CWT INTERNATIONAL LIMITED  
(Incorporated in Hong Kong with limited liability)  
(Stock Code: 521)  

MAJOR TRANSACTION  
IN RELATION TO  
THE DISPOSAL OF INTEREST IN PRC GOLF COURSE THROUGH  
THE DISPOSAL OF A SUBSIDIARY

The Board is pleased to announce that, on 13 January 2020 (after trading hours), the Seller (an indirect wholly-owned subsidiary of the Company) has entered into the Share Transfer Agreement with the Buyer and Dongguan Hillview, pursuant to which the Seller has conditionally agreed to sell, and the Buyer has conditionally agreed to purchase, the Sale Shares at the Consideration. As at the date of the Share Transfer Agreement, the Target Company holds 65% of the equity interest in Dongguan Hillview, which in turn holds the PRC Golf Course.

As one or more of the relevant percentage ratios of the Proposed Disposal for the Company exceed 25% but are less than 75%, the Proposed Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification, publication and shareholders’ approval requirements under Chapter 14 of the Listing Rules. The Company has obtained a written shareholder’s approval from each of HNA Group (International) and Hong Kong HNA (being a closely allied group of Shareholders) on 13 January 2020 for approving the Proposed Disposal in lieu of holding a general meeting of the Company to approve the Proposed Disposal in accordance with Rule 14.44 of the Listing Rules.

As Completion of the Proposed Disposal is subject to the satisfaction of certain conditions precedent contained in the Share Transfer Agreement, the Proposed Disposal may or may not proceed to Completion. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.
INTRODUCTION

On 13 January 2020 (after trading hours), the Seller (an indirect wholly-owned subsidiary of the Company) has entered into the Share Transfer Agreement with the Buyer and Dongguan Hillview, pursuant to which the Seller has conditionally agreed to sell, and the Buyer has conditionally agreed to purchase, the Sale Shares at the Consideration. As at the date of the Share Transfer Agreement, the Target Company holds 65% of the equity interest in Dongguan Hillview, which in turn holds the PRC Golf Course.

PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT

Date: 13 January 2020

Parties:

San Tai Investment Company Limited

Hillview Holdings Limited

Dongguan Hillview Golf Co., Ltd.* (東莞峰景高爾夫有限公司)

Assets Agreed to be Disposed of

The Sale Shares which represent the entire issued share capital of the Target Company as at the date of the Share Transfer Agreement. The Target Company holds 65% of the equity interest in Dongguan Hillview, which in turn holds the PRC Golf Course.

Deposit

HK$20,000,000 (the “Deposit”) as deposit has been paid by the Buyer to the Seller on 20 September 2019, which has been applied towards part payment of the cash portion of the Consideration upon execution of the Share Transfer Agreement.

Consideration

The cash portion of the Consideration for the Proposed Disposal is HK$180,000,000. In addition, the Buyer has agreed to assume the liability for loans in the total amount of approximately RMB506,000,000 (equivalent to approximately HK$564,000,000) due by the Seller and the Company and its subsidiaries to the Target Company.
The cash portion of the Consideration is payable by the Buyer as follows:

(a) upon execution of the Share Transfer Agreement, the Buyer is required to pay to the Seller the amount of HK$54,000,000 (the “First Installment”). In addition, the Deposit has been applied as a further part payment of the cash portion of the Consideration.

(b) on the Completion Date, the Buyer is required to pay to the Seller an amount of HK$106,000,000, representing the balance of the cash portion of the Consideration.

The Consideration has been determined after arm’s length negotiations between the Seller and the Buyer and primarily with reference to the value of the PRC Golf Course and the net asset value of the Target Company, both taking into consideration that the Target only holds 65% equity interest in Dongguan Hillview, and hence the PRC Golf Course. In addition, reference is also made to the valuation of the PRC Golf Course based on the latest valuation report available, but taking certain discount to such value in view of prevailing market conditions and uncertainties as well as the special circumstances of the Company.

Conditions

Completion is conditional upon the fulfilment of certain conditions including the following:

(a) all representations and warranties made by the Seller as at the date of the Share Transfer Agreement and the Completion Date are true and not misleading; and

(b) the Shareholders approving the transaction(s) contemplated under the Share Transfer Agreement, either by passing the ordinary resolution(s) prescribed at a general meeting of the Company or the Company obtaining written approval(s) from a Shareholder or a closely allied group of Shareholders who holds more than 50% of the voting rights at a general meeting of the Company.

As at the date of this announcement, the condition stated in paragraph (b) above has been satisfied.

Completion

Subject to the satisfaction (or waiver, if applicable) of the conditions precedent contained in the Share Transfer Agreement, Completion will take place on the Completion Date. Upon Completion, the Buyer will own all the issued ordinary shares of the Target Company and the Target Company will cease to be a subsidiary of the Company.
Termination

If the Buyer is in breach of its completion obligations under the Share Transfer Agreement such that Completion is unable to take place within fifteen business days from the date on which all the conditions precedent are satisfied or waived, the Seller shall have the right to terminate the Share Transfer Agreement and forfeit the Deposit and the First Installment in full.

