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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **KWG Group Holdings Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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 TRANSACTIONS —**  
**(1) DISPOSAL OF 100% EQUITY INTEREST**  
**IN SHANGHAI ZHAOJING;**  
**AND**  
**(2) DISPOSAL OF 100% EQUITY INTEREST**  
**IN SHANGHAI JINYI**

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The Disposals and the Agreements have been approved by way of written shareholders' approval obtained 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 Takeovers Code) in lieu of a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

A letter from the Board is set out on pages 7 to 21 of this circular.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Agreements”	the Jinyi Agreement and the Zhaojing Agreement, collectively
“associate(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“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
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposals”	the Jinyi Disposal and the Zhaojing Disposal, collectively
“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
“Jinyi Agreement”	the equity transfer agreement dated 12 May 2023 entered into among the Jinyi Vendors, the Purchasers and Shanghai Jinyi in respect of the Jinyi Disposal
“Jinyi Balance”	has the meaning ascribed to it under the section headed “(2) The Jinyi Disposal — Payment” in this circular
“Jinyi Conditions”	the conditions precedent to the Jinyi Disposal

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## DEFINITIONS

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“Jinyi Consideration”	the total consideration of the Jinyi Sale Equity in the amount of RMB426,074,460.22
“Jinyi Consideration 1”	the balance of the Jinyi Consideration after deducting the Jinyi Consideration 2, being RMB426,064,460.22
“Jinyi Consideration 2”	The consideration of the Jinyi Sale Equity 2 in the amount of RMB10,000
“Jinyi Deductible Amount”	has the meaning ascribed to it under the section headed “(2) The Jinyi Disposal — Payment” in this circular
“Jinyi Designated Bank Account”	has the meaning ascribed to it under the section headed “(2) The Jinyi Disposal — Payment” in this circular
“Jinyi Disposal”	the disposal of the Jinyi Sale Equity by the Jinyi Vendors to the Purchasers pursuant to the Jinyi Agreement
“Jinyi First Instalment”	has the meaning ascribed to it under the section headed “(2) The Jinyi Disposal — Payment” in this circular
“Jinyi 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 the performance of the Jinyi Vendors of its obligations under the Jinyi Agreement
“Jinyi Loan”	the loan in the amount of RMB347.87 million with principal amount of RMB347.87 million extended to Shanghai Jinyi by the Bank and secured by the Jinyi Pledge
“Jinyi Phase I Property”	has the meaning ascribed to it under the section headed “(2) The Jinyi Disposal — Information on Shanghai Jinyi” in this circular
“Jinyi Phase II Property”	has the meaning ascribed to it under the section headed “(2) The Jinyi Disposal — Information on Shanghai Jinyi” in this circular
“Jinyi Pledge”	the pledge of the Jinyi Target Properties in favour of the Bank as security for the Jinyi Loan
“Jinyi Proposal”	has the meaning ascribed to it under the section headed “(2) The Jinyi Disposal — Payment” in this circular
“Jinyi Sale Equity”	Jinyi Sale Equity 1 and Jinyi Sale Equity 2, collectively
“Jinyi Sale Equity 1”	the remaining equity interest in Shanghai Jinyi after deducting the Jinyi Sale Equity 2 to be acquired by the Purchasers at the Jinyi Consideration 1 pursuant to the Jinyi Agreement

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## DEFINITIONS

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“Jinyi Sale Equity 2”	the equity interest in Shanghai Jinyi corresponding to the fully paid up registered capital of Shanghai Jinyi in the amount of RMB10,000 to be acquired by the Purchaser 2 at the Jinyi Consideration 2 pursuant to the Jinyi Agreement, among which RMB7,000 shall be paid to the Jinyi Vendor 1 and RMB3,000 shall be paid to the Jinyi Vendor 2
“Jinyi Second Instalment”	has the meaning ascribed to it under the section headed “(2) The Jinyi Disposal — Payment” in this circular
“Jinyi Sold Phase III Property”	has the meaning ascribed to it under the section headed “(2) The Jinyi Disposal — Information on Shanghai Jinyi” in this circular
“Jinyi Target Land Parcel”	has the meaning ascribed to it under the section headed “(2) The Jinyi Disposal — Information on Shanghai Jinyi” in this circular
“Jinyi Target Properties”	has the meaning ascribed to it under the section headed “(2) The Jinyi Disposal — Information on Shanghai Jinyi” in this circular
“Jinyi Transfer”	has the meaning ascribed to it under the section headed “(2) The Jinyi Disposal — Jinyi Transfer” in this circular
“Jinyi 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
“Jinyi 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
“Jinyi Vendors”	Jinyi Vendor 1 and Jinyi Vendor 2, collectively
“Latest Practicable Date”	19 October 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China

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## DEFINITIONS

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“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
“Purchasers”	Purchaser 1 and Purchaser 2, collectively, the ultimate beneficial owner of which is Ping An Insurance (Group) Company of China, Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2318)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“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 Jinyi Vendor 1 and Jinyi Vendor 2 as at the Latest Practicable Date, respectively
“Shanghai Zhaojing”	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 100% equity interest of which is held by the Zhaojing Vendor as at the Latest Practicable Date
“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 Securities and Futures Commission, as amended, supplemented or otherwise modified from time to time
“Zhaojing Agreement”	the equity transfer agreement dated 12 May 2023 entered into among the Zhaojing Vendor, the Purchasers and Shanghai Zhaojing in respect of the Zhaojing Disposal
“Zhaojing Balance”	has the meaning ascribed to it under the section headed “(1) The Zhaojing Disposal — Payment” in this circular

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## DEFINITIONS

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“Zhaojing Conditions”	the conditions precedent to the Zhaojing Disposal
“Zhaojing Consideration”	the total consideration of the Zhaojing Sale Equity in the amount of RMB324,065,140.12
“Zhaojing Consideration 1”	the balance of the Zhaojing Consideration after deducting Zhaojing Consideration 2, being RMB324,055,140.12
“Zhaojing Consideration 2”	the consideration of the Zhaojing Sale Equity 2 in the amount of RMB10,000
“Zhaojing Deductible Amount”	has the meaning ascribed to it under the section headed “(1) The Zhaojing Disposal — Payment” in this circular
“Zhaojing Designated Bank Account”	has the meaning ascribed to it under the section headed “(1) The Zhaojing Disposal — Payment” in this circular
“Zhaojing Disposal”	the disposal of the Zhaojing Sale Equity by the Zhaojing Vendor to the Purchasers pursuant to the Zhaojing Agreement
“Zhaojing First Instalment”	has the meaning ascribed to it under the section headed “(1) The Zhaojing Disposal — Payment” in this circular
“Zhaojing Letter of Guarantee”	the letter of guarantee executed on 12 May 2023 by the Guarantor in favour of the Purchasers pursuant to which, the Guarantor shall guarantee all of the Zhaojing Vendor’s performance of its obligations under the Zhaojing Agreement including but not limited to all the penalties and fees arising from the breach of the Zhaojing Agreement by the Zhaojing Vendor, all sums payables under the Zhaojing Agreement and all fees incurred by the Purchasers in this regard
“Zhaojing Loan”	the loan in the amount of RMB277 million with principal amount of RMB225.7 million extended to Shanghai Zhaojing by the Bank and secured by the Zhaojing Pledge
“Zhaojing Phase I Property”	has the meaning ascribed to it under the section headed “(1) The Zhaojing Disposal — Information on Shanghai Zhaojing” in this circular
“Zhaojing Phase II Property”	has the meaning ascribed to it under the section headed “(1) The Zhaojing Disposal — Information on Shanghai Zhaojing” in this circular
“Zhaojing Phase I and Phase II Properties”	has the meaning ascribed to it under the section headed “(1) The Zhaojing Disposal — Information on Shanghai Zhaojing” in this circular

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## DEFINITIONS

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“Zhaojing Pledge”	the pledge of the Zhaojing Target Properties in favour of the Bank as security for the Zhaojing Loan
“Zhaojing Proposal”	has the meaning ascribed to it under the section headed “(1) The Zhaojing Disposal — Payment” in this circular
“Zhaojing Sale Equity”	Zhaojing Sale Equity 1 and Zhaojing Sale Equity 2, collectively
“Zhaojing Sale Equity 1”	the remaining equity interest in Shanghai Zhaojing after deducting Zhaojing Sale Equity 2 to be acquired by Purchaser 1 at Zhaojing Consideration 1 pursuant to the Zhaojing Agreement
“Zhaojing Sale Equity 2”	the equity interest in Shanghai Zhaojing corresponding to the fully paid up registered capital of Shanghai Zhaojing in the amount of RMB10,000 to be acquired by Purchaser 2 at Zhaojing Consideration 2 pursuant to the Zhaojing Agreement
“Zhaojing Second Instalment”	has the meaning ascribed to it under the section headed “(1) The Zhaojing Disposal — Zhaojing Proposal” in this circular
“Zhaojing Target Land Parcel”	has the meaning ascribed to it under the section headed “(1) The Zhaojing Disposal — Information on Shanghai Zhaojing” in this circular
“Zhaojing Target Properties”	has the meaning ascribed to it under the section headed “(1) The Zhaojing Disposal — Information on Shanghai Zhaojing” in this circular
“Zhaojing Transfer”	has the meaning ascribed to it under the section headed “(1) The Zhaojing Disposal — Zhaojing Transfer” in this circular
“Zhaojing Vendor”	Shanghai Hejing Real Estate Development Limited* (上海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

\* For identification purposes only



**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)**

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Mr. TAM Chun Fai  
Mr. LAW Yiu Wing, Patrick

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25 October 2023

*To the Shareholders:*

Dear Sir or Madam,

**MAJOR TRANSACTIONS —  
(1) DISPOSAL OF 100% EQUITY INTEREST  
IN SHANGHAI ZHAOJING;  
AND  
(2) DISPOSAL OF 100% EQUITY INTEREST  
IN SHANGHAI JINYI**

**INTRODUCTION**

References are made to the announcements of the Company dated 12 May 2023 and 5 June 2023 in relation to, among others, the Zhaojing Disposal and the Jinyi Disposal.

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## LETTER FROM THE BOARD

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On 12 May 2023, the Zhaojing Vendor, the Purchasers and Shanghai Zhaojing entered into the Zhaojing Agreement pursuant to which, the Zhaojing Vendor has conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire the Zhaojing Sale Equity at a total consideration of approximately RMB324 million.

On 12 May 2023, the Jinyi Vendors, the Purchasers and Shanghai Jinyi also entered into the Jinyi Agreement pursuant to which, the Jinyi Vendors have conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire the Jinyi Sale Equity at a total consideration of approximately RMB426 million.

