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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 50% EQUITY INTEREST IN HANGZHOU ZHIYAN

THE DISPOSAL

On 15 August 2023, the Vendor, the Purchaser, the Target Company, the Project Company, Greentown Real Estate and Guangzhou Hejing entered into the Agreement pursuant to which, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Equity at the Consideration of RMB1,176,610,580.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the 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; (iii) valuation report in relation to the Project; and (iv) other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 5 September 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 15 August 2023, the Vendor, the Purchaser, the Target Company, the Project Company, Greentown Real Estate and Guangzhou Hejing entered into the Agreement in respect of the Disposal. The salient terms of the Agreement are summarised below:

THE AGREEMENT

- Date:** 15 August 2023
- Parties:**
- (a) the Vendor;
 - (b) the Purchaser;
 - (c) the Target Company;
 - (d) the Project Company;
 - (e) Greentown Real Estate; and
 - (f) Guangzhou Hejing

Greentown Real Estate is a substantial shareholder of an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules. As such, Greentown Real Estate is not a connected person of the Company under the Listing Rules. To the best of the Directors'

knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties 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 Purchaser has conditionally agreed to acquire, the Sale Equity at the Consideration of RMB1,176,610,580.

Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser having taken into account factors including the net asset value, total credits and debts of, and properties selling rate achieved by, the Target Company and the Project Company as at 30 June 2023.

Settlement of the Loan

As at 30 June 2023, the outstanding Loan owed by Guangzhou Hejing to the Project Company amounted to RMB1,212,610,580, which shall be settled in the following manner:

- (i) within 3 working days upon the satisfaction of Condition (a) below, Guangzhou Hejing and the Vendor shall partially repay the Loan in the amount of RMB36,000,000 to the designated bank account of the Project Company (the "**First Settlement**"); and
- (ii) on the Completion Date, the balance of the Loan (being an amount equivalent to the Consideration) shall be set off against the Consideration payable by the Purchaser to the Vendor (the "**Final Settlement**").

Conditions precedent to the Disposal

Completion of the Disposal shall be conditional upon the fulfilment (or waiver, if applicable, save for Condition (a) which shall not be waived) of the following Conditions:

- (a) the Agreement having been executed and all necessary consents and approvals pursuant to applicable laws, rules and regulations (including but not limited to the Listing Rules and relevant rules of the state-owned asset supervision and administration department, if applicable) having been obtained by Greentown China Holdings Limited and the Company (including but not limited to the obtaining of their respective shareholders' approval, if necessary);
- (b) all necessary internal approvals having been obtained by the Vendor;
- (c) all necessary internal approvals having been obtained by the Purchaser;

- (d) Guangzhou Hejing and the Vendor having completed the First Settlement according to the terms of the Agreement;
- (e) all necessary internal approvals having been obtained by the Target Company;
- (f) all representations and warranties made by the Vendor under the Agreement remain true and accurate and not misleading as at the Completion Date; and
- (g) there being no material adverse event occurring to the Target Company and the Project Company as at the Completion Date.

Transfer

Within 3 working days from the Final Settlement, the Pledge shall be released. Within 3 working days from the release of the Pledge, the registration procedures for the transfer of the Sale Equity shall be completed (the “**Transfer**”).

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Company will record a gain of approximately RMB1.6 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 30 June 2023 attributable to the Sale Equity. 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 by the Purchaser and the Vendor pursuant to an agreement dated 28 June 2019 for the purpose of managing the Project through the Project Company. As at the date of this announcement, the Project Company is wholly-owned by the Target Company, which is in turn owned as to 50% by the Vendor and 50% by the Purchaser.

Set out below is a summary of the unaudited 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	(103,171)	213,039
Profit/(loss) after tax	(77,379)	89,743

The unaudited consolidated net asset value of the Target Company as at 30 June 2023 was approximately RMB2.35 billion.

The financial statements of the Target Company are not consolidated into the Company's financial statements. Upon completion of the Disposal, the Group shall cease to have any interests in the Target Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As of the date of this announcement, the Project Company has completed the development of the Project. Taking into account the set off arrangement regarding the Loan as disclosed above, the Disposal will facilitate the Group's exit from the Project with proper settlement of corresponding debts, and reduce the overall outstanding debt balances of the Group.

As the entire amount of the Consideration will be used to set off against the Loan, there will be no cash receivable by 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 an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability and principally engaged in the investment holding of the Target Company.

The Purchaser

The Purchaser is a company established in the PRC with limited liability and principally engaged in industrial investment and investment management. It is a non-wholly owned subsidiary of Greentown China Holdings Limited, a company listed on the Stock Exchange (stock code: 03900).

The Target Company

The Target Company is a company established in the PRC with limited liability and owned as to 50% by the Vendor and 50% by the Purchaser as at the date of this announcement. The Target Company is an investment holding company holding the entire equity interest in the Project Company, which is principally engaged in the development of the Project.

The Project Company

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

The Project is located in Hangzhou, the PRC and is a residential project developed by the Project Company with a total gross floor area of approximately 192,900 square metres.

Greentown Real Estate

Greentown Real Estate is a company established in the PRC with limited liability and a wholly-owned subsidiary of Greentown China Holdings Limited and principally engaged in property development.

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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.

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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 15 August 2023 entered into among the Vendor, the Purchaser, the Target Company, the Project Company, Greentown Real Estate and Guangzhou Hejing in respect of the Disposal
“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
“Completion Date”	the date of fulfillment (or waiver, if applicable) of all the Conditions or such other date as agreed by the Vendor and the Purchaser
“Conditions”	the conditions precedent to the Disposal
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Consideration”	the consideration of the Sale Equity, being RMB1,176,610,580
“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 Purchaser pursuant to the Agreement

“Greentown Real Estate”	Greentown Real Estate Group Co., Ltd.* (綠城房地產集團有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of Greentown China Holdings Limited, a company listed on the Stock Exchange (stock code: 03900)
“Group”	the Company and its subsidiaries
“Guangzhou Hejing”	Guangzhou Hejing Holdings Group Limited* (廣州合景控股集團有限公司), a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan”	the loan owed by Guangzhou Hejing to the Project Company in the total amount of RMB1,212,610,580 (including principal and accrued interest)
“Pledge”	the pledge of the Sale Equity by Guangzhou Hejing as security for certain loans owed by the Vendor and Guangzhou Hejing
“PRC”	the People’s Republic of China
“Project”	Hangzhou Oriental Dawn Project (杭州春來曉園項目) located in Hangzhou, China
“Project Company”	Hangzhou Greentown Zhiyan Urban Development Co., Ltd.* (杭州綠城致延城市發展有限公司), a company established in the PRC with limited liability and wholly owned by the Target Company
“Purchaser”	Hangzhou Zheqing Investment Co., Ltd.* (杭州浙慶投資有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of Greentown China Holdings Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	the 50% equity interest in the Target Company
“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)
“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 “Hangzhou Zhiyan”	Hangzhou Zhiyan Investment Co., Ltd.* (杭州致延投資有限公司), a company established in the PRC with limited liability, and is owned as to 50% by the Vendor and 50% by the Purchaser as at the date of this announcement
“Vendor”	Hangzhou Gaoxin Business Service Co., Ltd.* (杭州高信商務服務有限公司), 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, 15 August 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.