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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)

MAJOR TRANSACTION DISPOSAL OF 100% EQUITY INTEREST IN SHANGHAI JINYI

THE DISPOSAL

On 12 May 2023, the Vendors, the Purchasers and the Target Company entered into the Agreement pursuant to which, the Vendors conditionally agreed to sell, and the Purchasers conditionally agreed to acquire the Sale Equity at a total Consideration of approximately RMB426 million.

LISTING RULES IMPLICATIONS

The Disposal, together with the Zhaojing Disposal, constitute a series of transactions made by the Company within a 12-month period with the same parties and shall be aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal, when aggregated with the Zhaojing Disposal, is more than 25% but all of which are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Disposal. As such, no Shareholders would be required to abstain from voting at a general meeting of the Company approving the Disposal if the Company were to convene such a general meeting.

Mr. KONG Jianmin, Mr. KONG Jiantao, Mr. KONG Jiannan, together with their associates, are entitled to exercise voting rights in respect of 1,995,892,839 Shares (representing approximately 58.38% of the issued share capital of the Company). Accordingly, the Company proposes to obtain a written shareholder's approval certificate from Mr. KONG Jianmin, Mr. KONG Jiantao, Mr. KONG Jiannan (being a closely allied group of Shareholders who are parties acting in concert among themselves within the meaning of the Takeovers Code) to approve the Disposal pursuant to Rule 14.44 of the Listing Rules and no extraordinary general meeting will be convened and held by the Company to approve the Disposal.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Agreement and the Disposal; (ii) financial information of the Group; and (iii) other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 5 June 2023.

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 Vendors, 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) Vendor 1;
 - (b) Vendor 2;
 - (c) Purchaser 1;
 - (d) Purchaser 2; and
 - (e) 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 Vendors conditionally agreed to sell, and the Purchasers conditionally agreed to acquire, the Sale Equity at a total Consideration of RMB426,074,460.22. Among which, (i) Purchaser 2 conditionally agreed to acquire the Sale Equity 2 from the Vendors, 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 conditionally agreed to acquire the Sale Equity 1 from the Vendors, 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 2, i.e. RMB426,064,460.22). The Consideration will be paid to Vendor 1 and Vendor 2 in proportion to their respective shareholdings in the Target Company in the manner as more particularized below.

Consideration

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

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

where

A = Assets value of the Target Properties (as defined below), being RMB732.35 million, which shall comprise GFA of not less than 48,161.65 sq.m. in respect of rental housing and commercial buildings; and not less than 370 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 in accordance with the terms of the Agreement, which will be determined based on the audit results by an auditor firm engaged by the Purchasers by taking the date of the Transfer (as defined below) as the benchmark date

Payment

It was agreed that within 10 working days after the signing of the Agreement, Purchaser 1 and Vendor 2 shall open a bank account under the name of Purchaser 1 which will be jointly managed by Purchaser 1 and Vendor 2 (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 RMB329.56 million (representing 85% of the assets value under “A” described above after deducting part of the adjustment amount in respect of the liabilities of the Target Company under “A” described above, being RMB292.94 million, 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 Vendors from the Designated Bank Account to the respective designated bank accounts of Vendor 1 and Vendor 2. The First Instalment will be paid to Vendor 1 and Vendor 2 in proportion to their respective shareholdings in the Target Company;
- (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 Vendors 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 to Vendor 1 and Vendor 2 in proportion to their respective shareholdings in the Target Company; 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 Vendors 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 Vendors 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 Vendors;
- (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 Vendors having completed the all necessary procedures in respect of disposal of the Phase I Properties, Phase II Properties and Sold Phase III Properties (as defined below) in accordance with the terms of the Agreement;
- (g) the Target Company having repaid the Loan partially in excess of the principal amount of RMB292.94 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 Vendors, 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 31 December 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 March 2024, 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 gain of approximately RMB111.5 million from the Disposal. Such gain is calculated as the difference between the Consideration and the net asset value of the Target Company as at 31 December 2022. The actual gain 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 and is owned as to 70% and 30% by Vendor 1 and Vendor 2, respectively.

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>
Loss before tax	10,231	7,718
Loss after tax	7,220	5,926

The audited net asset value of the Target Company as at 31 December 2022 was RMB314.6 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 one land parcel located in Jiading Industrial Zone, Shanghai, with a total land use area of 53,829.2 sq.m. (the “**Target Land Parcel**”), detailed as follows:

- (i) a project with GFA of approximately 74,193.34 sq.m., with underground car parking spaces and supporting facilities (the “**Phase I Properties**”);
- (ii) a project with GFA of approximately 72,970.3 sq.m., with underground car parking spaces and supporting facilities (the “**Phase II Properties**”); and
- (iii) a project with GFA of approximately 65,032.8 sq.m., with underground car parking spaces, which includes sold properties (the “**Sold Phase III Properties**”) and the remaining unsold properties (the “**Target Properties**”).

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 and taking into account the estimated gain to be recorded on the Disposal as disclosed above, 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 Vendors

Vendor 1 is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Vendor 2 is a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company. The Vendors are 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 Target Company is a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company as at the date of this announcement. It is principally engaged in property development.

LISTING RULES IMPLICATIONS

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To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Disposal. As such, no Shareholders would be required to abstain from voting at a general meeting of the Company approving the Disposal if the Company were to convene such a general meeting.

Mr. KONG Jianmin, Mr. KONG Jiantao, Mr. KONG Jiannan, together with their associates, are entitled to exercise voting rights in respect of 1,995,892,839 Shares (representing approximately 58.38% of the issued share capital of the Company). Accordingly, the Company proposes to obtain a written shareholder's approval certificate from Mr. KONG Jianmin, Mr. KONG Jiantao, Mr. KONG Jiannan (being a closely allied group of Shareholders who are parties acting in concert among themselves within the meaning of the Takeovers Code) to approve the Disposal pursuant to Rule 14.44 of the Listing Rules and no extraordinary general meeting will be convened and held by the Company to approve the Disposal.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Agreement and the Disposal; (ii) financial information of the Group; and (iii) other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 5 June 2023.

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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 Vendors, 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 RMB426,074,460.22
“Consideration 1”	the balance of the Consideration after deducting Consideration 2, being RMB426,064,460.22
“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 Vendors 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), a wholly-owned subsidiary of the Company
“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 to be issued by the Guarantor in favour of the Purchasers pursuant to which, the Guarantor shall guarantee all of the Vendors’ 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 RMB347.87 million with principal amount of RMB347.87 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 the 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 the Purchaser 2 at Consideration 2 pursuant to the Agreement, among which RMB7,000 shall be paid to Vendor 1 and RMB3,000 shall be paid to Vendor 2
“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
“Takeovers Code”	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Target Company” or “Shanghai Jinyi”	Shanghai Jinyi Properties Limited* (上海錦怡置業有限公司), a company established in the PRC with limited liability, and is owned as to 70% and 30% by Vendor 1 and Vendor 2 as at the date of this announcement, respectively
“Vendors”	Vendor 1 and Vendor 2, collectively
“Vendor 1”	Suzhou Hejing Real Estate Development Limited* (蘇州市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
“Vendor 2”	Shanghai Deyu Real Estate Development Limited* (上海德裕房地產開發有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company

“Zhaojing Disposal” the disposal of the entire equity interest of 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 a wholly-owned subsidiary of the Company as announced by the Company on 12 May 2023

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.