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KWG Living Group Holdings Limited

合景悠活集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

MAJOR TRANSACTION ACQUISITION OF 80% EQUITY INTERESTS IN CEDAR TECHNOLOGY GROUP CO., LTD.

THE ACQUISITION

The Board is pleased to announce that on 17 January 2021, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor, the Guarantors and the Target Company entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Interests, representing 80% equity interests of the Target Company, for the cash Consideration of RMB1,316,000,000.

Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and accordingly, the assets, liabilities and financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company, and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

An EGM will be convened for the Shareholders to consider, and if thought fit, approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Acquisition; (ii) financial information of the Group; (iii) financial information of the Target Group; (iv) unaudited pro forma financial information of the Enlarged Group; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 31 March 2021 as additional time will be required to prepare the above information to be included in such circular.

Completion of the Acquisition is subject to the satisfaction of the conditions precedent of the Acquisition Agreement and may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

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THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are summarised as follows:

Date

17 January 2021

Parties

- (1) the Purchaser;
- (2) the Vendor;
- (3) the Guarantors; and
- (4) the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor, the Target Company, the Guarantors and their respective ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Interests, representing 80% equity interests of the Target Company.

Consideration

The Consideration is RMB1,316,000,000, which was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) a preliminary valuation amount of the Sale Interests of RMB1,353,000,000 as at 30 November 2020 valued by an independent valuer using market approach; and (ii) the reasons and benefits as set out in the paragraph headed "Reasons for and benefits of the Acquisition" below.

The Consideration shall be settled in cash using net proceeds raised from the Global Offering which were allocated for the purpose of strategic acquisition and investment. As at the date of this announcement, the Directors confirm that the Target Company met the acquisition criteria as disclosed in the Prospectus.

Payment Schedule

The Consideration shall be payable according to the following schedule:

1st instalment

Within five (5) Working Days upon fulfilment of the following conditions, the Purchaser shall pay the 1st instalment in the amount of RMB658,000,000, being 50% of the Consideration to the Vendor:

- (a) the passing by the Shareholders, who are entitled to vote and not required to be abstained from voting under the Listing Rules at the EGM to be convened and held, of the necessary ordinary resolution(s) to approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder;

- (b) within ten (10) Working Days upon fulfilment of condition (a), the fulfilment of the following conditions:
- (i) all necessary consents, internal approvals and resolutions having been obtained by the Vendor, the Guarantors and the Target Company that may be required under the applicable laws and regulations for and/or in connection with the transactions contemplated under the Acquisition Agreement and the Guarantors having waived their respective first right of refusal to acquire the Sale Interests;
 - (ii) the Share Charges having been executed; and
 - (iii) all representations and warranties given by the Vendor and the Target Company under the Acquisition Agreement remaining true and accurate and there having been no material adverse change to the business, assets and financial conditions of the Target Company since 30 November 2020.

The Target Company shall within two (2) Working Days upon the Vendor's receipt of the 1st instalment proceed with the registration of the transfer of the Sale Interests and the change in the Target Company's business particulars, and deliver the relevant acknowledgement receipts to the Purchaser accordingly.

2nd instalment

Within five (5) Working Days upon fulfilment of the following conditions, the Purchaser shall pay the 2nd instalment in the amount of RMB263,200,000, being 20% of the Consideration to the Vendor:

- (a) the conditions set out in paragraphs (a) and (b) in relation to the payment of the 1st instalment of the Consideration being satisfied;
- (b) the registration of the transfer of Sale Interests by the Vendor to the Purchaser and the change in the Target Company's business particulars having been completed, and the Target Company having obtained the new business license;
- (c) the registration of the Share Charges having been completed; and
- (d) passing of administrative, managerial and operational documents and items of the Target Group to the Purchaser in accordance with the Acquisition Agreement having been completed.