The purpose of this circular is to provide you with, among other things, (i) details of the Zhaojing Agreement and the Zhaojing Disposal; (ii) details of the Jinyi Agreement and the Jinyi Disposal; (iii) financial information of the Group; and (iv) other information required under the Listing Rules.

### (1) THE ZHAOJING DISPOSAL

The salient terms of the Zhaojing Agreement are summarised below:

- Date:** 12 May 2023
- Parties:**
- (a) Zhaojing Vendor;
  - (b) Purchaser 1;
  - (c) Purchaser 2; and
  - (d) Shanghai Zhaojing

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 the Zhaojing Agreement.

#### **Subject matter**

Pursuant to the terms and conditions of the Zhaojing Agreement, the Zhaojing Vendor has conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire, the Zhaojing Sale Equity at a total consideration of RMB324,065,140.12. Among which, (i) Purchaser 2 has conditionally agreed to acquire the Zhaojing Sale Equity 2, representing the equity interest in Shanghai Zhaojing corresponding to the fully paid up registered capital of Shanghai Zhaojing in the amount of RMB10,000, at the Zhaojing Consideration 2 (being RMB10,000); and (ii) the Purchaser 1 has conditionally agreed to acquire the Zhaojing Sale Equity 1, representing the remaining equity interest in Shanghai Zhaojing after deducting the Zhaojing Sale Equity 2, at the Zhaojing Consideration 1 (being the balance of the Zhaojing Consideration after deducting the Zhaojing Consideration 2, i.e. RMB324,055,140.12).

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## LETTER FROM THE BOARD

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### Zhaojing Consideration

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

$$\text{Zhaojing Consideration} = A + B - C$$

where

- A = assets value of the Zhaojing Target Properties (as defined below), being RMB564.3 million, which shall comprise GFA of not less than 35,232.97 sq.m. in respect of hotel, rental housing and shops; and not less than 320 car parking spaces among the Zhaojing Target Properties, and subject to downward adjustment mechanisms in accordance with the terms of the Zhaojing Agreement in the case where the aforementioned GFA or number of car parking spaces are not met
- B = net amount of cash and agreed liabilities of Shanghai Zhaojing as at the date of the Zhaojing Transfer (as defined below) in accordance with the terms of the Zhaojing Agreement
- C = unpaid amounts in relation to the Zhaojing Target Properties such as property maintenance funds and registration fee for property titles determined with reference to the number of the Zhaojing Target Properties and the aggregated GFA, and disbursements

The Board has reviewed the accounting items affecting "B" as shown in the latest available management accounts of Shanghai Zhaojing and made the best estimation as to "C". As the Board does not expect to generate further cash for Shanghai Zhaojing nor to alleviate the agreed liabilities up to the date of the Zhaojing Transfer, the Board does not consider that the adjusted Zhaojing Consideration will be higher than RMB324,065,140.12 under any circumstance. Thus, the aforesaid adjustment mechanisms will only involve downward adjustments on the Zhaojing Consideration, which is fair and reasonable. Also, as the Zhaojing Target Properties have a GFA of approximately 49,032.41 sq.m. and are theoretically able to build not less than 324 car parking spaces, the Board believes that any downward adjustment to the value of "A" is extremely remote.

### Payment

It was agreed that within 10 working days after the signing of the Zhaojing Agreement, Purchaser 1 and the Zhaojing Vendor shall open a bank account under the name of the Purchaser 1 which will be jointly managed by the Purchaser 1 and the Zhaojing Vendor (the "Zhaojing Designated Bank Account").

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## LETTER FROM THE BOARD

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The Zhaojing Consideration shall be payable in the following manner:

- (i) within 13 working days upon the fulfilment (or waiver, if applicable) of all the Zhaojing Conditions, the Purchaser 1 shall pay to the Zhaojing Designated Bank Account the first instalment of the Zhaojing Consideration in the amount of RMB169.29 million (representing 30% of the assets value under “A” described above, the “**Zhaojing First Instalment**”);
- (ii) within 3 working days upon completion of the Zhaojing Transfer and other delivery procedures as stipulated in the Zhaojing Agreement, the Purchaser 1 shall cause the Zhaojing First Instalment to be released to the Zhaojing Vendor from the Zhaojing Designated Bank Account;
- (iii) within 13 working days upon the completion of the tax registration procedures in relation to the Zhaojing Transfer and other delivery procedures as stipulated in the Zhaojing Agreement, the Purchasers shall pay to the Zhaojing Vendor the second instalment of the Zhaojing Consideration (the “**Zhaojing Second Instalment**”) calculated based on the following formula:

Zhaojing Second Instalment = the final Zhaojing Consideration — the Zhaojing First Instalment — the Zhaojing Balance (as defined below)

Among which, RMB10,000 of the Zhaojing Second Instalment is the Zhaojing Consideration 2 and shall be paid by the Purchaser 2 with the remaining balance of the Zhaojing Second Instalment to be paid by the Purchaser 1; and

- (iv) 12 months after the date of the Zhaojing Transfer and within 13 working days upon completion of the release of the Zhaojing Pledge and other delivery procedures as stipulated in the Zhaojing Agreement, the Purchaser 1 shall pay to the Zhaojing Vendor the balance of the Zhaojing Consideration (representing 5% of the assets value under “A” described above, the “**Zhaojing Balance**”). As the release of the Zhaojing Pledge and fulfillment of other delivery procedures will involve a lot of documentation and registration procedures with the PRC government authorities and other existing suppliers and service providers, the Board estimated that it would take nearly 12 months to fulfill all the conditions to the payment of the Zhaojing Balance.

Further, in the event that upon the expiry of 12 months from the date of the Zhaojing Transfer, certain of the conditions to the payment of the Zhaojing Balance were not fulfilled in accordance with the Zhaojing Agreement, the parties shall agree in writing the sum of the amount deductible from the Zhaojing Balance (the “**Zhaojing Deductible Amount**”) in accordance with the Zhaojing Agreement and within 13 working days of which, the Purchasers shall pay to the Zhaojing Vendor the Zhaojing Balance after deduction of such Zhaojing Deductible Amount.

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## LETTER FROM THE BOARD

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### Zhaojing Conditions

Completion of the Zhaojing Disposal shall be conditional upon the fulfilment (or waiver, if applicable) of, among others, the following Zhaojing Conditions:

- (a) all necessary internal approvals having been obtained by the Zhaojing Vendor;
- (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 Zhaojing 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 Zhaojing Target Land Parcel (as defined below);
- (d) Shanghai Zhaojing having completed the completion and acceptance (竣工驗收) procedures in respect of the Zhaojing Target Properties in accordance with relevant laws and regulations in the PRC;
- (e) the Zhaojing Target Properties having achieved the status for delivery as stipulated in the Zhaojing Agreement;
- (f) the Zhaojing Vendor having completed the disposal of the Zhaojing Phase I and Phase II Properties (as defined below) in accordance with the terms of the Zhaojing Agreement;
- (g) Shanghai Zhaojing having repaid the Zhaojing Loan partially in excess of the principal amount of RMB225.7 million and obtained the consent from the Bank in accordance with terms of the Zhaojing Agreement;
- (h) the Guarantor having executed the Zhaojing Letter of Guarantee; and
- (i) the Purchasers having completed due diligence on the Zhaojing Vendor, Shanghai Zhaojing and the Zhaojing Target Properties and the parties having agreed in writing a remedial proposal (the “**Zhaojing Proposal**”) for any unresolved issues.

All the Zhaojing Conditions (save for condition (i) above) shall be fulfilled (or waived, if applicable) on or before 30 June 2023 (or such other extended date as agreed by the Purchasers), failure of which, the Purchasers are entitled to terminate the Zhaojing Agreement in accordance with the terms thereof. Further, if the parties could not arrive at the Zhaojing Proposal as set out in condition (i) on or before 31 October 2023, the Purchasers may be entitled to terminate the Zhaojing Agreement in accordance with the terms thereof.

As at the Latest Practicable Date, all the Zhaojing Conditions have been fulfilled and none of them have been waived.

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## LETTER FROM THE BOARD

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### Zhaojing Transfer

Subject to fulfillment and waiver (if any) of all the Zhaojing Conditions, Shanghai Zhaojing shall complete the registration procedures for the transfer of the Zhaojing Sale Equity and obtain a new business license issued by the relevant authority (the “**Zhaojing Transfer**”).

### Financial effect of the Zhaojing Disposal

It is estimated that the Company will record a loss of approximately RMB139 million from the Zhaojing Disposal. Such loss is calculated as the difference between the Zhaojing Consideration and the net asset value of Shanghai Zhaojing as at 31 December 2022. The actual loss 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 Zhaojing Consideration calculated as at the date of the Zhaojing Transfer.

### Information on Shanghai Zhaojing

Shanghai Zhaojing is a limited liability company established in the PRC engaging in property development. As at Latest Practicable Date, it is an indirectly wholly-owned subsidiary of the Company, 100% equity interest of which is directly held by the Zhaojing Vendor.

Set out below is a summary of the audited consolidated financial information of Shanghai Zhaojing for the two years ended 31 December 2021 and 2022:

	For the year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Profit/(loss) before tax	11,392	(5,017)
Profit/(loss) after tax	39,039	(5,041)

The audited net asset value of Shanghai Zhaojing as at 31 December 2022 was approximately RMB463.1 million.

Upon completion of the Zhaojing Disposal, the Group shall cease to have any interests in Shanghai Zhaojing and the financial results of Shanghai Zhaojing will no longer be consolidated into the Company's financial statements.

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## LETTER FROM THE BOARD

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As at the date of the Zhaojing Agreement, Shanghai Zhaojing has developed three projects on three land parcels, detailed as follows:

- (i) a completed project with GFA of approximately 46,157.98 sq.m. with underground car parking spaces and supporting facilities (the “**Zhaojing Phase I Property**”) on a land parcel located in Malu, Shanghai with a total land use area of 27,288 sq.m.;
- (ii) a completed project with GFA of approximately 65,666.44 sq.m. with underground car parking spaces and supporting facilities (the “**Zhaojing Phase II Property**”) and together with Zhaojing Phase I Property, the “**Zhaojing Phase I and Phase II Properties**”) on another land parcel located in Malu, Shanghai with a total land use area of 32,072.4 sq.m.; and
- (iii) an under-development project with GFA of approximately 49,032.41 sq.m. with underground car parking spaces and supporting facilities (the “**Zhaojing Target Properties**”) on a land parcel located in Jiading Industrial Zone, Shanghai with a total land use area of 29,054.1 sq.m. (the “**Zhaojing Target Land Parcel**”).

As at the Latest Practicable Date, Zhaojing Phase I and Phase II Properties have been disposed of.

