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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF 50% EQUITY INTEREST AND THE SHAREHOLDER'S LOAN IN A JOINT VENTURE

THE DISPOSAL

On 27 July 2022, the Vendor, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell, the Sale Shares, representing 50% of the issued share capital of the Target Company and the Shareholder's Loan at a cash consideration of HK\$1,300,000,000.

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 under Chapter 14 of the Listing Rules.

THE DISPOSAL

On 27 July 2022, the Vendor, entered into the Sale and Purchase Agreement in respect of the Disposal. The salient terms of the Sale and Purchase Agreement are summarized below:

SALE AND PURCHASE AGREEMENT

Dates: 27 July 2022

Parties: (1) the Vendor (a member of the Group)
(2) the Purchaser

Subject Matter

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire, the Sale Shares, representing 50% of the issued share capital of the Target Company and the Shareholder's Loan at a cash consideration of HK\$1,300,000,000.

Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the unaudited consolidated net asset value of the Target Company and the Shareholder's Loan as at 30 June 2022.

The Completion shall take place upon the signing of the Sale and Purchase Agreement and the full payment of the Consideration by the Purchaser. As at the date of this announcement, the Consideration has been paid in full by the Purchaser, the Completion has taken place accordingly. Upon Completion, the Group has ceased to have any interests in the Target Company.

FINANCIAL EFFECT OF THE DISPOSAL

Based on the unaudited consolidated financial information of the Target Company as at 30 June 2022, it is estimated that the Company will record a profit after tax of approximately HK\$489.5 million. Such profit is calculated as the difference between the Consideration and the unaudited consolidated net asset value of the Target Company as at 30 June 2022. The actual profit to be recorded is subject to audit and may be different from the estimated amount as it will depend on (i) the actual consolidated net asset value of the Target Company as at the date of Completion; and (ii) the actual transaction costs incurred.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the BVI. As at the date of this announcement, the Target Company has no business activity other than being the sole investment holding company of the Project Company. The Project Company is principally engaged in the property development business and has a residential properties project named Upper RiverBank, with a total saleable area of approximately 500,000 square feet located in 11 Muk Tai Street, Kai Tak, Hong Kong. Development of the project has been fully completed.

Set out below is a summary of the unaudited consolidated financial information of the Target Company (as prepared in accordance with Hong Kong Financial Reporting Standards) for the years ended 31 December 2020 and 2021:

	For the year ended 31 December 2021	For the year ended 31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	8,630,550	—
Profit/(Loss) before tax	1,871,805	(76,005)
Profit/(Loss) after tax	1,588,848	(76,005)

The unaudited total assets of the Target Company as at 30 June 2022 was HK\$3,421.1 million, with a net asset value of approximately HK\$1,621.0 million.

INFORMATION ON THE GROUP AND THE PURCHASER

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 Purchaser is a company established in Hong Kong with limited liability and is principally engaged in investment holding. It is a wholly-owned subsidiary of Longfor Group Holdings Limited, a company listed on the Stock Exchange.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The Group is a comprehensive real estate developer in the PRC engaging in the development of different types of residential properties (i.e. mid- to high-end), serviced apartments, villas, offices, hotels and shopping malls in the PRC.

The Target Company was established jointly by the Vendor and the Purchaser on 17 May 2017 to hold the Project Company for the construction and development of the properties located in Hong Kong. As at the date of this announcement, development of the project has been fully completed, with saleable area of approximately 135,000 square feet available for sale. The Disposal offers an opportunity for the Group to early monetize the value in its investment in the Target Company to finance the Group's future business development needs. The Company considers that the Disposal is beneficial to the Group as it will improve the Group's asset turnover rate, generate additional cash inflow for debt repayment and general working capital and reduce its gearing ratio, which will help the Group to reduce risks and achieve long-term stable and healthy development.

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 Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

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 the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Island
“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
“Completion”	completion of the Disposal pursuant to the Sale and Purchase Agreement
“connected person(s)”	shall have the meaning as ascribed to it under the Listing Rules

“Consideration”	the aggregated consideration for the Disposal, being HK\$1,300,000,000
“controlling shareholders”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor and the assignment of the Shareholder’s Loan pursuant to the terms and conditions of the Sale and Purchase Agreement
“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 PRC
“Independent Third Party(ies)”	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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Project Company”	Fancy Excellent Limited (喜綽有限公司), a company established in Hong Kong with limited liability and is wholly-owned by the Target Company
“Purchaser”	Juntion Development Hong Kong (Holding) Limited, an indirectly wholly-owned subsidiary of Longfor Group Holdings Limited (stock code: 960), the shares of which are listed on the Main Board of the Stock Exchange
“Sale and Purchase Agreement”	the sale and purchase agreement dated 27 July 2022 entered into between the Vendor and the Purchaser with respect to the Disposal
“Sale Shares”	1 shares, representing 50% of the issued capital of the Target Company
“Shareholder(s)”	holder(s) of the Share(s)

“Shareholder’s Loan”	the shareholder’s loan in the amount of HK\$564,671,737.70 owing by the Project Company to the Vendor
“Share(s)”	ordinary share(s) of par value of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	shall have the meaning as ascribed to it under the Listing Rules
“substantial shareholder(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Target Company”	Great Smart International Limited (鴻才國際有限公司), a company established in the BVI with limited liability and a joint venture of the Group
“Vendor”	a member of the Group
“%”	per cent

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

Hong Kong, 27 July 2022

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.