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KWG GROUP HOLDINGS LIMITED

合景泰富集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1813)

DISCLOSEABLE TRANSACTION DISPOSAL OF 50% EQUITY INTEREST IN A JOINT VENTURE

THE DISPOSAL

On 16 November 2022, the Vendors, entered into the Sale and Purchase Agreement with the Purchasers, pursuant to which the Purchasers agreed to acquire and the Vendors agreed to sell the Offshore Sale Capital and the Onshore Sale Capital, at a Consideration of approximately RMB371 million.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under Listing Rules and is subject to the notification and announcement requirements but exempt from shareholders' approval under Chapter 14 of the Listing Rules.

THE DISPOSAL

On 16 November 2022, the Vendors, entered into the Sale and Purchase Agreement in respect of the Disposal. The salient terms of the Sale and Purchase Agreement are summarized below:

SALE AND PURCHASE AGREEMENT

Date: 16 November 2022

Parties: (1) the Vendors
(2) the Purchasers

Subject Matter

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Vendors have agreed to sell and the Purchasers have agreed to acquire, the Offshore Sale Capital and the Onshore Sale Capital, at a Consideration of approximately RMB371 million.

Consideration and Completion

The Consideration was determined after arm's length negotiations between the Vendors and the Purchasers with reference to the net profit distributable from the Target Company on completion of the Project.

The Completion shall take place upon fulfillment and waiver (if any) of all the Conditions. The Consideration shall be settled by the Purchasers after Completion. Upon Completion, the Group has ceased to have any interests in the Target Company and the Project Company.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Company will record a profit after tax of approximately RMB14 million from the Disposal. Such profit is calculated as the difference between the Consideration and the investment cost in the Target Company as at the date of this announcement. The actual profit 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 actual date of the Completion.

INFORMATION ON THE TARGET COMPANY AND THE PROJECT COMPANY

The Target Company is a company incorporated in the BVI. As at the date of this announcement, the Target Company has no business activity other than being the investment holding company which holds 70% equity interest of the Project Company. The Project Company is a limited liability company established in the PRC, and is principally engaged in the development of the Project.

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

	For the year ended 31 December 2021 <i>US\$000</i>	For the year ended 31 December 2020 <i>US\$000</i>
Revenue	164,624	51,549
Profit before tax	34,012	40,664
Profit after tax	10,602	13,468

INFORMATION ON THE GROUP AND THE PURCHASER

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

The Purchasers are wholly-owned subsidiaries of Hongkong Land China, a wholly-owned subsidiary of Hongkong Land Holdings Limited which engages in property investment, management and development.

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

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

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

The Target Company and the Project Company were held jointly by the Group and the Purchasers for the construction and development of the Project. As at the date of this announcement, a developable area of approximately 707 thousand square metres of the Project has been fully completed, and a developable area of approximately 213 thousand square metres are still under development. The Disposal offers an opportunity for the Group to early monetize the value in its investment in the Target Company to finance the Group's future business development needs. The Company considers that the Disposal is beneficial to the Group as it will improve the Group's asset turnover rate, generate additional cash inflow for debt repayment and general working capital and reduce its gearing ratio, which will help the Group to reduce risks and achieve long-term stable and healthy development.

It is expected that the proceeds from the Disposal will be used by the Group for repayment of its debts and to be used as general working capital of the Group.

In view of the above, the Board considers that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements but exempt from shareholders' approval under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	KWG Group Holdings Limited (合景泰富集團控股有限公司) (stock code: 1813), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal pursuant to the Sale and Purchase Agreement

“Condition(s)”	the condition(s) precedent to the Disposal as set out in the Sale and Purchase Agreement
“connected person(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Consideration”	the total proceeds receivable in cash upon Completion of the Disposal
“controlling shareholder(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Offshore Sale Capital by the Offshore Vendor and the disposal of the Onshore Sale Capital by the Onshore Vendor, pursuant to the terms and conditions of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongkong Land China”	Hongkong Land China Holdings Limited, a company incorporated in Bermuda with limited liability, a wholly-owned subsidiary of Hongkong Land Holdings Limited
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Offshore Purchaser”	Shiny Red Limited (紅耀有限公司), a company established in the BVI with limited liability and a wholly-owned subsidiary of Hongkong Land China
“Offshore Sale Capital”	28.57% of the issued share capital of the Target Company

“Offshore Vendor”	Prime Way Enterprises Limited, a company established in the BVI with limited liability and a wholly-owned subsidiary of the Group
“Onshore Purchaser”	成都怡置匯恒企業管理諮詢有限公司 (Chengdu Yizhihuiheng Enterprises Management Advisory Company Limited [#]), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Hongkong Land China
“Onshore Sale Capital”	30% of the paid-up capital of the Project Company
“Onshore Vendor”	成都市凱譽房地產開發有限公司 (Chengdu Kaiyu Real Estate Development Company Limited [#]), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Group
“PRC”	the People’s Republic of China
“Project”	a property development project with a total site area of 190,253.04 square metres containing residential, commercial, office, hotel and serviced apartment located at Pan Cheng Gang Pian Qu in Jinjiang District, Chengdu, Sichuan Province, PRC (中國四川省成都市錦江區攀成鋼片區), which is solely developed by the Project Company
“Project Company”	成都市宏譽房地產開發有限公司 (Chengdu Hongyu Real Estate Development Company Limited [#]), a sino-foreign joint venture enterprise established in the PRC by the Onshore Vendor and Total Champ in the shareholding of 30% and 70% respectively, for the purpose of development of the Project
“Purchasers”	the Offshore Purchaser and the Onshore Purchaser
“Sale and Purchase Agreement”	the sale and purchase agreement dated 16 November 2022 entered into between the Vendors and the Purchasers with respect to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	shall have the meaning as ascribed to it under the Listing Rules
“substantial shareholder(s)”	shall have the meaning as ascribed to it under the Listing Rules

“Target Company”	Central Path Limited (置泰有限公司), a company established in the BVI with limited liability, of which 28.57% equity interest is owned by the Offshore Vendor and 71.43% equity interest is owned by the Offshore Purchaser
“Total Champ”	Total Champ Limited (總冠有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Target Company
“Vendors”	the Offshore Vendor and the Onshore Vendor
“%”	per cent

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

Hong Kong, 16 November 2022

As at the date of this announcement, the Board comprises seven Directors, of whom Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao (Chief Executive Officer), Mr. KONG Jiannan and Mr. CAI Fengjia are Executive Directors; and Mr. LEE Ka Sze, Carmelo, Mr. TAM Chun Fai and Mr. LAW Yiu Wing, Patrick are Independent Non-executive Directors.

The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words