Where all conditions are satisfied (or waived, if applicable) and the Buyer fails to complete, the Seller shall have the right to terminate the Share Transfer Agreement and forfeit the Deposit and the First Installment in full.

INFORMATION ON THE TARGET COMPANY

Overview

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. The Target Company is principally engaged in investment holding.

As at the date of the Share Transfer Agreement, the Target Company holds 65% of the equity interest in Dongguan Hillview, which in turn holds the PRC Golf Course. The PRC Golf Course comprises certain golf courses located in Dongguan, Guangdong Province of the PRC and certain related assets. The remaining 35% interest is currently held by Guangzhou HNA Assets Management Limited* (廣州海航資產管理有限公司) which is, pursuant to an agreement signed in August 2019, in the process of disposing of such interest to a buyer which, to the knowledge of the Company, is a third party independent of the Company and is not a company controlled by or under the same control as the Buyer.
Financial Information

Set forth below is certain unaudited financial information of the Target Company for the two years ended 31 December 2017 and 31 December 2018:

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<th>For the year ended 31 December</th>
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<td>2017 (approx. HK$’000)</td>
<td>2018 (approx. HK$’000)</td>
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<tr>
<td>Net profit/(loss) before taxation</td>
<td>30,446</td>
<td>(168,014)</td>
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<tr>
<td>Net profit/(loss) after taxation</td>
<td>36,217</td>
<td>(172,607)</td>
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As at 31 October 2019, the unaudited total assets and the unaudited net assets of the Target Company were approximately HK$1,846,000,000 and HK$946,000,000, respectively.

INFORMATION ON THE PARTIES

The Seller is an indirect wholly-owned subsidiary of the Company and is an investment holding company. The Company is a Hong Kong-based investment holding company principally engaged in commodity marketing, financial services and logistic services. The Group is also engaged in the affiliated business of operation of sports and leisure-related facilities, and engineering services. Upon Completion of the Proposed Disposal, the Group will cease to be engaged in the operation of sports and leisure-related facilities.

The Buyer is a newly established investment holding company which will be principally engaged in holding equity in the Target Company. To the best of the Company’s knowledge, the Buyer is wholly-owned by Xie Yinghui and Xu Tingting.

As at the date of this announcement, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Buyer and its ultimate beneficial owners are third parties independent of the Company and its connected persons.
FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The estimated indicative net gain arising from the Proposed Disposal is expected to be approximately RMB83,000,000 (equivalent to approximately HK$92,000,000) and such gain has been determined with reference to the difference between the Consideration and the unaudited net assets of the Target Company as at 31 October 2019. As at 31 October 2019, exchange losses arising from translation of financial statements of the Target Company previously accumulated in other comprehensive income amounted to approximately HK$90,000,000, which is to be released to profit or loss upon completion of the Proposed Disposal. After considering such recycling adjustment, a net gain of approximately HK$2,000,000 is expected to be recognised in the Group’s consolidated statement of profit or loss upon Completion.

Shareholders should note that the financial impact set out above is for illustrative purpose only, which will have to be ascertained with reference to the carrying value of the Sale Shares and the actual costs and expenses associated with the Proposed Disposal.

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Board considers that the Proposed Disposal is a relatively appropriate opportunity to dispose of the Company’s interests in the PRC Golf Course, after taking into consideration negative market circumstances including macroeconomic downward pressures and the slow development of the golf industry in the PRC, the lack of significant improvement in the average operational performance of the PRC Golf Course and the need of the Company to dispose of non-core assets to increase its liquidity and cash position to enable the Company to repay part of the loan in the total amount of approximately HK$1,630,000,000 granted under the Facility Agreement and related interest payments (please refer to the announcements of the Company dated 16, 22 and 30 April 2019, and 6, 12 and 27 June 2019, 9 and 19 July 2019, 5 August 2019, 9 October 2019 and 8 January 2020 for further details). In addition, the Company believes that the PRC Golf Course may not bring significant improvements to the Company’s financial performance and business strength in the near future and may not have significant investment appeal. In view of the continuing market uncertainties affecting the PRC Golf Course, the Company had been searching for interested buyers for some time and it would be beneficial for the Company to undertake the Proposed Disposal at the present time. The net proceeds of the Proposed Disposal will mainly be used to partly repay the outstanding debt of the Company under the Facility Agreement and enhance the general working capital of the Company.

