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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)

VOLUNTARY ANNOUNCEMENT

DISPOSAL OF 100% EQUITY INTEREST IN HANGZHOU XILAN

THE DISPOSAL

On 13 May 2024, the Transferors (indirect wholly-owned subsidiaries of the Company), the Target Company, the Guarantor and the Transferee entered into the Agreement pursuant to which, the Transferors have conditionally agreed to sell, and the Transferee has conditionally agreed to acquire, the Target Equity at a total Consideration of RMB230,545,700.

LISTING RULES IMPLICATIONS

The highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is less than 5%. Accordingly, the Disposal is not a notifiable transaction under Chapter 14 of the Listing Rules. This announcement is made on a voluntary basis by the Company and aims to inform the Shareholders and potential investors of the Company of the latest business developments of the Group.

As the Disposal is subject to the satisfaction and/or waiver, where applicable, of the Conditions, the Disposal may or may not proceed to completion. Shareholders and potential investors should exercise caution when dealing in the Shares or any securities of the Company.

THE DISPOSAL

On 13 May 2024, the Transferors, the Target Company, the Guarantor and the Transferee entered into the Agreement in respect of the Disposal. The salient terms of the Agreement are summarised below:

THE AGREEMENT

- Date:** 13 May 2024
- Parties:**
- (a) Transferor A (an indirect wholly-owned subsidiary of the Company);
 - (b) Transferor B (an indirect wholly-owned subsidiary of the Company);
 - (c) the Target Company;
 - (d) the Guarantor (an indirect wholly-owned subsidiary of the Company); and
 - (e) the Transferee.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Transferee and its ultimate beneficial owners is an Independent Third Party as at the date of this announcement.

Subject matter and Consideration

Pursuant to the Agreement, (i) the Transferors have conditionally agreed to sell, and the Transferee has conditionally agreed to acquire, the Target Equity at a total Consideration of RMB230,545,700. The parties have also agreed that the Transferee will pay the Consideration to SCI Finance for settlement of the Group Loan, as detailed under the section headed "Loan assignment and settlement of the Group Loan" below in this announcement; and (ii) the Guarantor has agreed to guarantee the respective obligations of the Transferors and the Target Company under the Agreement, as well as the obligations of the Shop Tenant under the Entrusted Operation And Management Contract (defined below).

The Consideration was determined after arm's length negotiations between the Transferors and the Transferee after taking into account factors including the net asset value of the Target Company and the valuation of the Target Assets by an independent valuer in the amount of RMB230,545,700 as at 31 December 2023 based on the direct comparison approach.

Conditions precedent to the Disposal

The Disposal shall be completed upon the fulfilment (or waiver, if applicable, save for Condition (1) which shall not be waived) of the following Conditions within 15 business days from the date of the Agreement:

- (1) all representations and warranties made by the Transferors under the Agreement remain true, accurate, valid and not misleading;
- (2) all covenants and commitments that should be fulfilled prior to the equity transfer and business registration changes and payment of the Consideration have been fully fulfilled by the KWG Parties;
- (3) there are no applicable laws, and no orders, rulings or injunctions from court, arbitration institution, or relevant government departments that impose restrictions, prohibitions, or cancellations on the Disposal;
- (4) there being no material adverse event occurring to the Target Company, in particular in relation to any bankruptcy, liquidation, dissolution, or cancellation proceedings entered into by the Transferor or the Target Company, or any litigation, arbitration, or other dispute resolution matters resulting in the Target Equity or the Target Assets being frozen, sealed, or listed as execution targets;
- (5) all transaction documents having been executed by the relevant parties (save for the Transferee) with the original documents having been delivered to the Transferee;
- (6) there are no third party that has made or threatened to make any claims of rights over the Target Equity and/or Target Assets, asserting that they should be the holder or beneficial owner of the Target Equity and/or Target Assets or be entitled to all or part of the Consideration;
- (7) all necessary consents and approvals pursuant to applicable laws, rules and regulations (including but not limited to the Listing Rules and relevant rules of the state-owned asset supervision and administration department, if applicable) having been obtained by each of the KWG Parties;
- (8) the Transferors having procured the completion of the release of all existing mortgage registration or pledges of the Target Equity and/or the Target Assets (save for the existing mortgage registration of the Target Assets in respect of the Target Company's share of the Group Loan), and that the Target Company does not have any other mortgage registrations, equity pledge registrations, guarantee obligations, or any other restrictions on rights;

- (9) the Target Company having terminated or modified the employment relationships with all existing employees and signed the corresponding written confirmations. No wages, social insurance, housing fund, or other payments being withheld by the Target Company from its employees, and the Target Company having provided the Transferee with relevant agreements and payment vouchers for these expenses;
- (10) the KWG Parties having procured the Shop Tenant to send letters to the respective Sub-tenants, requesting them to rectify any illegal renovation in accordance with the law and regulations, with copies of the letters and proof of receipt by the Sub-tenants having been delivered to the Transferee. Furthermore, if the Transferee or the Target Company incurs any adverse consequences due to such illegal construction, they have the right to demand for compensation from (among others) the Sub-tenants, KWG Parties and the Shop Tenant. The Transferors and the Target Company having confirmed and rectified (if requested by the Transferee) the list of facilities of the Target Assets and having settled all relevant expenses incurred; and
- (11) the Transferee having received a certificate of fulfillment of all the Conditions issued by the Transferors and the Target Company.