3rd instalment

Within ten (10) Working Days upon fulfilment of the following conditions, the Purchaser shall pay the 3rd instalment in the amount of RMB329,000,000, being 25% of the Consideration to the Vendor:

- (a) the conditions set out in paragraphs (a) and (b) in relation to the payment of the 1st instalment of the Consideration being satisfied; and
- (b) within three (3) months upon the fulfilment of the conditions set out in paragraphs (a) and (b) in relation to the payment of the 1st instalment of the Consideration, the registration of the change in legal representatives, directors, supervisors and senior management of the members of the Target Group as nominated by the Purchaser having been completed.

4th instalment

Within five (5) Working Days upon the expiry of six (6) months from the Administrative Completion Date, the Purchaser shall pay the 4th instalment in the amount of RMB65,800,000, being 5% of the Consideration (less any undisclosed or unsettled debts and liabilities pursuant to the Acquisition Agreement) to the Vendor.

Completion

Completion takes place upon fulfilment of condition (b) in relation to the payment of the 2nd instalment of the Consideration.

Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and accordingly, the assets, liabilities and financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

NON-COMPETITION UNDERTAKING

Pursuant to the Acquisition Agreement, the Vendor and the Guarantors undertake that within the Relevant Periods, unless with the written consent of the Purchaser, each of them (including their respective shareholders and ultimate beneficial owners) shall not (i) engage in any business which competes with the business of the Target Group; (ii) provide business consultancy services and technical services to the competitors of the Target Group; (iii) shall not form, whether directly or indirectly, joint venture which competes with the business of the Target Group or invest in the competitors of the Target Group; (iv) solicit, request, induce or encourage, whether directly or indirectly, the employees of the Target Group to leave the Target Group or employ them; and (v) engage in property management projects or engage in developing other businesses which may be competing with the business of the Target Group.

FINANCIAL GUARANTEES

Pursuant to the Acquisition Agreement, the Vendor irrevocably warrants and guarantees to the Purchaser that the Audited Net Profit of the Guaranteed Target Group for each of the Relevant Period shall increase by not less than 5% as compared to that of the immediate financial year preceding each of the Relevant Period (the “**Guaranteed Profit**”).

Upon expiry of the Relevant Periods, if the aggregate Audited Net Profit for the Relevant Periods (the “**Aggregate Audited Net Profit**”) of the Guaranteed Target Group shall be less than the aggregate Guaranteed Profit for the Relevant Periods (the “**Aggregate Guaranteed Profit**”), the Guarantors shall compensate to the Purchaser in cash for the value of “A” below within ten (10) working days:

A = (Average of the Guaranteed Profit for the Relevant Periods — average of the Audited Net Profit for the Relevant Periods) x (projected valuation amount of the Target Group of RMB1,645,000,000 with reference to the Consideration/the audited net profit of the Target Group for the year ended 31 December 2020) x 80%

Upon expiry of the Relevant Periods, if the Aggregate Audited Net Profit shall be higher than the Aggregate Guaranteed Profit, (i) 50% of the excess net profit after taxation and excluding extraordinary items attributable to the Target Company (the “**Excess Net Profit**”) shall be distributed to the management team designated by the Guarantors; and (ii) 80% and 20% of the remaining Excess Net Profit shall be distributed to the Purchaser and the Guarantors, respectively.

The Audited Net Profit for each Relevant Period shall be determined by qualified auditors within three (3) months after the end of 31 December 2021 and 2022.

INFORMATION ON THE PARTIES TO THE AGREEMENT

The Purchaser

The Purchaser is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in property management.

The Vendor

The Vendor is a company established in the PRC with limited liability and is principally engaged in provision of consultancy services. Based on public information available and as at the date of this announcement, the Vendor is ultimately and beneficially owned as to 60% by CHEN Yi (陳怡) and 40% by YE Shujun (葉淑君).