### **Reasons for and benefits of the Zhaojing Disposal**

As disclosed in the annual report of the Company for the year ended 31 December 2022, the Group recorded a net loss of RMB9,842 million, and as at 31 December 2022, the Group’s current portion of interest-bearing bank and other borrowings amounted to RMB22,245 million, while its cash and cash equivalents amounted to RMB3,356 million. 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. During the course of sourcing potential purchasers, the Purchasers indicated to the Group that they were interested in acquiring the Zhaojing Target Properties and the Jinyi Target Properties. As the Zhaojing Target Properties and the Jinyi Target Properties could only be leased out but not for sale, the length of time required for recovery of costs invested through rental income will be long. Therefore, considering the length of time for construction completion, relevant registration completion and recovery of costs invested of the Zhaojing Target Properties and the Jinyi Target Properties and in order to secure the imminent business opportunity, the Board considers it would be more beneficial for the Group to lock up the Purchasers by disposing of the Zhaojing Target Properties and the Jinyi Target Properties prior to their construction completion to monetize the investments as soon as possible.

Zhaojing Phase I and Phase II Properties have already been sold to individual homebuyers as at the date of the Zhaojing Agreement, with certain units pending handover to respective buyers prior to the Zhaojing Transfer. Accordingly, the disposal of Zhaojing Phase I and Phase II Properties is one of the conditions precedent to the Zhaojing Agreement.

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## LETTER FROM THE BOARD

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After reviewing the business and operation status of Shanghai Zhaojing, in particular its declining performance where a loss before tax was recorded for the year ended 31 December 2022 as compared to a net profit for the year ended 31 December 2021, the Board considers that it is an appropriate choice for the Company to proceed with the Zhaojing Disposal to monetize the value in its investment in Shanghai Zhaojing. The Zhaojing Disposal, when materialised, will allow the Group to realise the value of Shanghai Zhaojing and improve the Group's liquidity.

Despite that it is estimated that the Company will record a loss of approximately RMB139 million from the Zhaojing Disposal, having considered the length of time required to recover the investment costs of the Zhaojing Target Properties through lease as mentioned above, and the fact that the Company will on the other hand record a gain of approximately RMB111.5 million from the Jinyi Disposal, which the Group considers could substantially offset the loss to be recorded from the Zhaojing Disposal, the Company considers that monetizing the investments as soon as possible through the Zhaojing Disposal is still in the interest of the Company and the Shareholders as a whole. Although the Zhaojing Disposal and the Jinyi Disposal are not inter-conditional and there is a possibility that only the Zhaojing Disposal will be completed, the Group considers that the chances of such event are remote. It is expected that the entire proceeds from the Zhaojing Disposal will be used by the Group for repayment of its debts.

In view of the above, the Board considers that the terms and conditions of the Zhaojing 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.

### (2) THE JINYI DISPOSAL

The salient terms of the Jinyi Agreement are summarised below:

- Date:** 12 May 2023
- Parties:**
- (a) Jinyi Vendor 1;
  - (b) Jinyi Vendor 2;
  - (c) Purchaser 1;
  - (d) Purchaser 2; and
  - (e) Shanghai Jinyi

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 the Jinyi Agreement.

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## LETTER FROM THE BOARD

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### Subject matter

Pursuant to the terms and conditions of the Jinyi Agreement, the Jinyi Vendors have conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire, the Jinyi Sale Equity at a total consideration of RMB426,074,460.22. Among which, (i) the Purchaser 2 has conditionally agreed to acquire the Jinyi Sale Equity 2 from the Jinyi Vendors, representing the equity interest in Shanghai Jinyi corresponding to the fully paid up registered capital of Shanghai Jinyi in the amount of RMB10,000, at the Jinyi Consideration 2 (being RMB10,000); and (ii) the Purchaser 1 has conditionally agreed to acquire the Jinyi Sale Equity 1 from the Jinyi Vendors, representing the remaining equity interest in Shanghai Jinyi after deducting the Jinyi Sale Equity 2, at the Jinyi Consideration 1 (being the balance of the Jinyi Consideration after deducting the Jinyi Consideration 2, i.e. RMB426,064,460.22). The Jinyi Consideration will be paid to the Jinyi Vendor 1 and the Jinyi Vendor 2 in proportion to their respective shareholdings in Shanghai Jinyi in the manner as more particularized below.

### Jinyi Consideration

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

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

where

- A = assets value of the Jinyi 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 Jinyi Target Properties, and subject to downward adjustment mechanisms in accordance with the terms of the Jinyi 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 Shanghai Jinyi as in accordance with the terms of the Jinyi Agreement, which will be determined based on the audit results by an auditor firm engaged by the Purchasers by taking the date of the Jinyi Transfer (as defined below) as the benchmark date

For the avoidance of doubt, the aforesaid adjustment mechanisms will only involve downward adjustments on the Jinyi Consideration. Also, as the Jinyi Target Properties have a GFA of approximately 65,032.8 sq.m. and are theoretically able to build not less than 379 car parking spaces, the Board believes that any downward adjustment to the value of "A" is extremely remote.

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## LETTER FROM THE BOARD

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### Payment

It was agreed that within 10 working days after the signing of the Jinyi Agreement, the Purchaser 1 and the Jinyi Vendor 2 shall open a bank account under the name of the Purchaser 1 which will be jointly managed by the Purchaser 1 and the Jinyi Vendor 2 (the “**Jinyi Designated Bank Account**”).

The Jinyi Consideration shall be payable in the following manner:

- (i) within 13 working days upon the fulfilment (or waiver, if applicable) of all the Jinyi Conditions, the Purchaser 1 shall pay to the Jinyi Designated Bank Account the first instalment of the Jinyi 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 Shanghai Jinyi under “A” described above, being RMB292.94 million, the “**Jinyi First Instalment**”);
- (ii) within 3 working days upon completion of the Jinyi Transfer and other delivery procedures as stipulated in the Jinyi Agreement, the Purchaser 1 shall cause the Jinyi First Instalment to be released to the Jinyi Vendors from the Jinyi Designated Bank Account to the respective designated bank accounts of the Jinyi Vendor 1 and the Jinyi Vendor 2. The Jinyi First Instalment will be paid to the Jinyi Vendor 1 and the Jinyi Vendor 2 in proportion to their respective shareholdings in Shanghai Jinyi;
- (iii) within 13 working days upon the completion of the tax registration procedures in relation to the Jinyi Transfer and other delivery procedures as stipulated in the Jinyi Agreement, the Purchasers shall pay to the Jinyi Vendors the second instalment of the Jinyi Consideration (the “**Jinyi Second Instalment**”) calculated based on the following formula:

The Jinyi Second Instalment = the final Jinyi Consideration — the Jinyi First Instalment — the Jinyi Balance (as defined below)

Among which, RMB10,000 of the Jinyi Second Instalment is the Jinyi Consideration 2 and shall be paid by the Purchaser 2 with the remaining balance of the Jinyi Second Instalment to be paid by the Purchaser 1 to the Jinyi Vendor 1 and the Jinyi Vendor 2 in proportion to their respective shareholdings in Shanghai Jinyi; and

- (iv) 12 months after the date of the Jinyi Transfer and within 13 working days upon completion of the release of the Jinyi Pledge and other delivery procedures as stipulated in the Jinyi Agreement, the Purchaser 1 shall pay to the Jinyi Vendors the balance of the Jinyi Consideration (representing 5% of the assets value under “A” described above, the “**Jinyi Balance**”). As the release of the Jinyi Pledge and fulfillment of other delivery procedures will involve a lot of documentation and

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## LETTER FROM THE BOARD

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registration procedures with the PRC government authorities and other existing suppliers and service providers, the Board estimated that it would take nearly 12 months to fulfill all the conditions to the payment of the Jinyi Balance.

Further, in the event that upon the expiry of 12 months from the date of the Jinyi Transfer, certain of the conditions to the payment of the Jinyi Balance were not fulfilled in accordance with the Jinyi Agreement, the parties shall agree in writing the sum of the amount deductible from the Jinyi Balance (the “**Jinyi Deductible Amount**”) in accordance with the Jinyi Agreement and within 13 working days of which, the Purchasers shall pay to the Jinyi Vendors the Jinyi Balance after deduction of such Jinyi Deductible Amount.

### **Jinyi Conditions**

Completion of the Jinyi Disposal shall be conditional upon the fulfilment (or waiver, if applicable) of, among others, the following Jinyi Conditions:

- (a) all necessary internal approvals having been obtained by the Jinyi 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 Jinyi 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 Jinyi Target Land Parcel (as defined below);
- (d) Shanghai Jinyi having completed the completion and acceptance (竣工驗收) procedures in respect of the Jinyi Target Properties in accordance with relevant laws and regulations in the PRC;
- (e) the Jinyi Target Properties having achieved the status for delivery as stipulated in the Jinyi Agreement;
- (f) the Jinyi Vendors having completed all the necessary procedures in respect of disposal of the Jinyi Phase I Properties, Jinyi Phase II Properties and Jinyi Sold Phase III Properties (as defined below) in accordance with the terms of the Jinyi Agreement;
- (g) Shanghai Jinyi having repaid the Jinyi 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 Jinyi Agreement;
- (h) the Guarantor having executed the Jinyi Letter of Guarantee; and

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## LETTER FROM THE BOARD

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- (i) the Purchasers having completed due diligence on the Jinyi Vendors, Shanghai Jinyi and the Jinyi Target Properties and the parties having agreed in writing a remedial proposal (the “**Jinyi Proposal**”) for any unresolved issues.

All the Jinyi 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 Jinyi Agreement in accordance with the terms thereof. Further, if the parties could not arrive at the Jinyi Proposal as set out in condition (i) on or before 31 March 2024, the Purchasers may be entitled to terminate the Jinyi Agreement in accordance with the terms thereof.

As at the Latest Practicable Date, the conditions (a), (b), (c), (f) and (h) have been fulfilled and none of them have been waived.

### **Jinyi Transfer**

Subject to fulfillment and waiver (if any) of all the Jinyi Conditions, Shanghai Jinyi shall complete the registration procedures for the transfer of the Jinyi Sale Equity and obtain a new business license issued by the relevant authority (the “**Jinyi Transfer**”).

### **Financial effect of the Jinyi Disposal**

It is estimated that the Company will record a gain of approximately RMB111.5 million from the Jinyi Disposal. Such gain is calculated as the difference between the Jinyi Consideration and the net asset value of Shanghai Jinyi 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 Jinyi Consideration calculated as at the date of the Jinyi Transfer.

### **Information on Shanghai Jinyi**

Shanghai Jinyi is a limited liability company established in the PRC principally engaging in property development. As at the Latest Practicable Date, it is an indirectly wholly-owned subsidiary of the Company and is owned as to 70% and 30% by the Jinyi Vendor 1 and the Jinyi Vendor 2, respectively.