In view of the above, especially considering the prevailing market conditions and the Company’s specific circumstances, and having considered the terms of the Share Transfer Agreement, the Directors believe that the terms of the Proposed Disposal are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.
LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios of the Proposed Disposal for the Company exceed 25% but are less than 75%, the Proposed Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification, publication and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, HNA Group (International) Company Limited ("HNA Group (International)", holding 1,109,244,000 shares of the Company, representing approximately 9.73% of the issued share capital of the Company) and Hong Kong HNA Holding Group Co. Limited ("Hong Kong HNA", holding 4,734,008,489 shares of the Company, representing approximately 41.53% of the issued share capital of the Company), are direct shareholders of the Company which are ultimately controlled by HNA Group Co., Ltd. Accordingly, HNA Group (International) and Hong Kong HNA are a closely allied group of Shareholders holding approximately 51.26% of the issued share capital of the Company. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, no Shareholder is required to abstain from voting at a general meeting of the Company if such meeting were to be convened for the approval of the Share Transfer Agreement and the transaction(s) contemplated thereunder. Accordingly, the Company has obtained a written shareholder’s approval from each of HNA Group (International) and Hong Kong HNA on 13 January 2020 for approving the Proposed Disposal in lieu of holding a general meeting of the Company to approve the Proposed Disposal in accordance with Rule 14.44 of the Listing Rules.

A circular containing, among other things, further details of the Share Transfer Agreement and the Proposed Disposal, to be prepared pursuant to Chapter 14 of the Listing Rules will be despatched by the Company to its Shareholders on or before 5 February 2020 for reference.

As Completion of the Proposed Disposal is subject to the satisfaction of certain conditions precedent contained in the Share Transfer Agreement, the Proposed Disposal may or may not proceed to Completion. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.
CONTINUED SUSPENSION OF TRADING

Reference is made to the announcements of the Company dated 10 April 2019, 6 June 2019, 9 July 2019, 19 July 2019, 5 August 2019, 9 October 2019 and 8 January 2020. At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 2:32 p.m. on 10 April 2019. The shares of the Company will remain suspended until the materialization of the disposal plans of the Group gearing towards the repayment of the amounts due and payable under the Facility Agreement and the approval of the resumption proposal of the Company by the Stock Exchange.

DEFINITIONS

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

“associate” has the meaning ascribed to it under the Listing Rules

“Board” the board of Directors

“Buyer” Hillview Holdings Limited (峰景控股有限公司), a company incorporated in Hong Kong with limited liability

“Company” CWT International Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

“Completion” completion of the Proposed Disposal in accordance with the Share Transfer Agreement

“Completion Date” a date as agreed by the Seller and the Buyer which is within fifteen business days from the date on which all the conditions precedent set out in the Share Transfer Agreement are satisfied or waived

“connected person(s)” has the meaning ascribed to it under the Listing Rules

“Consideration” being the cash consideration of HK$180,000,000 and the assumption of liability for loans in the total amount of approximately RMB506,000,000 to be paid for the Sale Shares in accordance with the Share Transfer Agreement

“Directors” the directors of the Company
“Dongguan Hillview” Dongguan Hillview Golf Co., Ltd.* (東莞景高爾夫有限公司), a company established in the PRC with limited liability

“Facility Agreement” the facility agreement dated 29 September 2018 entered into by, among others, the Company and such lenders (as further amended or supplemented by agreements on 24 October 2018, 19 July 2019 and 2 August 2019, respectively) in respect of a loan facility of the total amount of approximately HK$1,630,000,000 provided to the Company

“Group” the Company and its subsidiaries

“Hong Kong” the Hong Kong Special Administrative Region of the PRC

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange

“PRC” the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“PRC Golf Course” certain operating golf courses (including the land use right) situated in Dongguan, Guangdong Province of the PRC, together with certain related assets (including hotel buildings and staff quarters)

“Proposed Disposal” the proposed disposal of the Sale Shares by the Seller to the Buyer in accordance with the terms and conditions of the Share Transfer Agreement

“Sale Shares” 50,000 ordinary shares of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Share Transfer Agreement

“Seller” San Tai Investment Company Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company

“Share Transfer Agreement” the share transfer agreement entered into between the Seller, the Buyer and Dongguan Hillview on 13 January 2020 in relation to the Proposed Disposal
“Shareholder(s)” shareholder(s) of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules

“Target Company” Hillview Golf Development Company Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of the Share Transfer Agreement

“HK$” Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent or percentage

Unless otherwise stated, the exchange rate adopted in this announcement for illustration purposes only is HK$1.1141 = RMB1.0000.

By order of the Board

CWT INTERNATIONAL LIMITED
Ding Lei
Executive Director

Hong Kong, 13 January 2020

As at the date of this announcement, the Board comprises Mr. Zhu Weijun (Executive Director and Co-Chairman), Mr. Ding Lei (Executive Director, Co-Chairman and Chief Executive Officer), Mr. Zhao Quan (Executive Director), Mr. Chen Chao (Executive Director), Mr. Zhang Can (Executive Director), Mr. Li Neng (Executive Director), Mr. Leung Shun Sang, Tony (Independent Non-executive Director), Mr. Liem Chi Kit, Kevin (Independent Non-executive Director), Mr. Lam Kin Fung, Jeffrey (Independent Non-executive Director) and Ms. Chen Lihua (Independent Non-executive Director).

* For identification purpose only