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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)

PROFIT WARNING

This announcement is made by KWG Group Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**” or the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a review by the audit committee of the Company of the draft unaudited consolidated management accounts of the Group for the year ended 31 December 2022 and the information currently available to the Board, the Group is expected to record a loss for the year from approximately RMB9,600 million to approximately RMB9,850 million, while a profit for the year of approximately RMB2,562.9 million was recorded for the corresponding period in 2021.

The continued and prolonged COVID-19 pandemic during 2022 has significantly affected the property market in the People’s Republic of China (the “**PRC**”), causing delays in construction progress and weakened property buyers confidence, resulting in declines in the areas of properties sold and delivered by the Group during the year. The Group has taken certain actions to improve the sales, including the implementation of price reduction for certain projects. Also, certain properties with low or negative profit margins, including carparking spaces and public rental housing properties, were delivered during the year. As a result of the above, the Group also reported gross loss of approximately RMB2,096 million during the year ended 31 December 2022, as compared to the gross profit of approximately RMB5,045.5 million for the corresponding period in 2021.

Apart from the above gross loss, set out below are the significant items that are attributable to the estimated loss for the year:

- aggregate impairment losses recognised for properties under development and completed properties held for sale of the Group's subsidiaries and joint ventures of approximately RMB3,037 million
- aggregate fair value losses on investment properties of the Group's subsidiaries and joint ventures of approximately RMB1,709 million
- aggregate write-off of deferred tax assets of the Group's subsidiaries and joint ventures of approximately RMB1,271 million, due to expected expiry of unutilised tax losses

The time required to prepare the annual results for the year for the Board's review was significantly more than previous year due to the following factors:

- i) the Group's subsidiaries, associates and joint ventures has experienced a shortage of manpower as a result of the worsening of the PRC property sector; and
- ii) various judgements made in the annual results, including impairment of properties under development and completed properties held for sale, revaluation of investment properties, and the write-off of deferred tax assets, relied on the information provided and work done from external third parties, which were all time-consuming. Without these inputs, management is not able to determine a more precise range of the estimated loss for the year.

The Company is still in the process of finalising the annual results of the Group for the year ended 31 December 2022. The financial information contained in this announcement is only based on the review made by the Board with reference to the draft unaudited consolidated management accounts of the Group for the year ended 31 December 2022 and the other information currently available, which is therefore subject to possible change and adjustment upon further review. The annual results of the Group for the year ended 31 December 2022 are expected to be published on 31 March 2023.

Shareholders and potential investors are advised to exercise caution when dealing in securities of the Company.

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

Hong Kong, 30 March 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.