The Guarantors

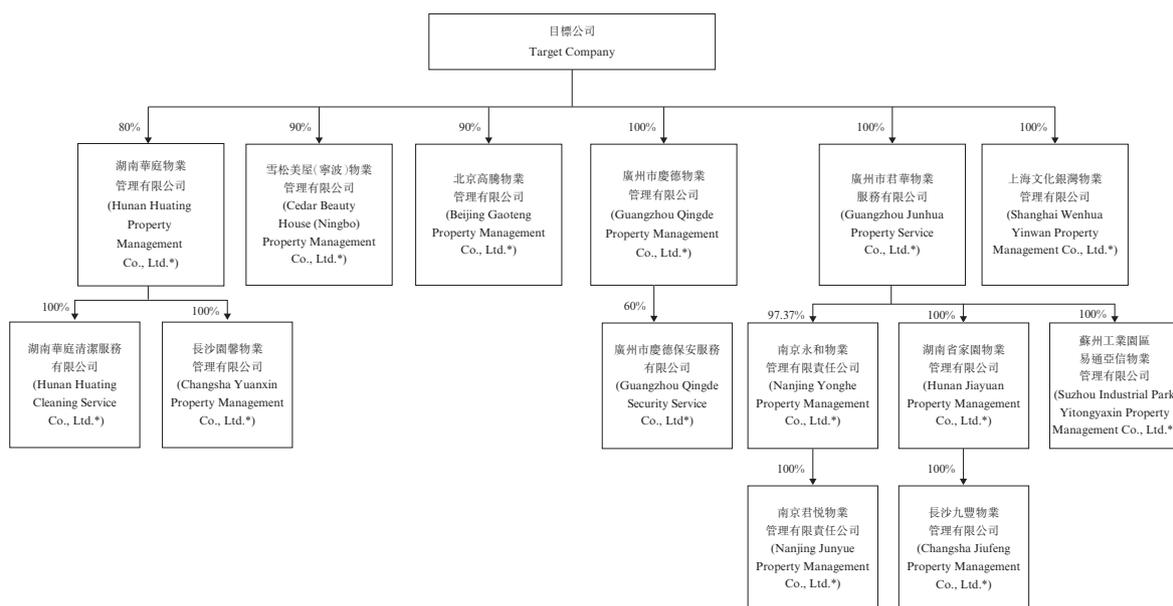
Cedar Group is a company established in the PRC with limited liability and is principally engaged in real estate development and investment. Based on public information available and as at the date of this announcement, Cedar Group is ultimately and beneficially owned by ZHANG Jing (張勁).

Qixing Partnership is a limited partnership established in the PRC and formed with the purpose of investing the business of the Target Group. Based on public information available and as at the date of this announcement, Qixing Partnership is ultimately and beneficially owned as to approximately 32.32% by SU Qi (蘇齊), 25.9% by LIU Guifeng (劉桂鋒), 12.35% by CHUN Zhengxing (淳正興), 5.93% by LIAN Hancai (連漢才), 2.33% by DAI Yonghua (代勇華), 1.90% by MA Zeyan (馬澤雁), 1.84% by LI Hailing (李海玲), 1.84% by YIN Feng (尹鋒), 1.69% by ZHOU Shanshan (周姍姍), 1.69% by NIU Hongxia (牛紅霞), 1.48% by XIANG Yuan (向媛), 1.27% by ZHANG Quanmin (張泉敏), 1.06% by LU Kai (呂凱), 0.85% by CHANG Qing (常青), 0.85% by LU Changlei (陸常磊), 0.85% by LUO Xu (羅旭), 0.85% by DU Tiejun (杜鐵軍), 0.85% by XIAO Xianghua (肖祥華), 0.63% by TAN Yiping (譚一萍), 0.63% by ZHANG Xinfa (張新發), 0.63% by HOU Kai (侯凱), 0.55% by TANG Jun (唐俊), 0.43% by ZHONG Baojian (鐘寶劍), 0.43% by MEI Anping (梅安平), 0.42% by ZHOU Chunxiu (周春秀), 0.21% by LIN Peitian (林佩甜) and 0.21% by CUI Jijun (崔吉軍).