Set out below is a summary of the audited consolidated financial information of Shanghai Jinyi for the two years ended 31 December 2021 and 2022:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before tax	10,231	7,718
Loss after tax	7,220	5,926

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## LETTER FROM THE BOARD

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The audited net asset value of Shanghai Jinyi as at 31 December 2022 was RMB314.6 million.

Upon completion of the Jinyi Disposal, the Group shall cease to have any interests in Shanghai Jinyi and the financial results of Shanghai Jinyi will no longer be consolidated into the Company's financial statements.

As at the date of the Jinyi Agreement, Shanghai Jinyi 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 "**Jinyi Target Land Parcel**"), detailed as follows:

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

As at the Latest Practicable Date, Jinyi Phase I and Phase II Properties have been disposed of.

### **Reasons for and benefits of the Jinyi 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. During the course of sourcing potential purchasers, the Purchasers indicated to the Group that they were interested in acquiring the Zhaojing Target Properties and the Jinyi Target Properties. As the Zhaojing Target Properties and the Jinyi Target Properties could only be leased out but not for sale, the length of time required for recovery of costs invested through rental income will be long. Therefore, considering the length of time for construction completion, relevant registration completion and recovery of costs invested of the Zhaojing Target Properties and the Jinyi Target Properties and in order to secure the imminent business opportunity, the Board considers it would be more beneficial for the Group to lock up the Purchasers by disposing of the Zhaojing Target Properties and the Jinyi Target Properties prior to their construction completion to monetize the investments as soon as possible. After reviewing the business and operation status of Shanghai Jinyi and taking into account the estimated gain to be recorded on the Jinyi Disposal as disclosed above, the Board considers that it is an appropriate choice for the Company to proceed with the Jinyi Disposal to monetize the value in its investment in Shanghai Jinyi. The Jinyi Disposal, when materialised, will allow the Group to realise the value of Shanghai Jinyi and improve the Group's liquidity.

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## LETTER FROM THE BOARD

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It is expected that the entire proceeds from the Jinyi Disposal will be used by the Group for repayment of its debts.

In view of the above, the Board considers that the terms and conditions of the Jinyi Agreement are 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 Zhaojing Vendor and the Jinyi Vendors**

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 Zhaojing Vendor is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development.

The Jinyi Vendor 1 is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Jinyi Vendor 2 is a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company. As at the Latest Practicable Date, 51% equity interest of Jinyi Vendor 2 is held by the Company and the remaining 49% equity interest is held by Guangzhou Xinde Investment Development Co., Ltd\* (廣州市欣德投資發展有限公司), whose ultimate beneficial owner is Ms. LI Guijie. The Jinyi 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.

### LISTING RULES IMPLICATIONS

The Jinyi 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 Jinyi Disposal, when aggregated with the Zhaojing Disposal, is more than 25% but less than 75%, each of the Disposals 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.

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## LETTER FROM THE BOARD

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### WRITTEN SHAREHOLDERS APPROVAL

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 Disposals. As such, no Shareholders would be required to abstain from voting at a general meeting of the Company approving the Disposals if the Company were to convene such a general meeting.

As at the Latest Practicable Date, 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). Among which, (i) 1,299,046,500 Shares are held by Plus Earn Consultants Limited (“**Plus Earn**”) and 295,703,152 Shares are held by Hero Fine Group Limited (“**Hero Fine**”), both being wholly-owned companies of Mr. KONG Jianmin; (ii) 144,338,500 Shares are held by Peace Kind Investments Limited (“**Peace Kind**”), a wholly-owned company of Mr. KONG Jiannan; and (iii) 254,715,000 Shares are held by Right Rich Consultants Limited (“**Right Rich**”), 1,109,587 Shares are held by Excel Wave Investments Limited (“**Excel Wave**”) and 980,100 Shares are held by Wealth Express Investments Limited (“**Wealth Express**”), all being wholly-owned companies of Mr. KONG Jiantao. Plus Earn, Peace Kind and Right Rich entered into a shareholders’ agreement on 30 December 2018 (the “**Shareholders’ Agreement**”) to regulate their dealings in the Shares and each of Plus Earn, Peace Kind and Right Rich is deemed to be interested in the Shares held by the other parties; and Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are all brothers of each other and executive Directors. Accordingly, the Company has obtained 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 Disposals 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 Disposals.

### RECOMMENDATION

The Board considers that the terms of each of the Agreements and the Disposals are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. If a general meeting were to be convened by the Company to consider and approve the Agreements and the Disposals, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Agreements and the Disposals.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully  
By order of the Board  
**KWG Group Holdings Limited**  
**KONG Jianmin**  
*Chairman*

\* For identification purposes only

## 1. FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

Details of the financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kwgggroup Holdings.com](http://www.kwgggroup Holdings.com)) and can be accessed at the website addresses below:

For the annual report of the Company for the year ended 31 December 2020, please see:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0415/2021041500706.pdf>  
(pages 124 to 248)

For the annual report of the Company for the year ended 31 December 2021, please see:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042900626.pdf>  
(pages 85 to 204)

For the annual report of the Company for the year ended 31 December 2022, please see:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042804363.pdf>  
(pages 82 to 196)

For the interim report of the Company for the six months ended 30 June 2023, please see:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0830/2023083002281.pdf>  
(pages 25 to 58)

## 2. INDEBTEDNESS STATEMENT

### Borrowings

As at 31 August 2023, being the latest practicable date for the purpose of determining this indebtedness statement, the Group's borrowings are as follows:

	<b>RMB'000</b>
Bank and other borrowings — secured with guarantee	38,727,622
Bank and other borrowings — secured without guarantee	1,295,372
Bank and other borrowings — unsecured with guarantee	1,886,701
Bank and other borrowings — unsecured without guarantee	1,217,501
Senior notes — secured with guarantee	28,373,789
Domestic corporate bonds — unsecured with guarantee	1,351,820
Domestic corporate bonds — secured with guarantee	700,000
Domestic corporate bonds — unsecured without guarantee	<u>1,061,150</u>
<b>Total</b>	<b><u>74,613,955</u></b>

*Note:* As at 31 August 2023, the Group's bank and other borrowings of approximately RMB40,023 million were secured by certain buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group and equity interests of certain subsidiaries of the Group and certain bank and other loans were guaranteed by the Company and certain subsidiaries of the Group. The senior notes of the Group were jointly and severally guaranteed by certain subsidiaries of the Group and secured by the pledges of their shares. Part of the Group's domestic corporate bonds were guaranteed by the Company.

### Contingent liabilities

As at 31 August 2023, the contingent liabilities of the Group were as follows:

	<b>RMB'000</b>
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties <sup>(Note)</sup>	14,922,884
Guarantees given to banks in connection with bank loans granted to joint ventures	<u>14,313,760</u>
<b>Total</b>	<u><u>29,236,644</u></u>

*Note:* the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

Save as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any material:

- (i) debt securities issued and outstanding, authorised or otherwise created but unissued;
- (ii) term loans;
- (iii) borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments; or
- (iv) mortgages or charges or material contingent liabilities.

### 3. WORKING CAPITAL

As at 31 December 2022, the Company's current portion of interest-bearing bank and other borrowings amounted to RMB22,245 million, while its cash and cash equivalents amounted to RMB3,356 million. Subsequently, in April 2023, an aggregate amount of principal of RMB212 million of interest-bearing bank and other borrowings had not been repaid according to their scheduled repayment date ("**Defaulted Borrowings**"), as a result, certain long term interest-bearing bank and other borrowings amounted to RMB31,163 million ("**Cross Defaulted Borrowings**") has become repayable on demand. Furthermore, in May 2023 and September 2023, the Company has not made the redemption payment of a principal amount of approximately US\$119.2 million of its 6.0% senior notes due 2024 (the "**January 2024 Notes**") and the principal repayment in the amount of approximately US\$63.531 million of its 7.875% senior notes due 2023 (the "**September 2023 Notes**").

The Directors prepared a working capital forecast for the 12 months from the date of this circular (the "**Forecast Period**") based on certain assumptions and events which are expected to take place. The Directors are of the opinion that, after due and careful enquiry, taking into account the Company's present available resources and the repayment on demand, the Group would not have sufficient working capital for at least the Forecast Period, in the absence of extension of borrowings, obtaining re-financing or conducting equity fund-raising.

Major assumptions and events taken into account by the Directors in preparing the working capital forecast include:

- (i) The Disposals will be completed in October 2024 and the payment of the Consideration will be settled in accordance with the respective Agreements;
- (ii) Written agreements will be obtained from existing lenders of the Defaulted Borrowings, Cross Defaulted Borrowings as well as holders of the January 2024 Notes and September 2023 Notes, that they will not exercise their rights to demand immediate repayment of the relevant loans and corporate bonds prior to their scheduled contractual repayment dates;
- (iii) Lenders of other loans with maturity dates due during the Forecast Period will extend their maturity dates and will not demand partial or full repayment of the loans; and
- (iv) Core business operation and asset base of the Group and the market conditions in which the Group operates and/or invests in will not differ materially from those of present.

The major factor leading to the insufficiency of working capital is that certain major borrowings of the Group, in particular Defaulted Borrowings, Cross Defaulted Borrowings and January 2024 Notes and September 2023 Notes, has or will fall due during the Forecast Period while the future operating cash inflow of the Group may be insufficient to match the repayment schedule of borrowings and relevant interest payment.

The Board has continuously devoted effort to resolve the liquidity issue mentioned above, including but not limited to realizing part of its property assets. The Disposals and the disposal of the Group's equity interests in Hangzhou Zhiyan Investment Co., Ltd.\* (杭州致延投資有限公司), Suzhou Jingyu Real Estate Development Co., Ltd.\* (蘇州市景譽房地產開發有限公司) and Suzhou Zhuoyu Real Estate Development Co., Ltd.\* (蘇州市卓譽房地產開發有限公司) as set out in the announcements of the Company dated 15 August 2023, are part of this realization plan.

In view of these circumstances and to address the issue on working capital sufficiency, the Company has taken and propose to take the following measures:

- The Company is exploring a holistic solution to its current offshore debt situation to secure the sustainable operations of the Group for the benefit of all of its stakeholders. Legal adviser and financial advisor has been appointed respectively pursuant to the Company's announcement dated 14 May 2023 and 6 July 2023;
- The Company intends to continue to seek financing from Independent Third Parties and other new loans to be obtained from banks and financial institutions during the Forecast Period to refinance, in particular, the Defaulted Borrowings, Cross Defaulted Borrowings, the January 2024 Notes and the September 2023 Notes;
- The Company will continue to actively negotiate and discuss with major creditors and holders of the January 2024 Notes and the September 2023 Notes to consider future settlement/schedule plan and actively identify other possible financing options and debt restructuring exercises as and when appropriate;
- The Company will devote its best effort to negotiate for extension and/or revision of repayment terms around 3 months prior to the respective maturity date of each other loan due during the Forecast Period;
- The Company will contemplate the possibility in other fund-raising activities, including both equity and debt financing, and applying net proceeds from such fund-raising exercise for general working capital of the Group; and
- The Company will continue to seek suitable opportunities to dispose of its equity interests in certain project development companies, as well as en-bloc sales of commercial properties, in order to generate additional cash inflows.

