

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



KWG GROUP HOLDINGS LIMITED

合景泰富集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1813)

DISCLOSEABLE TRANSACTION

DISPOSAL OF 100% EQUITY INTEREST IN SHANGHAI ZHAOJING

THE DISPOSAL

On 12 May 2023, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchasers and the Target Company entered into the Agreement pursuant to which, the Vendor has conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire the Sale Equity at a total Consideration of approximately RMB324 million.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under Listing Rules and is subject to the notification and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

As the Disposal is subject to the satisfaction and/or waiver, where applicable, of the Conditions, the Disposal may or may not proceed to completion. Shareholders and potential investors should exercise caution when dealing in the shares or any securities of the Company.

THE DISPOSAL

On 12 May 2023, the Vendor, the Purchasers and the Target Company entered into the Agreement in respect of the Disposal. The salient terms of the Agreement are summarised below:

THE AGREEMENT

Date: 12 May 2023

Parties: (a) the Vendor (an indirect wholly-owned subsidiary of the Company);
(b) Purchaser 1;
(c) Purchaser 2; and
(d) the Target Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchasers and its ultimate beneficial owner is an Independent Third Party as at the date of this announcement.

Subject matter

Pursuant to the terms and conditions of the Agreement, the Vendor has conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire, the Sale Equity at a total Consideration of RMB324,065,140.12. Among which, (i) Purchaser 2 has conditionally agreed to acquire the Sale Equity 2, representing the equity interest in the Target Company corresponding to the fully paid up registered capital of the Target Company in the amount of RMB10,000, at Consideration 2 (being RMB10,000); and (ii) Purchaser 1 has conditionally agreed to acquire the Sale Equity 1, representing the remaining equity interest in the Target Company after deducting Sale Equity 2, at Consideration 1 (being the balance of the total Consideration after deducting Consideration 1, i.e. RMB324,055,140.12).

Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchasers and subject to adjustments in accordance with the following formula and subject to audit:

$$\text{Consideration} = A + B - C$$

where

- A = Assets value of the Target Properties (as defined below), being RMB564.3 million, which shall comprise GFA of not less than 35,232.97 sq.m. in respect of hotel, rental housing and shops; and not less than 320 car parking spaces among the Target Properties, and subject to downward adjustment mechanisms in accordance with the terms of the Agreement in the case where the aforementioned GFA or number of car parking spaces are not met
- B = adjustment amount in respect of the assets and liabilities of the Target Company as at the date of the Transfer (as defined below) in accordance with the terms of the Agreement
- C = unpaid amounts in relation to the Target Properties

For the avoidance of doubt, the aforesaid adjustment mechanisms will only involve downward adjustments on the Consideration.

Payment

It was agreed that within 10 working days after the signing of the Agreement, Purchaser 1 and the Vendor shall open a bank account under the name of Purchaser 1 which will be jointly managed by Purchaser 1 and the Vendor (the “**Designated Bank Account**”).

The Consideration shall be payable in the following manner:

- (i) within 13 working days upon the fulfilment (or waiver, if applicable) of all the Conditions, Purchaser 1 shall pay to the Designated Bank Account the first instalment of the Consideration in the amount of RMB169.29 million (representing 30% of the assets value under “A” described above, the “**First Instalment**”);
- (ii) within 3 working days upon completion of the Transfer and other delivery procedures as stipulated in the Agreement, Purchaser 1 shall cause the First Instalment to be released to the Vendor from the Designated Bank Account;
- (iii) within 13 working days upon the completion of the tax registration procedures in relation to the Transfer and other delivery procedures as stipulated in the Agreement, the Purchasers shall pay to the Vendor the second instalment of the Consideration (the “**Second Instalment**”) calculated based on the following formula:

Second Instalment = the final Consideration – First Instalment – the Balance (as defined below)

Among which, RMB10,000 of the Second Instalment is Consideration 2 and shall be paid by Purchaser 2 with the remaining balance of the Second Instalment to be paid by Purchaser 1; and

- (iv) 12 months after the date of the Transfer and within 13 working days upon completion of the release of the Pledge and other delivery procedures as stipulated in the Agreement, Purchaser 1 shall pay to the Vendor the balance of the Consideration (representing 5% of the assets value under “A” described above, the “**Balance**”).

Further, in the event that upon the expiry of 12 months from the date of the Transfer, certain of the conditions to the payment of the Balance were not fulfilled in accordance with the Agreement, the parties shall agree in writing the sum of the amount deductible from the Balance (the “**Deductible Amount**”) in accordance with the Agreement and within 13 working days of which, the Purchasers shall pay to the Vendor the Balance after deduction of such Deductible Amount.