Transfer

Upon fulfillment (or waiver, if applicable) of the Conditions, the Transferee and the Transferors shall proceed with the registration procedures for the transfer of the Target Equity (the “**Transfer**”). Completion shall take place within 2 business days from the completion of the Transfer. Within 5 business days from the Completion Date, the Transferee shall engage an auditor to perform a Completion Audit.

Loan assignment and settlement of the Group Loan

The Consideration shall be settled in the following manner:

- (1) within 5 business days after the Transfer, the KWG Parties shall procure the fulfillment of all the following payment conditions (collectively the “**Payment Conditions of the 1st Instalment**”). Within 5 business days of the fulfillment (or waiver, if applicable) of the Payment Conditions of the 1st Instalment, the first instalment of the Consideration, being RMB92,218,280 (representing 40% of the Consideration), shall be settled within 5 business days:
 - (i) all the Conditions having been fulfilled;
 - (ii) the KWG Parties having procured the Shop Tenant to enter into an entrusted operation and management contract (the “**Entrusted Operation And Management Contract**”) with the Target Company, pursuant to which the Shop Tenant shall provide a performance guarantee on the targeted gross profit of RMB18,000,000, RMB20,000,000 and RMB22,000,000, respectively, to be achieved by the Target Company for the three years ending 31 December 2026

and the Target Company shall be exempted from paying any expenses to the Shop Tenant arising from the Entrusted Operation and Management Contract (including but not limited to management fees, services fees, consultation fees);

- (iii) the Transfer having been completed;
 - (iv) the Transferee having received the confirmation letter issued by the Transferors, SCI Finance, the KWG Parties and other relevant members of the Group confirming that the first instalment of the Consideration shall be paid by the Transferee to SCI Finance for settlement of an equivalent amount of the Group Loan; and
 - (v) the Transferee having received a certificate of fulfillment of all the Payment Conditions of the 1st Instalment issued by the Transferors; and
- (2) within 5 business days after the Completion Audit, the KWG Parties shall procure the fulfillment of the following payment conditions (collectively, the “**Payment Conditions of the 2nd Instalment**”). Within 5 business days after the fulfillment (or waiver, if applicable) of all the Payment Conditions of the 2nd Instalment, the second instalment of the Consideration, being RMB138,327,420 (representing the remaining 60% of the Consideration), shall be settled within 5 business days:
- (i) the Completion and the Completion Audit having been completed, and the Consideration shall be deducted by the non-operating losses incurred by the Target Company as confirmed by the Completion Audit;
 - (ii) the Transferee having received the confirmation letter issued by the Transferors, SCI Finance, the KWG Parties and other relevant members of the Group confirming that the second instalment of the Consideration shall be paid by the Transferee to SCI Finance for settlement of an equivalent amount of the Group Loan; and
 - (iii) the Transferee having received a certificate of fulfillment of all the Payment Conditions of the 2nd Instalment issued by the Transferors.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Company will record a gain of approximately RMB216,397,000 from the Disposal. Such gain is calculated as the difference between the Consideration and the net asset value of the Target Company as at 31 March 2024 and having taken into account the Target Company’s share of the Group’s administrative expenses. The actual gain to be recorded is subject to audit and may be different from the estimated amount as it will depend on the actual transaction costs incurred and the Consideration calculated as at the Completion Date.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC. As at the date of this announcement, it is held as to 10% by Transferor A and 90% by Transferor B. The Target Company is an indirect wholly-owned subsidiary of the Company and its financial results are consolidated into the Company's financial statements.

Set out below is a summary of the audited financial information of the Target Company for the year ended 31 December 2022 and the unaudited financial information of the Target Company for the year ended 31 December 2023:

	For the year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before tax	7,700	11,745
Loss after tax	5,775	11,745

The unaudited net assets of the Target Company as at 31 March 2024 was RMB17,842,992.

Upon completion of the Disposal, the Group shall cease to have any interests in the Target Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Amid the challenging property market in the PRC, the Disposal will facilitate the Group's exit from the Target Company and allow the Group to focus its resources and manpower on its core projects located in major cities in the PRC. The settlement of the Consideration against the Group Loan will also reduce the overall outstanding debt balances of the Group. As the entire amount of the Consideration will be paid by the Transferee to SCI Finance for settlement of the Group Loan, no cash will be received by the Group.

In view of the above, the Board considers that the terms and conditions of the Agreement have been made on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

The Group is a large-scale property developer in the PRC with a leading position in the Greater Bay Area and is principally engaged in property development, property investment and hotel operation.