Taking into account the assumption stated above, with the successful implementation of the measures mentioned above and in the absence of unforeseeable circumstances, the Directors are of the view that the Group would have had sufficient working capital for at least the Forecast Period.

\* For identification purposes only

Shareholders should note that the validity of the statement of the working capital sufficiency of the Group as mentioned above depends on the outcome of the above-mentioned plans and measures undertaken/being undertaken by the Group, which are subject to uncertainties. Should the Group fail to achieve the above-mentioned plans and measures, the Group may not have sufficient working capital for its requirements within the Forecast Period.

#### 4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Under the general tone of the central government's policy that "housing properties are for living in, and not for speculation", the real estate industry is expected to show gradual recovery with real estate enterprises being able to realize sound and steady operation gradually in 2023. In the coming year, the Group will actively take up opportunities and challenges, and continue its adherence to the core philosophy of "building home with heart, creating future with aspiration" to gather synergy and maintain steady operation. The Group will continue to develop products with craftsmanship, repay customers with services, enhance its governance standard, and move towards sustainable development.

The high-quality assets developed and operated by the Group over the years have strong capability to generate fundamental resources in the downward stage of the industry — cashability and additional room for financing, which provide the Group with a solid asset protection cushion to effectively fight against industry risks. On the premise of risk prevention and control, the Group will continue to make efforts in its development in the two major economic regions, namely the Greater Bay Area and Yangtze River Delta, with the focus on core first- and second-tier cities, and continue to promote its urban renewal projects. Currently, the proportions of land bank in the two regions to the total land bank and the saleable resources to the total saleable resources are 65% and 82%, respectively. In 2023, the Group will be committed to the implementation of the marketing system of precise marketing, cost reduction and efficiency enhancement, continue its efforts in the in-depth development in first- and second-tier cities with the focus on large-scale projects, devote itself to creating products, and achieve cost reduction and efficiency enhancement by strengthening digital marketing and precise marketing to customers. The Group will continue to promote our key projects, such as the high-end projects under the "ZHEN" series: Landmark Arte Masterpiece in Guangzhou, Richmond Greenville in Guangzhou, ONE68 in Guangzhou, Grand Oasis in Shenzhen, The Corniche in Hong Kong, as well as the projects acquired through industry injection in Jiaxing and Yancheng. The Group's confidence comes from its product competitiveness after the real estate industry returns to refined management. The Group will "create products with more vitality" by developing residential properties that emphasize on the uniqueness of location, artistic design and advanced innovation. As the saleable resources this year are mainly attributable from the products in the first-tier and strong second-tier cities in the Greater Bay Area and Yangtze River Delta Region, the first and second-tier cities will show relatively large market demand together with a faster rebound and stronger sell-through capability when the real estate market recovers and the buyers' confidence is rebuilt. This year, the Group will actively improve its debt structure, continuously reduce its total debt, actively promote sales and en-bloc office sales, and enhance its cash liquidity in all aspects through "strengthening sales and reducing liabilities".

Looking forward, the real estate industry will gradually achieve steady and healthy development, and we shall continue to “improve our internal capabilities” to comprehensively enhance our competitiveness and gather synergies, so as to realize synergic development among diversified businesses such as the businesses of real estate development, shopping malls, office buildings and hotels. The Group will constantly strengthen its corporate governance capability, adhere to prudent and sound financial management, strengthen the protection of high-quality assets, continue the adherence to the philosophy of “building home with heart, creating future with aspiration”, create value for customers on an ongoing basis, promote sustainable operation and adhere to long-termism.

## **5. EFFECTS OF THE DISPOSALS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP**

As at 31 December 2022, the audited consolidated total assets of the Group amounted to approximately RMB199,884 million and the audited consolidated total liabilities of the Group amounted to approximately RMB159,685 million.

As at 31 December 2022, the audited total assets and total liabilities of Shanghai Zhaojing, as extracted from its audited financial statements as at 31 December 2022, amounted to approximately RMB1,562.0 million and approximately RMB1,098.9 million, respectively; whereas the audited total assets and total liabilities of Shanghai Jinyi, as extracted from its audited financial statements as at 31 December 2022, amounted to approximately RMB829.5 million and approximately RMB514.9 million, respectively.

Upon completion of the Disposals, each of Shanghai Zhaojing and Shanghai Jinyi will cease to be a subsidiary of the Company and their financial information will no longer be consolidated into the Group’s consolidated financial statements.

Based on the preliminary assessment, it is expected that the Group will record (i) a loss of approximately RMB139.0 million from the Zhaojing Disposal calculated as the difference between the Zhaojing Consideration and the net asset value of Shanghai Zhaojing as at 31 December 2022; and (ii) a gain of approximately RMB111.5 million as a result of the Jinyi Disposal, being the difference between the Jinyi Consideration and the net asset value of Shanghai Jinyi as at 31 December 2022. The actual loss or 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 Zhaojing Transfer or Jinyi Transfer (as the case may be).

## **6. NO MATERIAL ADVERSE CHANGES**

Save for the current offshore debts situation as detailed in the announcements of the Company dated 28 April 2023, 14 May 2023 and 31 August 2023 and save as disclosed in this circular and the interim report of the Company for the six months ended 30 June 2023, the Directors confirm that there are no material adverse changes in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive are taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

#### *Long positions in the Shares and the underlying Shares*

Name of Director	Number of Shares held				Other Interests	Total	Approximate % of the issued share capital <sup>(1)</sup>
	Personal Interests (held as beneficial owner)	Family Interests (interests of spouse or child under 18)	Corporate Interests (interests of controlled corporation)				
KONG Jianmin	—	—	1,594,749,652 <sup>(3)</sup>	399,053,500 <sup>(2)(3)</sup>	1,993,803,152	58.32%	
KONG Jiantao	—	—	256,804,687 <sup>(4)</sup>	1,443,385,000 <sup>(2)(4)</sup>	1,700,189,687	49.73%	
KONG Jiannan	—	—	144,338,500 <sup>(5)</sup>	1,553,761,500 <sup>(2)(5)</sup>	1,698,100,000	49.67%	
CAI Fengjia	347,222 <sup>(6)</sup>	112,000 <sup>(7)</sup>	—	—	459,222	0.01%	
LEE Ka Sze, Carmelo	30,000	—	—	—	30,000	0.00%	
TAM Chun Fai	30,000	—	—	—	30,000	0.00%	

Notes:

- (1) The approximate percentages were calculated based on 3,418,883,945 Shares in issue as at the Latest Practicable Date.
- (2) On 30 December 2018, Plus Earn, a company wholly-owned by Mr. KONG Jianmin and directly holds 1,299,046,500 Shares; Right Rich, a company wholly-owned by Mr. KONG Jiantao and directly holds 254,715,000 Shares; and Peace Kind, a company wholly-owned by Mr. KONG Jiannan and directly holds 144,338,500 Shares, entered into the Shareholders'

Agreement to regulate their dealings in the Shares. As such, each party to the Shareholders' Agreement was deemed to have interest in the Shares and/or underlying Shares held by the other parties pursuant to the Shareholders' Agreement under Section 317(1)(a) of the SFO.

- (3) Mr. KONG Jianmin is deemed to be interested in a total of 1,993,803,152 Shares including (i) 1,299,046,500 Shares held by Plus Earn which is wholly-owned by Mr. KONG Jianmin; (ii) 295,703,152 Shares held by Hero Fine which is wholly-owned by Mr. KONG Jianmin; and (iii) 254,715,000 Shares held by Right Rich and 144,338,500 Shares held by Peace Kind pursuant to the Shareholders' Agreement.
- (4) Mr. KONG Jiantao is deemed to be interested in a total of 1,700,189,687 Shares including (i) 254,715,000 Shares held by Right Rich which is wholly-owned by Mr. KONG Jiantao; (ii) 1,109,587 Shares held by Excel Wave, which is wholly-owned by Mr. KONG Jiantao; (iii) 980,100 Shares held by Wealth Express, which is wholly-owned by Mr. KONG Jiantao; and (iv) 1,299,046,500 Shares held by Plus Earn and 144,338,500 Shares held by Peace Kind pursuant to the Shareholders' Agreement.
- (5) Mr. KONG Jiannan is deemed to be interested in a total of 1,698,100,000 Shares including (i) 144,338,500 Shares held by Peace Kind which is wholly-owned by Mr. KONG Jiannan; and (ii) 1,299,046,500 Shares held by Plus Earn and 254,715,000 Shares held by Right Rich pursuant to the Shareholders' Agreement.
- (6) A total of 32,000 awarded Shares were granted to Mr. CAI Fengjia by the Company which have been vested, of which 1,406 awarded Shares were sold by the trustee for the purpose of covering the PRC withholding tax, pursuant to the share award scheme adopted by the Company on 19 January 2018.
- (7) These Shares were held by Mr. CAI Fengjia's spouse.

***Interests in debentures of the Company***

Name of Director	Capacity/Nature of Interests	Amount of Debentures Interested
KONG Jiantao	Interest of a controlled corporation <sup>(1)</sup>	US\$2,000,000
	Interest of spouse <sup>(2)</sup>	US\$9,650,000
KONG Jianmin	Interest of a controlled corporation <sup>(3)</sup>	US\$6,650,000

*Notes:*

- (1) Excel Wave, a company wholly-owned by Mr. KONG Jiantao, held US\$2,000,000 of US\$300,000,000 7.40% senior notes of the Company due 2024. Accordingly, Mr. KONG Jiantao is deemed to be interested in the aforesaid amount of the senior notes held by Excel Wave under the SFO.
- (2) The spouse of Mr. KONG Jiantao held totally US\$9,650,000 senior notes including (i) US\$3,000,000 of US\$300,000,000 7.40% senior notes of the Company due 2024 and (ii) US\$6,650,000 of US\$794,925,800 6.0% senior notes of the Company due 2024. Accordingly, Mr. KONG Jiantao is deemed to be interested in the aforesaid amount of the senior notes held by his spouse under the SFO.

- (3) Hero Fine, a company wholly-owned by Mr. KONG Jianmin, held US\$6,650,000 of US\$794,925,800 6.0% senior notes of the Company due 2024. Accordingly, Mr. KONG Jianmin is deemed to be interested in the said amount of senior note held by Hero Fine under the SFO.