Conditions

Completion of the Disposal shall be conditional upon the fulfilment (or waiver, if applicable) of, among others, the following Conditions:

- (a) all necessary internal approvals having been obtained by the Vendor;
- (b) all necessary consents and approvals pursuant to applicable laws, rules and regulations (including but not limited to the Listing Rules) having been obtained by the Company (including but not limited to the obtaining of the Shareholders’ approval by the Company, if necessary);
- (c) all necessary approvals in respect of the Agreement and the transactions contemplated thereunder having been obtained from the Planning and Natural Resources Bureau of Jiading District, Shanghai* (上海市嘉定區規劃和自然資源局), being the transferor of the Target Land Parcel (as defined below);
- (d) the Target Company having completed the completion and acceptance (竣工驗收) procedures in respect of the Target Properties in accordance with relevant laws and regulations in the PRC;
- (e) the Target Properties having achieved the status for delivery as stipulated in the Agreement;
- (f) the Vendor having completed the disposal of the Phase I and Phase II Properties in accordance with the terms of the Agreement;
- (g) the Target Company having repaid the Loan partially in excess of the principal amount of RMB225.7 million and obtained the consent from the Bank in accordance with terms of the Agreement;
- (h) the Guarantor having executed the Letter of Guarantee with approval from its shareholder; and

- (i) the Purchasers having completed due diligence on the Vendor, the Target Company and the Target Properties and the parties having agreed in writing a remedial proposal (the “**Proposal**”) for any unresolved issues.

All the Conditions (save for condition (i) above) shall be fulfilled (or waived, if applicable) on or before 30 June 2023 (or such other extended date as agreed by the Purchasers), failure of which, the Purchasers are entitled to terminate the Agreement in accordance with the terms thereof. Further, if the parties could not arrive at the Proposal as set out in condition (i) on or before 31 October 2023, the Purchasers may be entitled to terminate the Agreement in accordance with the terms thereof.

Transfer

Subject to fulfillment and waiver (if any) of all the Conditions, the Target Company shall complete the registration procedures for the transfer of the Sale Equity and obtain a new business license issued by the relevant authority (the “**Transfer**”).

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Company will record a loss of approximately RMB139 million from the Disposal. Such loss is calculated as the difference between the Consideration and the net asset value of the Target Company as at 31 December 2022. The actual loss to be recorded is subject to audit and may be different from the estimated amount as it will depend on the actual transaction costs incurred and the Consideration calculated as at the date of the Transfer.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC. As at the date of this announcement, it is an indirectly wholly-owned subsidiary of the Company, 100% equity interest of which is directly held by the Vendor.

Set out below is a summary of the audited consolidated financial information of the Target Company for the two years ended 31 December 2021 and 2022:

	For the year ended 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) before tax	11,392	(5,017)
Profit/(loss) after tax	39,039	(5,041)

The audited net asset value of the Target Company as at 31 December 2022 was approximately RMB463.1 million.

Upon completion of the Disposal, the Group shall cease to have any interests in the Target Company and the financial results of the Target Company will no longer be consolidated into the Company's financial statements.

As at the date of this announcement, the Target Company has developed three projects on three land parcels, detailed as follows:

- (i) a project with GFA of approximately 46,157.98 sq.m., with underground car parking spaces and supporting facilities (the “**Phase I Property**”) on a land parcel located in Malu, Shanghai with a total land use area of 27,288 sq.m.;
- (ii) a project with GFA of approximately 65,666.44 sq.m. with underground car parking spaces and supporting facilities (the “**Phase II Property**”) and together with Phase I Property, the “**Phase I and Phase II Properties**”) on another land parcel located in Malu, Shanghai with a total land use area of 32,072.4 sq.m.; and
- (iii) a project with GFA of approximately 49,032.41 sq.m. with underground car parking spaces and supporting facilities (the “**Target Properties**”) on a land parcel located in Jiading Industrial Zone, Shanghai with a total land use area of 29,054.1 sq.m. (the “**Target Land Parcel**”).

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the annual report of the Company for the year ended 31 December 2022, the Group recorded a net loss of RMB9,842 million, and as at 31 December 2022, the Group's current portion of interest-bearing bank and other borrowings amounted to RMB22,245 million, while its cash and cash equivalents amounted to RMB3,356 million. To improve its liquidity to meet the financial needs of the Group, the Company has been actively seeking for potential purchasers in respect of its assets on terms which are in the best interests of the Company and the Shareholders as a whole. After reviewing the business and operation status of the Target Company, in particular its declining performance where a loss before tax was recorded for the year ended 31 December 2022 as compared to a net profit for the year ended 31 December 2021, the Board considers that it is an appropriate choice for the Company to proceed with the Disposal to monetize the value in its investment in the Target Company. The Disposal, when materialised, will allow the Group to realise the value of the Target Company and improve the Group's liquidity.

