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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)

CONNECTED TRANSACTION TRANSFER OF KWG LIVING SHARE TO A CONNECTED PERSON PURSUANT TO THE SHARE INCENTIVE ARRANGEMENT

SHARE INCENTIVE ARRANGEMENT

Reference is made to the announcement of the Company dated 24 June 2020 regarding a proposed spin-off and separate listing of KWG Living on the Main Board of the Stock Exchange.

On 24 June 2020, KWG Living adopted the Share Incentive Arrangement. As part of the Share Incentive Arrangement, (i) the Company subscribed 35 KWG Living Shares at par; and (ii) the Company transferred its entire issued share capital in Happy Harmony, which in turn held one KWG Living Share, to Mr. Tsui at a consideration of US\$6,075,000, which was determined with reference to the fair value of the KWG Living Share held by Happy Harmony as at 31 May 2020 and taking into account the contribution by Mr. Tsui to the KWG Living Group.

Upon completion of the Subscription and the Share Transfer, KWG Living would be held as to approximately 97.22% by the Company and 2.78% by Mr. Tsui through Happy Harmony, respectively.

LISTING RULES IMPLICATIONS

Mr. Tsui was a Director in the past 12 months and thus a connected person of the Company under the Listing Rules. The Share Transfer constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios exceed 0.1% but are less than 5% pursuant to Rule 14.07 of the Listing Rules, the Share Transfer is subject to the reporting and announcement requirements but are exempt from independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

THE SUBSCRIPTION AND SHARE TRANSFER

Reference is made to the announcement of the Company dated 24 June 2020 regarding a proposed spin-off and separate listing of KWG Living on the Main Board of the Stock Exchange. On 24 June 2020, KWG Living adopted the Share Incentive Arrangement. As part of the Share Incentive Arrangement, (i) the Company subscribed 35 KWG Living Shares at par; and (ii) the Company transferred its entire issued share capital in Happy Harmony, which in turn held one KWG Living Share, to Mr. Tsui at a consideration of US\$6,075,000, which was determined with reference to the fair value of the KWG Living Share held by Happy Harmony as at 31 May 2020 and taking into account the contribution by Mr. Tsui to the KWG Living Group.

(i) The Subscription

Prior to the Subscription and the Share Transfer, the Company, through Happy Harmony (a wholly-owned subsidiary of the Company), held one KWG Living Share, representing 100% issued share capital of KWG Living.

As part of the Share Incentive Arrangement, on 24 June 2020, the Company subscribed 35 KWG Living Shares at par. Upon completion of the Subscription, KWG Living would be held as to approximately 97.22% by the Company and 2.78% by Mr. Tsui through Happy Harmony, respectively.

(ii) The Share Transfer

Immediately after completion of the Subscription, on 24 June 2020, in order to award Mr. Tsui, the general manager of investment department and senior consultant of the KWG Living Group, for his contribution to the KWG Living Group and to increase his morale and his loyalty to the Group, the Board resolved to transfer the entire issued share capital of Happy Harmony, which in turn held one KWG Living Share, to Mr. Tsui at a consideration of US\$6,075,000, which was determined with reference to the fair value of the KWG Living Share held by Happy Harmony as at 31 May 2020 and taking into account the contribution by Mr. Tsui to KWG Living Group. The Share Transfer was completed and the consideration was settled on 24 June 2020 and has been funded by a loan from Mr. Kong. Upon completion of the Share Transfer, Happy Harmony would cease to be a subsidiary of the Group, and KWG Living would be owned as to approximately 97.22% by the Company and 2.78% by Mr. Tsui through Happy Harmony, respectively.

FINANCIAL INFORMATION OF HAPPY HARMONY GROUP

Set out below is the unaudited financial information of Happy Harmony Group:

	For the year ended	
	31 December	
	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	104,308	250,604
Profit after taxation	79,682	184,987

As at 31 December 2019, the unaudited consolidated total assets value and net assets value of Happy Harmony Group were RMB1,962,186,000 and RMB397,428,000, respectively.

FINANCIAL EFFECT OF THE SHARE TRANSFER

It is estimated that the Group will not recognize any profit/loss from the Share Transfer. The net proceeds from the Share Transfer will be used as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE SHARE TRANSFER

Mr. Tsui has been working for the Group since January 2007. Prior to August 2019, he was an executive Director, chief financial officer and the company secretary of the Company. Since August 2019, he has taken up the senior consultant role of the Group and is currently the general manager of the investment department and senior consultant of the KWG Living Group.

The Share Transfer was part of the Share Incentive Arrangement of KWG Living which would provide an incentive to Mr. Tsui to recognize his contributions made to the KWG Living Group, and to increase his morale and his loyalty to the KWG Living Group. The Board considered that the consideration of the Share Transfer which had taken into account of the contribution made by Mr. Tsui to the KWG Living Group and the fair value of one KWG Living Share, is fair and reasonable.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Share Transfer is on normal commercial terms and incidental to the Group's development of its ordinary and usual course of business though not in the ordinary course of business of the Group, and the terms of the Share Transfer are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Since Mr. Kong has provided a loan to Mr. Tsui for the settlement of consideration of the Share Transfer, Mr. Kong is deemed to have a material interest in the Share Transfer and therefore, he had abstained from voting on the relevant board resolutions approving the Share Transfer.

INFORMATION ON THE GROUP

The Group

The Group is a large-scale property developer in the PRC with a leadership position in Guangzhou and an established presence in various major cities in the PRC and Hong Kong.

KWG Living Group

KWG Living was incorporated in the Cayman Islands on 11 September 2019. KWG Living Group is principally engaged in the provision of residential property management services and commercial property management and operational services. On 24 June 2020, KWG Living submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing of KWG Living Shares on the Main Board of the Stock Exchange.

LISTING RULES IMPLICATIONS

Mr. Tsui was a Director in the past 12 months and thus a connected person of the Company under the Listing Rules. The Share Transfer constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios exceed 0.1% but are less than 5% pursuant to Rule 14.07 of the Listing Rules, the Share Transfer is subject to the reporting and announcement requirements but are exempt from independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

DEFINITIONS

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

“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 company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules

“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Happy Harmony”	Happy Harmony International Limited (美和國際有限公司), a wholly-owned subsidiary of the Company immediately prior to completion of the Share Transfer
“Happy Harmony Group”	Happy Harmony and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“KWG Living”	KWG Living Group Holdings Limited (合景悠活集團控股有限公司), a wholly-owned subsidiary of the Company immediately prior to completion of the Share Transfer
“KWG Living Group”	KWG Living and its subsidiaries
“KWG Living Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of KWG Living
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Kong”	Mr. KONG Jianmin, an executive Director and chairman and the controlling shareholder of the Company
“Mr. Tsui”	Mr. TSUI Kam Tim, the general manager of the investment department and senior consultant of the KWG Living Group as at the date of this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with nominal value of HK\$0.10 each in the share capital of the Company
“Share Incentive Arrangement”	the employee share incentive arrangement adopted by KWG Living on 24 June 2020 for the purpose of incentivizing its employees

“Share Transfer”	the transfer of the Company’s entire interest in Happy Harmony to Mr. Tsui
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 35 KWG Living Shares by the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percentage

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

Hong Kong, 24 June 2020

As at the date of this announcement, the Board comprises seven Directors, of which Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao, Mr. KONG Jiannan and Mr. CAI Fengjia are executive Directors; and Mr. LEE Ka Sze, Carmelo JP, Mr. TAM Chun Fai and Mr. LI Binhai are independent non-executive Directors.