*Long positions in the shares of associated corporation*

Name of Director	Name of Associated Corporation	Capacity	Number of shares held	% of the issued voting shares
KONG Jianmin	Plus Earn	Beneficial owner	1,000	100

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Interests of substantial Shareholders**

As at the Latest Practicable Date, so far as the Directors or chief executive of the Company were aware of, persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

*Long positions in the Shares and underlying Shares:*

Name of Substantial Shareholder	Number of Shares held			Approximate % of the issued share capital <sup>(1)</sup>
	Beneficial Owner	Other Interests	Total	
Plus Earn <sup>(2)</sup>	1,299,046,500	399,053,500 <sup>(6)</sup>	1,698,100,000	49.67%
Hero Fine <sup>(3)</sup>	295,703,152	—	295,703,152	8.65%
Right Rich <sup>(4)</sup>	254,715,000	1,443,385,000 <sup>(6)</sup>	1,698,100,000	49.67%
Peace Kind <sup>(5)</sup>	144,338,500	1,553,761,500 <sup>(6)</sup>	1,698,100,000	49.67%

Notes:

- (1) The approximate percentage was calculated based on 3,418,883,945 Shares in issue as at the Latest Practicable Date.

- (2) Plus Earn is legally and beneficially owned as to 100% by Mr. KONG Jianmin. Pursuant to the SFO, Plus Earn is interested and deemed to be interested in a total of 1,698,100,000 Shares including (i) 1,299,046,500 Shares directly held by it; and (ii) 254,715,000 Shares held by Right Rich and 144,338,500 Shares held by Peace Kind, pursuant to the Shareholders' Agreement.
- (3) Hero Fine is legally and beneficially owned as to 100% by Mr. KONG Jianmin.
- (4) Right Rich is legally and beneficially owned as to 100% by Mr. KONG Jiantao. Pursuant to the SFO, Right Rich is interested and deemed to be interested in a total of 1,698,100,000 Shares including (i) 254,715,000 Shares directly held by it; and (ii) 1,299,046,500 Shares held by Plus Earn and 144,338,500 Shares held by Peace Kind, pursuant to the Shareholders' Agreement.
- (5) Peace Kind is legally and beneficially owned as to 100% by Mr. KONG Jiannan. Pursuant to the SFO, Peace Kind is interested and deemed to be interested in a total of 1,698,100,000 Shares including (i) 144,338,500 Shares directly held by it; and (ii) 1,299,046,500 Shares held by Plus Earn and 254,715,000 Shares held by Right Rich, pursuant to the Shareholders' Agreement.
- (6) On 30 December 2018, Plus Earn, Right Rich and Peace Kind entered into the Shareholders' Agreement to regulate their dealings in the Shares. As such, each party to the Shareholders' Agreement was deemed to have interest in the shares and/or underlying shares held by the other parties pursuant to the Shareholders' Agreement under Section 317(1)(a) of the SFO.
- (7) Mr. KONG Jianmin is the sole director of Plus Earn and Hero Fine, Mr. KONG Jiantao is the sole director of Right Rich and Mr. KONG Jiannan is the sole director of Peace Kind.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### 3. DIRECTOR'S INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective associates have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

### 4. DIRECTORS' INTERESTS IN ASSETS

Save for the (i) Property Lease and Management Agreements IV and V, 2020 Property Lease Agreements I and II, 2021 Property Lease Agreement II; 2022 Property Lease Agreement I; 2022 Property Lease Agreement II (all as defined in page 70 of the 2022 annual report of the Company); 2023 Property Lease Agreements I (as defined in the announcement of the Company dated 4 April 2023); and 2023 Property Lease Agreement II (as defined in the announcement of the Company dated 31 August 2023) entered into by the Group as lessor where Mr. KONG Jiantao, an executive Director, is the ultimate beneficial owner of the lessees (collectively, the "**Lease Agreements**") and the aggregate annual caps for the three years ending 31 December 2025 being RMB24,400,842, RMB6,162,244 and

RMB2,407,563, respectively); and (ii) the property lease framework agreement dated 21 November 2022 (the annual caps for the three years ending 31 December 2025 being RMB30 million, RMB34.2 million and RMB38.6 million, respectively) entered into between the Company and KWG Living Group Holdings Limited (“**KWG Living**” and together with its subsidiaries, “**KWG Living Group**”), under which the Group will lease certain properties and car parking lots to KWG Living Group and in which each of Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan, all being executive Directors, is considered as having a material interest, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## 5. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

## 6. DIRECTOR’S INTERESTS IN CONTRACTS OR ARRANGEMENTS

Save for (i) the residential property management services framework agreement entered into by the Company and KWG Living on 21 November 2022 in which each of Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan, all being executive Directors, is considered as having a material interest; and (ii) the Lease Agreements in which Mr. KONG Jiantao, an executive Director, is considered as having a material interest, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and which are, or may be, material to the Group:

- (a) the placing and subscription agreement dated 17 December 2022 entered into between the Company, Hero Fine (as the vendor) and J.P. Morgan Securities plc (as the placing agent) in relation to the placing of the Shares at the placing price of HK\$2.01 per Share by the placing agent to not less than six independent places and the subscription of 235,000,000 Shares by Hero Fine, the net proceeds from which, after deducting relating fees and expenses, was approximately HK\$466,975,000;
- (b) the Zhaojing Agreement;
- (c) the Jinyi Agreement;

- (d) the equity transfer agreement dated 15 August 2023 entered into among Hangzhou Gaoxin Business Service Co., Ltd.\* (杭州高信商務服務有限公司) (an indirect wholly-owned subsidiary of the Company) as vendor, Hangzhou Zheqing Investment Co., Ltd.\* (杭州浙慶投資有限公司) as purchaser, and Hangzhou Zhiyan Investment Co., Ltd.\* (杭州致延投資有限公司) (“**Hangzhou Zhiyan**”) as the target company, in respect of the disposal of 50% equity interest in Hangzhou Zhiyan at a consideration of RMB1,176,610,580; and
- (e) the equity transfer agreement dated 15 August 2023 entered into among Suzhou Jinhe Real Estate Development Co., Ltd.\* (蘇州市金和房地產開發有限公司) and Suzhou Shangyu Real Estate Development Co., Ltd.\* (蘇州市上譽房地產開發有限公司) (both being indirect wholly-owned subsidiaries of the Company) as vendors, Greentown Real Estate Group Co., Ltd.\* (綠城房地產集團有限公司) as purchaser, and Suzhou Jingyu Real Estate Development Co., Ltd.\* (蘇州市景譽房地產開發有限公司) (“**Suzhou Jingyu**”) and Suzhou Zhuoyu Real Estate Development Co., Ltd.\* (蘇州市卓譽房地產開發有限公司) (“**Suzhou Zhuoyu**”) as the target companies in respect of the disposal of 50% equity interest in Suzhou Jingyu at a consideration of RMB517,351,696.11 and 51% equity interest in Suzhou Zhuoyu at a consideration of RMB378,000,000.38.

## 8. MATERIAL LITIGATION

As at the Latest Practicable Date, there were no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

## 9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. CHAN Kin Wai. Mr. CHAN is a professional member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The principal place of business of the Company in Hong Kong is situated at Room 1301, 13th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.
- (d) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, whose address is situated at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong

\* For identification purposes only

## 10. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
CHFT Advisory and Appraisal Ltd.	Independent professional valuer

As at the Latest Practicable Date, the above expert:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2022 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

## 11. DOCUMENTS ON DISPLAY

A copy of the following documents will be published on the websites of the Company ([www.kwggroupholdings.com](http://www.kwggroupholdings.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) for a period of 14 days from the date of this circular:

- (a) the Zhaojing Agreement;
- (b) the Jinyi Agreement;
- (c) the valuation report in relation to the valuation of the Zhaojing Target Properties and the Jinyi Target Properties as at 31 July 2023 prepared by an independent valuer; and
- (d) the written consent of CHFT Advisory and Appraisal Ltd. as referred to in the section headed “Expert and Consent” in this appendix.

## 12. LANGUAGE

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from CHFT Advisory and Appraisal Ltd., an independent professional surveyor and valuer, in connection with its valuation as at 31 July 2023 of the Zhaojing Target Properties and the Jinyi Target Properties to be disposed of by the Group.*



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Date of Report: 25 October 2023

### The Board of Directors

#### KWG Group Holdings Limited

Room 1301, 13th Floor,  
Harcourt House,  
39 Gloucester Road,  
Wanchai, Hong Kong



Dear Sirs/Madams,

**Re: Valuation of Phase III of Shanghai Apex (領峰) and Unsold Portion of Phase III of Shanghai Sapphire (峰匯), Jiading District, Shanghai City, the People's Republic of China**

In accordance with an instruction for us to value various property interests held by subsidiaries of **KWG Group Holdings Limited** (the “**Company**”, together with the subsidiary as the “**Group**”) in the People's Republic of China (the “**PRC**”) as detailed in the attached valuation report, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinions of the capital values of such property interests as at **31 July 2023** (the “**Date of Valuation**”) for the purpose of **Public Circular** in relation to transaction(s) by the Group only.

We are acting as external valuer and in the position to provide objective and unbiased valuations to the Group. We confirm that we have no material connection or involvement with the subject asset or the other parties to the valuation assignment. Unless otherwise stated, we have sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

**Valuation Basis**

The valuations comply with “The HKIS Valuation Standards 2020” published by The Hong Kong Institute of Surveyors (“HKIS”), “RICS Valuation — Global Standards” published by the Royal Institution of Chartered Surveyors (“RICS”), and the “International Valuation Standards” (“IVS”) published on 31 July 2021 by the International Valuation Standards Council as well as the requirements set out in Chapter 5 and Practice Note 12 of Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

Owing to the nature of the proposed transactions, as per the instruction from the Company, we were instructed to assess Gross Development Values of the two properties, that are defined by HKIS as “the total proceeds of sales arising from the sale of all elements of the completed development proposed to be built on the site being valued”. The Gross Development Values are carried out on a market value basis, which is defined by HKIS as “*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*”

**Special Valuation Assumptions**

On the basis of Gross Development Value, our valuations have been made on the assumption that the properties were fully completed and the owners had been granted with approvals to sell the properties on the open market. No provision has been made for outstanding development costs in our valuations. The valuations are further assumed that the values are not subject to benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

No allowance has been made in our valuations neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of onerous nature which could affect their values.

For the purpose of valuations, we have adopted the gross floor areas as appeared in the title documents as provided, and no further verification work has been conducted. Whilst the common local practices in Shanghai are based on the gross floor area, no re-measurement of the floor area by International Property Measurement Standards as advocated by RICS has been made.

**Valuation Methodology**

The valuations of the rental housing portion of the properties have been primarily conducted by Income Capitalisation Method and Direct Comparison Approach was also applied for cross-checking purposes. Valuations of hotel portion, commercial, and carparking portions have been conducted by Direct Comparison Approach.