It is expected that the proceeds from the Disposal will be used by the Group for repayment of its debts and to be used as general working capital of the Group.

In view of the above, the Board considers that the terms and conditions of the Agreement have been made on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

The Group is a large-scale property developer in the PRC with a leading position in the Greater Bay Area and is principally engaged in property development, property investment and hotel operation.

The Vendor

The Vendor is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development.

The Purchasers

Purchaser 1 is a limited partnership established in the PRC with limited liability principally engaged in equity investment.

Purchaser 2 is a company established in the PRC principally engaged in asset and investment management.

The Target Company

The Vendor is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. It is principally engaged in property development.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under Listing Rules and is subject to the notification and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

As the Disposal is subject to the satisfaction and/or waiver, where applicable, of the Conditions, the Disposal may or may not proceed to completion. Shareholders and potential investors should exercise caution when dealing in the shares or any securities of the Company.

DEFINITIONS

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

“Agreement”	the equity transfer agreement dated 12 May 2023 entered into among the Vendor, the Purchasers and the Target Company in respect of the Disposal
“Bank”	Shanghai Jiading Branch of the China Construction Bank Corporation
“Board”	the board of Directors
“Company”	KWG Group Holdings Limited (合景泰富集團控股有限公司) (stock code: 1813), a limited liability company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
“Conditions”	the conditions precedent to the Disposal
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Consideration”	the total consideration of the Sale Equity in the amount of RMB324,065,140
“Consideration 1”	the balance of the Consideration after deducting Consideration 2
“Consideration 2”	the consideration of the Sale Equity 2 in the amount of RMB10,000
“controlling shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Equity by the Vendor to the Purchasers pursuant to the Agreement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Guarantor”	Guangzhou Hejing Holdings Limited* (廣州合景控股集團有限公司)

“Independent Third Party”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Letter of Guarantee”	the letter of guarantee executed on 12 May 2023 by the Guarantor in favour of the Purchasers pursuant to which, the Guarantor shall guarantee all of the Vendor’s performance of its obligations under the Agreement including but not limited to all the penalties and fees arising from the breach of the Agreement by the Vendor, all sums payables under the Agreement and all fees incurred by the Purchasers in this regard
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan”	the loan in the amount of RMB277 million with principal amount of RMB225.7 million extended to the Target Company by the Bank and secured by the Pledge
“Pledge”	the pledge of the Target Properties in favour of the Bank as security for the Loan
“PRC”	the People’s Republic of China
“Purchasers”	Purchaser 1 and Purchaser 2, collectively, the ultimate beneficial owner of which are Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318), the shares of which are listed on the Main Board of the Stock Exchange
“Purchaser 1”	Jiaxing Ping’an No.1 Equity Investment Partnership (limited partnership)* (嘉興平安安住壹號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Purchaser 2”	Ping An Chuangying Capital Management Co., Ltd* (平安創贏資本管理有限公司), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	Sale Equity 1 and Sale Equity 2, collectively
“Sale Equity 1”	the remaining equity interest in the Target Company after deducting Sale Equity 2 to be acquired by Purchaser 1 at Consideration 1 pursuant to the Agreement

“Sale Equity 2”	the equity interest in the Target Company corresponding to the fully paid up registered capital of the Target Company in the amount of RMB10,000 to be acquired by Purchaser 2 at Consideration 2 pursuant to the Agreement
“Share(s)”	ordinary shares with nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Shanghai Zhaojing”	Shanghai Zhaojing Real Estate Development Limited* (上海兆景房地產開發有限公司), a company established in the PRC with limited liability and 100% equity interest of which is held by the Vendor as at the date of this announcement
“Vendor”	Shanghai Hejing Real Estate Development Limited* (上海合景房地產開發有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

By order of the Board
KWG Group Holdings Limited
KONG Jianmin
Chairman

Hong Kong, 12 May 2023

As at the date of this announcement, the Board comprises seven Directors, of whom Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao (Chief Executive Officer), Mr. KONG Jiannan and Mr. CAI Fengjia are executive Directors; and Mr. LEE Ka Sze, Carmelo, Mr. TAM Chun Fai and Mr. LAW Yiu Wing, Patrick are independent non-executive Directors.

* For identification purposes only.