The Target Company

The Target Company is a company established in the PRC with limited liability and is principally engaged in property management.

The simplified corporate and shareholding structure of the Target Group is set out below:



雪松美屋(寧波)物業管理有限公司 (Cedar Beauty House (Ningbo) Property Management Co., Ltd.*) is a company established in the PRC with limited liability and is principally engaged in property management.

北京高騰物業管理有限公司 (Beijing Gaoteng Property Management Co., Ltd.*) is a company established in the PRC with limited liability and is principally engaged in property management.

廣州市君華物業服務有限公司 (Guangzhou Junhua Property Service Co., Ltd.*) is a company established in the PRC with limited liability and is principally engaged in property management.

長沙園馨物業管理有限公司 (Changsha Yuanxin Property Management Co., Ltd.*) is a company established in the PRC with limited liability and is principally engaged in property management.

南京永和物業管理有限責任公司 (Nanjing Yonghe Property Management Co., Ltd.*) is a company established in the PRC with limited liability and is principally engaged in property management.

湖南省家園物業管理有限公司 (Hunan Jiayuan Property Management Co., Ltd.*) is a company established in the PRC with limited liability and is principally engaged in property management.

蘇州工業園區易通亞信物業管理有限公司 (Suzhou Industrial Park Yitongyaxin Property Management Co., Ltd.*) is a company established in the PRC with limited liability and is principally engaged in property management.

南京君悦物業管理有限責任公司 (Nanjing Junyue Property Management Co., Ltd.*) is a company established in the PRC with limited liability and is principally engaged in property management.

長沙九豐物業管理有限公司 (Changsha Jiufeng Property Management Co., Ltd.*) is a company established in the PRC with limited liability and is principally engaged in property management.

The information on Guangzhou Qingde, Hunan Huating, Shanghai Yinwan and their subsidiaries are disclosed in the paragraph headed “Reasons for and benefits of the Acquisition” below.

Apart from the above, the Target Group has 11 other wholly-owned subsidiaries and 8 other non-wholly subsidiaries which are immaterial as compared to the size of the Target Group as at the date of this announcement.

Set forth below is the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2019 and for the eleven months ended 30 November 2020:

	For the year ended 31 December 2018 (RMB'000)	For the year ended 31 December 2019 (RMB'000)	For the eleven months ended 30 November 2020 (RMB'000)
Revenue	478,485	826,642	1,193,002
Net profit before tax	46,159	91,823	163,022
Net profit after tax	35,242	73,425	124,933

As at 30 November 2020, the unaudited total assets value and net assets value of the Target Group amounted to approximately RMB1,588,242,000 and RMB948,603,000, respectively.

As disclosed in the Prospectus, the Group has entered into agreements to acquire the equity interests of, inter alia, 南京君悦物業管理有限責任公司 (Nanjing Junyue Property Management Co., Ltd.*), 長沙九豐物業管理有限公司 (Changsha Jiufeng Property Management Co., Ltd.*), 長沙園馨物業管理有限公司 (Changsha Yuanxin Property Management Co., Ltd.*) and 蘇州工業園區易通亞信物業管理有限公司 (Suzhou Industrial Park Yitongyaxin Property Management Co., Ltd.*) (the “**Subject Entities**”) (the “**Post-TRP Acquisitions**”).

As at the date of the Acquisition Agreement, each of the Subject Entities is a member of the Target Group and the Post-TRP Acquisitions have yet to be completed. As a result of the Acquisition, the respective agreements entered in respect of the Post-TRP Acquisitions will no longer proceed further. Nevertheless, upon Completion, each of

the Subject Entities will become subsidiary of the Group and the assets, liabilities and financial results of the Subject Entities will be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

It is envisaged that the Acquisition will enable the Group to swiftly expand its GFA under management nationwide and optimise the mix of the Company's principal operations to forge an advantage for development underpinned by diversification and multiple brands; the Acquisition can generate synergies which will facilitate the growth of the Group into a nationwide provider of smart operating services with a comprehensive business profile covering multiple brands and the entire industry chain. The Acquisition will enable the Company to deliver greater benefit, value and return to the Shareholders.

