase Agreement; (ii) further details of the Proposed Disposal; (iii) a property valuation report in respect of the Property; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before 22 November 2019, which is more than 15 Business Days after the publication of this announcement, as the Company requires more time to prepare the information to be included in the circular.

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DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (not being a Saturday, Sunday, public holiday or any day on which typhoon signal No. 8 or above or black rainstorm warning is hoisted in Hong Kong at any time from 9:00 a.m. to 5:30 p.m.) on which licensed banks are generally open for business in Hong Kong

“Company”	Golden Wheel Tiandi Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 1232)
“Completion”	completion of the Proposed Disposal
“Completion Adjusted Consideration”	has the meaning given to it in the section headed “The Sale and Purchase Agreement – Completion Management Accounts” in this announcement
“Completion Balance”	the amount payable by the Purchaser to the Vendor at Completion, which shall equal to the initial Consideration for the Proposed Disposal as adjusted by the draft Completion Management Accounts, and deducting the Deposit
“Completion Date”	31 January 2020 or such other date as the Vendor and the Purchaser may mutually agree
“Completion Management Accounts”	the management accounts of the Target Company comprising the balance sheet and profit and loss account covering the period from the date immediately following 31 December 2018 up to (and inclusive of) the Completion Date signed and certified as to its correctness by a director of the Target Company nominated by the Vendor
“Consideration”	the consideration for the Proposed Disposal, initially HK\$515,000,000 and subject to adjustments, with the maximum amount being HK\$530,000,000
“Deed of Tax Indemnity”	the deed of tax indemnity to be entered into among the Vendor, the Purchaser and the Target Company on Completion

“Deposit”	the sum of HK\$51,500,000 paid by the Purchaser to the Vendor’s solicitors upon the signing of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for considering and, if thought fit, approving, among others, the Proposed Disposal
“Existing Facility Agreement”	the facility agreement dated 30 June 2017 (as may be supplemented and amended from time to time) made between the Vendor as borrower and the Existing Lender as lender, pursuant to which the Existing Lender agrees to make available an uncommitted HK\$45,000,000 revolving loan facility to the Vendor and the Company as borrower and an uncommitted HK\$270,000,000 term loan facility to the Vendor as borrower upon and subject to the terms and conditions and for the purposes therein mentioned
“Existing Lender”	Hang Seng Bank Limited
“Existing Loan”	the loans granted to the Vendor as borrower pursuant to the Existing Facility Agreement as secured by the Existing Securities, including the outstanding amount of the principal sum and any interest accrued thereon
“Existing Securities”	all those securities which were provided by the Target Company and/or the Vendor as security for the Existing Loan pursuant to the relevant securities documents
“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 People’s Republic of China
“Hotel”	the building located on the Property and owned by the Target Company which is known as Silka West Kowloon Hotel
“Hotel Management Agreement”	the hotel management agreement entered into between the Target Company and the Manager in 2017 for the provision of management and other related services by the Manager in respect of the Hotel
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Manager”	Dorsett Hospitality International Services Limited, a company incorporated in Hong Kong with limited liability
“Net Asset Value”	the net asset value of the Target Company as calculated in accordance with the Sale and Purchase Agreement, which shall equal to current assets minus current liabilities and adjusted by excluding (i) the value of the Property and chattels at and plant and equipment in the Property; (ii) deferred tax asset; (iii) all intra-group loans other than the Shareholder’s Loan; (iv) the Shareholder’s Loan; and (v) deferred tax liability
“Property”	all that piece of parcel of ground registered in the Land Registry as Kowloon Inland Lot No. 6374 together with the messuages, erections and buildings thereon known as No. 48 Anchor Street, owned by the Target Company

“Proposed Disposal”	the proposed disposal by the Vendor of its entire interest in the Target Company, comprising the Sale Share and the Shareholder’s Loan
“Purchaser”	Anchor Street Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“Redemption Amount”	has the meaning given to it in the section headed “The Sale and Purchase Agreement – Consideration and adjustment to Consideration” in this announcement
“Sale and Purchase Agreement”	the agreement dated 11 October 2019 entered into among the Vendor, the Company and the Purchaser in relation to the Proposed Disposal
“Sale Share”	the one issued ordinary share of US\$1.00 of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	all amounts owing by the Target Company to the Vendor as at Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Double Advance Group Limited, a company incorporated in the British Virgin Islands with limited liability

“Termination Agreement”	a termination agreement to be entered into between the Target Company and the Manager under which (i) the parties shall agree to terminate the Hotel Management Agreement; (ii) the Target Company shall be released from any claim and liability in relation to or arising out of the Hotel Management Agreement; and (iii) the Manager shall agree to deliver vacant possession of the Hotel to the Target Company, all with effect from or prior to the Completion Date
“Vendor”	Golden Wheel Jasper Company Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
Golden Wheel Tiandi Holdings Company Limited
Wong Yam Yin
Chairman

Hong Kong, 11 October 2019

As at the date of this announcement, the Board comprises Mr. Wong Yam Yin, Mr. Wong Kam Fai, Mr. Wong Kam Keung, Barry, Mr. Tjie Tjin Fung and Mr. Janata David as Executive Directors; Mr. Suwita Janata and Mr. Gunawan Kiky as Non-Executive Directors; Mr. Wong Ying Loi, Mr. Lie Tak Sen, Mr. Wong Cho Kei, Bonnie and Mr. Li Sze Keung as Independent Non-Executive Directors.