Income Capitalisation Method provides an indication of value by converting income potential to a single current value. Under this method, the potential incomes of a property is capitalised at appropriate yield(s).

Direct Comparison Approach consists of comparisons based on actual sales transaction and/or asking prices of comparable properties. Comparable properties with similar location, size, and character are selected and then analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values.

### **Source of Information**

In the course of valuations, we have relied on legal opinions provided by the Group's PRC legal adviser, namely Jiangtian & Gongcheng Law Firm, and we have been provided with copy of certain title documents and approvals relating to the property interests. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies provided to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to planning approvals, statutory notices, easements, floor areas, number of car parking spaces, room configuration of the hotel, development schedule, internal conditions of the properties upon completion, etc. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries.

Site inspections of the properties were carried on 31 May 2023 by Mr. Amen YC Choi (BSc in Urban Studies), a probationer member of RICS, who has two years' property valuation experience in the PRC. We have inspected the exterior, certain interior and common parts of the properties. We have not inspected those parts of the properties which are covered, unexposed or inaccessible and such parts have been assumed to be in reasonable conditions. We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspections, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions, the services, etc. for any future development. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring lands, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists.

**Limitation of Liabilities**

We have had no reason to doubt the truthfulness and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information provided. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

The responsible valuer is in a position to provide objective and unbiased valuations and is competent to undertake the valuation assignment. Our findings or conclusion of values of the properties in this report are valid only for the stated purpose and at the Date of Valuation. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Group contractual undertakings in respect of their services and shall be deemed to have paid to the Group such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding Five Hundred Thousand Hong Kong Dollars. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Group is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

The valuations have been prepared by Mr. Alex PW Leung and Mr. Amen YC Choi. Mr. Leung is a member of HKIS and a member of RICS and he has over twenty years' post-qualified experience in valuing properties in the PRC. Mr. Choi has two years' experience in undertaking valuations in the PRC and he has performed the subject valuations under the direct supervision of Mr. Leung.

Unless otherwise stated, all monetary amounts stated herein are denoted in Renminbi (“**RMB**”), the lawful currency of the PRC; and the floor and site areas are quoted in square metre (“**sq.m.**”).

We enclose herewith a summary of values and the valuation report.

Yours faithfully,  
For and on behalf of  
**CHFT Advisory and Appraisal Ltd.**

**Alex PW Leung** MRICS MHKIS  
*Senior Director*

Encl.

*Note:* Mr. Alex PW Leung is a member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors. Mr. Leung has over 20 years’ experience in valuing properties in the PRC.

## SUMMARY OF VALUE

No.	Property Address	Gross Development Value as at the Date of Valuation
<b>Property interests held under development</b>		
1.	Phase III of Shanghai Apex (領峰), 719 Hezuo Road, Jiading District, Shanghai, the PRC	RMB580,000,000
2.	Unsold Portion of Phase III of Shanghai Sapphire (峰匯), 555 Tianzhu Road, Jiading District, Shanghai, the PRC	RMB700,000,000
<b>TOTAL</b>		<b><u>RMB1,280,000,000</u></b>

*Note:* Property Nos. 1 and 2 are known as Zhaojing Target Properties and Jinyi Target Properties respectively under the Public Circular of the Group.

## VALUATION REPORT

No.	Property	Description and Tenure	Occupancy Details	Gross Development Value as at the Date of Valuation												
1.	Phase III of Shanghai Apex (領峰), 719 Hezuo Road, Jiading District, Shanghai, the PRC	<p>Shanghai Apex is a large-scale residential, commercial and hotel development being developed in phases. Phase III of the development is erected on a parcel of land with a site area of about 29,054.10 sq.m..</p> <p>The development is located in Jiading District, a suburban district in the city of Shanghai. The vicinity is dominated by medium-rise residential estates. Ruijin Hospital is located to the south-east of the development site. Jiading Xincheng Station of Line 11, Shanghai Metro is within easy reach from the development. The area is also served by public bus routes.</p> <p>Completed in September 2023, Phase III of the development comprise of eleven medium-rise rental housing blocks, two low-rise commercial buildings, a 186-room hotel, 324 car parking spaces, and other ancillary facilities. The total gross floor area of Phase III is about 48,860.57 sq.m. with breakdown as below:</p> <table border="1" data-bbox="507 1285 925 1598"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Rental Housing</td> <td>26,135.24</td> </tr> <tr> <td>Commercial</td> <td>1,767.14</td> </tr> <tr> <td>Hotel</td> <td>8,090.01</td> </tr> <tr> <td>Carparking</td> <td>11,729.10</td> </tr> <tr> <td>Other Ancillary Facilities</td> <td>1,139.08</td> </tr> </tbody> </table> <p>The property is held under granted land-use rights to be expired on 7 December 2050 for commercial use, 7 December 2060 for office use, and 7 December 2080 for residential use. The annual land-use fee payable to the government is currently RMB3 per sq.m. on this site.</p>	Usage	Gross Floor Area (sq.m.)	Rental Housing	26,135.24	Commercial	1,767.14	Hotel	8,090.01	Carparking	11,729.10	Other Ancillary Facilities	1,139.08	As at the Date of Valuation, the property was at the final stage of construction and all the units were vacant.	RMB580,000,000 (RENMINBI FIVE HUNDRED EIGHTY MILLION)
Usage	Gross Floor Area (sq.m.)															
Rental Housing	26,135.24															
Commercial	1,767.14															
Hotel	8,090.01															
Carparking	11,729.10															
Other Ancillary Facilities	1,139.08															

*Notes:*

- a) Pursuant to State-owned Land-use Rights Grant (Document No.: Hu Jia Gou You Jian Shi Yong Di Contract Supplement (2022) No.16 (6.0)) dated 5 August 2022, the land-use rights of a land with a site area of 88,414.6 sq.m. have been granted to “Shanghai Zhaojing Real Estate Development Limited” (上海兆景房地產開發有限公司). As informed, the land has been developing into Phases I, II and III of Shanghai Apex.
- b) Pursuant to Shanghai Certificate of Real Estate Ownership (Document No.: Hu Fang Di Jia Zi (2011) No. 023859 dated 29 November 2011, a land-use rights of the land with a site area of 29,054.1 sq.m. have been granted to Shanghai Zhaojing Real Estate Development Limited for terms to be expired on 7 December 2050 for commercial use, 7 December 2060 for office use, and 7 December 2080 for residential use. As informed, the land has been developing into Phase III of Shanghai Apex.
- c) Pursuant to “Permission Certificate of Construction Land-use Planning” (Document No.: Hu Jia Di (2011) EA31011420110280), Shanghai Zhaojing Real Estate Development Limited is permitted to use the land parcel(s) with a total site area of 96,761.40 sq.m. (of which 88,414.60 sq.m. for construction, 676.70 sq.m. for roads, and 4,670.10 sq.m. for greenery) for residential use.
- d) Pursuant to “Permission Certificate for Construction Works Planning” (Document No.: Hu Jia Jian (2019) FA31011420197613), the construction works of various buildings with a total construction scale of 49,032.41 sq.m. were permitted.
- e) Pursuant to “Permission Certificate for Construction Works Commencement” (Document No.: 1902JD0155D02), the construction works of various buildings with a total construction scale of 49,032.41 sq.m. were permitted to commence.
- f) Pursuant to “Letter of Indemnificatory Rental Housing Project” dated 16 May 2023, the usage of the subject flats in Phase III have been classified for indemnificatory rental housing. The restrictions of the flat units are as follows:
- (i) flat units cannot be for sale on the market or being transferred in form of long-term lease;
  - (ii) the first rentals have to be less than 90% of same quality residential properties in the same area; and
  - (iii) annual rental increment could not be more than 5%.
- g) As advised by the Company, the total construction cost of the property was about RMB295 million and there was no material outstanding construction cost as at the Date of Valuation.
- h) We have been provided with legal opinions on the property interests by the Group’s PRC legal adviser, which contains, *inter alia*, the following:
- (i) Shanghai Zhaojing Real Estate Development Limited has legally obtained ownership of the property;
  - (ii) The construction of Phase III is complete, however, the “Realty Title Certificate” has not been processed;
  - (iii) The property is subjected to various mortgages at a total loan amount of RMB442,609,000 in favor of China Construction Bank Shanghai — Jiading Branch for various terms commencing from 2 February 2020. The longest term is 25 years;

- (iv) Upon the grant of “Realty Title Certificates”, the property could be held for rental income; and is subject to restrictions under Letter of Indemnificatory Rental Housing Project; and
- (v) The property is not allowed to transfer as a whole, by floor or by strata basis. In case of liquidation, restructuring, revocation and other special circumstances, the Grantee may seek an approval from the Grantor of the land to transfer as a whole.
- i) With the consideration of the above legal opinions, our valuation is based on an assumption that an approval had been given by the Grantor to the Grantee to transfer the property to a third party without payment of any material land premium, and not imposing any new restrictions or conditions to potential buyer.
- j) In arriving at the Gross Development Value of the indemnificatory rental housing, we have referenced asking rents of other developments nearby. Due adjustments to the rental unit rates have been made to reflect factors including but not limited to time, location, age and conditions, floor level, view, size, discounts between asking rents and striking rents, as well as rental discount in an indemnificatory rental housing project. The selection criteria for the rental asking comparables of the housing units listed below:
- (i) Development — flat units within estate type development;
- (ii) Location — low to medium floors within the same business circle, namely Jiading New City;
- (iii) Date of Listing — within three months from the Date of Valuation; and
- (iv) Sources of Information — 58.com and anjuke.com, which are nationwide on-line platforms that provide asking prices and rents of various properties in the PRC. We considered they are reliable sources.
- k) Four flat units in Shanghai Sapphire which are located in the subject business circle were considered relevant. Information of the four comparables are summarized in the following table:

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Gross Floor Area	42.00 sq.m.	51.22 sq.m.	45.00 sq.m.	40.00 sq.m.
Floor Level	Low	Low	Middle	Middle
Building Completion	2010	2010	2010	2010
Date of Listing	Sep 2023	Oct 2023	Sep 2023	Sep 2023
Asking Rental Per Month exclusive of management fee and utility charges	RMB2,700	RMB3,000	RMB2,850	RMB2,400
<b>Rental Rate Per sq.m. Per Month</b>	<b>RMB64.3</b>	<b>RMB58.6</b>	<b>RMB63.3</b>	<b>RMB60.0</b>