The Transferors

The Transferors are companies established in the PRC with limited liabilities and are indirect wholly-owned subsidiaries of the Company. Transferor A is principally engaged in investment holding in the PRC and its sole investment is the holding of the Target Equity. Transferor B is principally engaged in investment holding and has various equity interests in the Company's PRC subsidiaries and joint ventures.

The Transferee

The Transferee is a company established in the PRC with limited liability. It is a direct non-wholly-owned subsidiary of SCI Group.

The Target Company

The Target Company is a company established in the PRC with limited liability and is owned as to 10% by Transferor A and 90% by Transferor B as at the date of this announcement. The principal business of the Target Company is the holding of the Target Assets.

LISTING RULES IMPLICATIONS

The highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is less than 5%. Accordingly, the Disposal is not a notifiable transaction under Chapter 14 of the Listing Rules. This announcement is made on a voluntary basis by the Company and aims to inform the Shareholders and potential investors of the Company of the latest business developments of the Group.

As the Disposal is subject to the satisfaction and/or waiver, where applicable, of the Conditions, the Disposal may or may not proceed to completion. Shareholders and potential investors should exercise caution when dealing in the Shares or any securities of the Company.

DEFINITIONS

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

“Agreement”	the equity transfer agreement dated 13 May 2024 entered into among the Transferors, the Target Company, the Guarantor and the Transferee in respect of the Disposal
“Board”	the board of Directors

“Company”	KWG Group Holdings Limited (stock code: 1813), a limited liability company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	Completion of the Disposal pursuant to the terms and conditions of the Agreement
“Completion Audit”	the audit of the financial information of the Target Company from 31 December 2023 to the Completion Date
“Completion Date”	the date of the Completion
“Conditions”	the conditions precedent to the Disposal
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Consideration”	the total consideration of the Target Equity in the amount of RMB230,545,700
“controlling shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Target Equity by the Transferors to the Transferee pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Group Loan”	the aggregate sum owed by the Group to SCI Finance in the amount of approximately RMB373,247,195 as at 30 April 2024
“Guarantor”	Guangzhou Mulian Hotel Management Co., Ltd.* (廣州市木蓮莊酒店管理有限公司), a company established in the PRC with limited liability and an indirect 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

“KWG Parties”	the Transferors, the Target Company prior to the completion of equity transfer and business registration changes and the Guarantor
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SCI Finance”	Science City (Guangzhou) Finance Lease Co., Ltd.* (科學城(廣州)融資租賃有限公司), a company established in the PRC with limited liability, a fellow subsidiary of the Transferee and a direct non-wholly owned subsidiary of SCI Group
“SCI Group”	Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司), a company established in the PRC with limited liability
“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)
“Shop Tenant”	Jushang (Guangzhou) Hotel Management Co., Ltd.* (居上(廣州)酒店管理有限公司), an indirect wholly-owned subsidiary of the Company which leased the Target Property with an aggregate area of 3,329.3 sq.m.
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-tenants”	the independent third party shop tenants that subleased the Target Property from the Shop Tenant
“Target Assets”	Target Property and Target Land
“Target Company” or “Hangzhou Xilan”	Hangzhou Xilan Hotel Management Co., Ltd.* (杭州熙藍酒店管理有限公司), a company established in the PRC with limited liability and held as to 10% by Transferor A and 90% by Transferor B as at the date of this announcement
“Target Equity”	the 100% equity interest of the Target Company, of which 10% is held by Transferor A and 90% is held by Transferor B

“Target Land”	the land use right of the land parcel on which the Target Property is located with plot number of 330110120002GB00017 and an area of 2,995.9 sq.m.
“Target Property”	the property located at Yuhang District, Hangzhou, Zhejiang Province, with a gross floor area of 17,610.78 sq.m., among which, an aggregate area of 3,329.3 sq.m. were leased to the Shop Tenant who may sublease to other Sub-tenants; and the remaining portion is The Mulian Hangzhou, which is operated by the subsidiary of the Guarantor
“Transferee”	Science City (Guangzhou) Development Group Co., Ltd.* (科學城(廣州)發展集團有限公司), a company established in the PRC with limited liability and a direct non-wholly owned subsidiary of SCI Group
“Transferor A”	Hangzhou Kaimu Investment Co., Ltd.* (杭州凱木投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Transferor B”	Guangzhou Tianjian Real Estate Development Limited* (廣州市天建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
“Transferors”	Transferor A and Transferor B

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

Hong Kong, 13 May 2024

As at the date of this announcement, the Board comprises seven Directors, of whom Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao (Chief Executive Officer), Mr. KONG Jiannan and Mr. CAI Fengjia are executive Directors; and Mr. TAM Chun Fai, Mr. LAW Yiu Wing, Patrick and Ms. Wong Man Ming, Melinda are independent non-executive Directors.

* For identification purposes only.