- l) After adjustments to the rental unit rates for various factors as above-mentioned in Note j), we have adopted the monthly unit rental of RMB56.0 per sq.m. per month for the subject housing units and applied 4.75% as the rental yield to convert the rental income into capital value of the rental housing portion.
- m) For the hotel portion, we have referenced asking prices of other hotel developments in Jiading District. Due adjustments have been made to reflect factors including but not limited to time, location, room size, age and conditions, availability of facilities, scale, hotel management, the remaining land term, as well as discounts that could be offered from the asking prices. The selection criteria for the asking comparables of the hotel are listed below:
- (i) Development — hotel developments;

- (ii) Location — Jiading District;
- (iii) Date of Listing — within nine months from the Date of Valuation, and
- (iv) Sources of Information — judianrong.com and hotelpn.cn, which are two transaction data and sale listing on-line platforms specialized in the PRC hotel market and considered to be reliable sources.
- n) Two comparables in Jiading District are found to meet the abovementioned criteria in Note m). Information of the two comparables are summarized in the following table:

	<b>Comparable 1</b>	<b>Comparable 2</b>
Hotel Name	Universal Ever-Rich Shanghai Hotel	Royal Kayee Hotel
Last Refurbishment Date	2005	2019
Gross Floor Area	27,455.00 sq.m.	2,514.51 sq.m.
Total number of Guestrooms	188 Rooms	59 Rooms
Hotel Facilities	Three F&B outlets, meeting rooms, karaoke parlour and spa centre	Two F&B outlets, meeting rooms and gym
Date of Listing	June 2023	December 2022
Asking Price	RMB250,000,000	RMB59,000,000
<b>Unit Rate per Room</b>	<b>RMB1,329,787</b>	<b>RMB1,000,000</b>

- o) After adjustments to the unit rates for various factors as above-mentioned in Note m), we have adopted the room rate of RMB720,000 per room for the hotel portion.
- p) For the commercial portion, we made referenced asking prices of commercial premises in Jiading New City within six months from the Date of Valuation. Three comparables are considered relevant and the unit rates are in the range of RMB28,696 to RMB30,271 per sq.m.. We have adopted the unit rate of RMB27,000 per sq.m.
- q) For the carparking portion, we made referenced asking prices of car parking spaces in various residential estates outside of the Outer Ring Road of Shanghai within six months from the Date of Valuation. The comparables are in a wide range of RMB75,000 to RMB130,000 per space, and we have adopted the unit rate of RMB85,800 per space.
- r) We summed up the values of various portions and concluded our valuation:

<b>Usage</b>	<b>Gross Development Value</b>
Rental Housing	RMB370,000,000
Commercial	RMB47,700,000
Hotel	RMB134,000,000
Carparking	RMB27,800,000
	<hr/>
Total	RMB579,500,000
	<u>Say, RMB580,000,000</u>

## VALUATION REPORT

No.	Property	Description and Tenure	Occupancy Details	Gross Development Value as at the Date of Valuation										
2.	Unsold portion of Phase III of Shanghai Sapphire (峰匯), 555 Tianzhu Road, Jiading District, Shanghai, the PRC	<p>Shanghai Sapphire is a large-scale residential and commercial development being developed in phases. The whole development is erected on a parcel of land with a site area of about 53,829.20 sq.m..</p> <p>The development is located in Jiading District, a suburban district in the city of Shanghai. The vicinity is dominated by high-rise residential estates. A regional shopping mall, namely Baolong Plaza is located to the east of the development. Two metro stations along Line 11 of Shanghai Metro, namely, Baiyin Road Station and Jiading Xincheng Station are within easy reach from the development. The area is also served by public bus routes.</p> <p>Upon completion, Phase III of the development will comprise of two 24/26-storey rental housing towers, two low-rise commercial buildings, 379 car parking spaces and other ancillary facilities. The total gross floor area of the unsold portions of Phase III will be about 63,666.22 sq.m. with breakdown as below:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Rental Housing</td> <td>44,973.00</td> </tr> <tr> <td>Commercial</td> <td>3,190.16</td> </tr> <tr> <td>Carparking</td> <td>12,506.25</td> </tr> <tr> <td>Other Ancillary Facilities</td> <td>2,996.81</td> </tr> </tbody> </table>	Usage	Gross Floor Area (sq.m.)	Rental Housing	44,973.00	Commercial	3,190.16	Carparking	12,506.25	Other Ancillary Facilities	2,996.81	The property is under construction. As advised by the Group, the property is scheduled to be completed by June 2024.	RMB700,000,000 (RENMINBI SEVEN HUNDRED MILLION)
Usage	Gross Floor Area (sq.m.)													
Rental Housing	44,973.00													
Commercial	3,190.16													
Carparking	12,506.25													
Other Ancillary Facilities	2,996.81													
		The property is held under granted land-use rights to be expired on 22 May 2050 for commercial services (hotel) uses, and 22 May 2060 for office use. The annual land-use fee payable to the government is currently RMB3.0 per sq.m. for this site.												

*Notes:*

- a) Pursuant to State-owned Land-use Rights Grant (Document No.: Hu Jia Gui Tu (2018) Grant Contract Supplement No. 75 (5.0)) dated 27 November 2018, the land-use rights of a land with a site area of 53,829.2 sq.m. have been granted to “Shanghai Jinyi Properties Limited” (上海錦怡置業有限公司). As informed, the land has been developing into Phases I, II and III of Shanghai Sapphire.
- b) Pursuant to a Shanghai Certificate of Real Estate Ownership (Document No.: Hu Fang Di Jia Zi (2010) No. 022870 dated 20 July 2010, the land-use rights of the land with a site area of 53,389.2 sq.m. have been granted to Shanghai Jinyi Properties Limited for terms to be expired on 22 May 2050 for commercial services (hotel) use, and 22 May 2060 for office use. As informed, the land has been developing into Phase I, II & III of Shanghai Sapphire.
- c) Pursuant to “Permission Certificate of Construction Land-use Planning” (Document No.: Hu Jia Di (2010) EA31011420101818), Shanghai Jinyi Properties Limited is permitted to use the land parcel with a total site area of 72,352.20 sq.m. (of which 53,829.20 sq.m. for construction, 15,419.60 sq.m. for roads and 3,103.4 sq.m. for greenery) for hotel, commercial and office uses.
- d) Pursuant to “Permission Certificate for Construction Works Planning” (Document No.: Hu Jia Jian (2019) FA31011420197616), the construction works of various buildings in Phase III with a total construction scale of 65,032.8 sq.m. were permitted.
- e) Pursuant to “Permission Certificate for Construction Works Commencement” (Document No.: 1902JD0157D02), the construction works of various buildings in Phase III with a total construction scale of 65,032.8 sq.m. were permitted to commence.
- f) Pursuant to “Letter of Indemnificatory Rental Housing Project” dated 16 May 2023, the usage of the subject flats in Phase III have been classified for indemnificatory rental housing. The restrictions of the flat units are as follows:
  - (i) flat units cannot be for sale on the market or being transferred in form of long-term lease;
  - (ii) the first rentals have to be less than 90% of same quality residential properties in the same area; and
  - (iii) annual rental increment could not be more than 5%.
- g) As advised by the Company, the estimated total construction cost and outstanding construction cost of the property as at the Date of Valuation were about RMB339 million and RMB28 million respectively. We opine the capital value of the property in existing state as at the Date of Valuation was in the sum of RMB629 million.
- h) We have been provided with legal opinions on the property interests by the Group’s PRC legal adviser, which contains, *inter alia*, the following:
  - (i) Shanghai Jinyi Properties Limited has legally obtained ownership of the property;
  - (ii) Phase III is under construction, “Realty Title Certificate” is not yet available;
  - (iii) The property is subjected to mortgage at a loan amount of RMB385,000,000 in favor of China Construction Bank Shanghai — Jiading Branch for a term commencing from 22 November 2021 to 1 November 2045;
  - (iv) Upon the grant of “Realty Title Certificates”, the property could be held for rental income; and is subject to restrictions under Letter of Indemnificatory Rental Housing Project; and
  - (v) The property is not allowed to transfer as a whole, by floor or by strata basis. In case of liquidation, restructuring, revocation and other special circumstances, the Grantee may seek an approval from the Grantor of the land to transfer as a whole.

- i) With the consideration of the above legal opinion, our valuation is based on an assumption that an approval had been given by the Grantor to the Grantee to transfer the property to a third party without payment of any material land premium, and not imposing any new restrictions or conditions to potential buyer.
- j) In arriving at the Gross Development Value of the indemnificatory rental housing, we have referenced asking rents of other units in Phase I and Phase II of the same development. Due adjustments to the rental unit rates have been made to reflect factors including but not limited to time, location, age and conditions, floor level, view, size, discounts between asking rents and striking rents, as well as rental discount in an indemnificatory rental housing project. The selection criteria for the rental asking comparables is listed below:
- (i) Development — flat units within Phases I or II of Shanghai Sapphire; and
- (ii) Date of Listing — within three months from the Date of Valuation.
- k) Five flat units were considered relevant. Information of the five comparables are summarised in the following table:

	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Gross Floor Area	42.00 sq.m.	51.22 sq.m.	45.00 sq.m.	40.00 sq.m.	50.00 sq.m.
Floor Level	Low	Low	Middle	Middle	High
Building Completion	2010	2010	2010	2010	2010
Date of Listing	Sep 2023	Oct 2023	Sep 2023	Sep 2023	Sep 2023
Asking Rental Per Month exclusive of management fee and utility charges	RMB2,700	RMB3,000	RMB2,850	RMB2,400	RMB2,980
<b>Rental Rate Per sq.m. Per Month</b>	<b>RMB64.3</b>	<b>RMB58.6</b>	<b>RMB63.3</b>	<b>RMB60.0</b>	<b>RMB59.6</b>

- l) After adjustments to the rental unit rates for various factors as above-mentioned in Note j), we have adopted the monthly unit rental of RMB54.3 per sq.m. per month for the subject housing units. We applied 4.75% as the rental yield to convert the rental income into capital value of the rental housing portion.
- m) For the commercial portion, we made referenced asking prices of commercial premises in Jiading New City within six months from the Date of Valuation. Three comparables are considered relevant and the unit rates are in the range of RMB28,696 to RMB30,271 per sq.m.. We have adopted unit rates of RMB26,500 and RMB10,600 per sq.m. for Level 1 and Level 2 of the commercial portion respectively.
- n) For the carparking portion, we made referenced asking prices of car parking spaces in various residential estates outside of the Outer Ring Road of Shanghai within six months from the Date of Valuation. The comparables are in a wide range of RMB75,000 to RMB130,000 per space, and we have adopted the unit rate of RMB84,200 per space.
- o) We summed up the values of various portions and concluded our valuation:

Usage	Gross Development Value
Rental Housing	RMB617,000,000
Commercial	RMB50,700,000
Carparking	RMB31,900,000
	<u>RMB699,600,000</u>
Total	<u>Say, RMB700,000,000</u>