Leaping growth in GFA under management and swift expansion of regional footprint

The Target Group is a leading “smart city” service operator in the PRC. As of 31 December 2020, the Target Group managed over 1,000 projects with an aggregate GFA under management of over 86 million square metres. Following the Completion, the Group's aggregate GFA under management is expected to exceed 120 million square metres. Meanwhile, the extensive presence in various city clusters in the PRC already established by the Target Group, including East China, South China, Central and West China, will be conducive to the swift completion of the Group's nationwide strategic deployment. Through the Acquisition, the Group's dominant position in the Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Delta Area will be further strengthened with increasing market shares in these regions; in the meantime, the Acquisition will also enable the Group to swiftly expand into and cover key regions with enormous potential for development, such as regions in Bohai Economic Rim and Central and West China, as well as to enhance the Group's competitiveness in regional markets.

Diversification and multi-brand development covering all business profiles and the entire industry chain

The Target Group is committed to the integration of diversified property management business profiles and the creation of service standards for different business profiles such as businesses, residential properties, schools, hospitals, municipal facilities and offices, in order to forge core competitiveness and service brands in different business profiles. Meanwhile, the Target Group owns a number of well-known property enterprise brands with high brand recognition nationwide as well as in regional markets. Its subordinate brands have strong market leadership and influence in sub-segment service markets for infrastructure facilities such as residential properties, urban public space, government offices, industry parks, schools and hospitals. Following the Completion, the premium brands of the Target Group will complement and substantially enhance the brand of the Group, laying a solid foundation for the nationwide expansion of the Group in scalable and professional areas.

With projects under its management covering an extensive range of business profiles, such as residential buildings, public buildings and commercial and office buildings, the Target Group claims dominant market shares in the domestic public building sector and its sub-segments. Through the Acquisition, the business structure of the Group will be transformed and upgraded. On top of mid-to-high end commercial and residential projects under its management, the Group will further enhance its presence in a variety of business profiles, including sectors such as public buildings, industry parks and urban operation services, which are characterised by business stability and broad market prospects, such that the Group can achieve more balanced development in all business profiles and become a national “smart city” operating service enterprise with a coverage of the entire industry chain.

Enhancing market development capability and generally increasing market shares

The Target Group is one of the largest and fastest-growing enterprises in the PRC with a strong capability in endogenous market development. Through the Acquisition, the Group and the Target Group will consolidate and share market resources, and the market development capability of the Group will be comprehensively enhanced through the integration of the market development teams of both parties and with the benefit of their complementary regional advantages, thereby laying a solid foundation for the Company to become a leading property enterprise.

The subsidiaries of the Target Group enjoy the first-mover advantage in the city clusters and business profiles in which they have established their presence and are recognised leaders in selected regional markets. Following the Acquisition, the Group’s GFA under management in the core city clusters of Central and West China, respectively, will each exceed 50 million square metres, and the Group will become a leading enterprise in the regional market in terms of market shares and achieve the economies of scale associated with regional hubs.

Comprehensive development empowered by smart technologies lending enormous growth opportunities for revenue from operation

The Target Group has developed proprietary smart cloud platforms on the back of its premium resources and formidable technological strengths, as it consistently empowers management services for various business profiles such as commercial and residential properties, schools, hospitals and urban public space for the construction of a novel smart city service ecology. Following the Acquisition, the Group will make strong efforts to intensify the development of technology-based smart services. Through integration with the smart cloud platform with the Target Group, the digitalisation, standardisation, delivery via mobile devices and smart operation of property services and urban services will be achieved for the creation of a new experience in the pleasant life enabled by smart city.

Through the Acquisition, the Group will come into possession of more customer resources in residential communities, commercial and office properties and public properties. On the back of the Group's formidable business strengths in various operating services, the Group will fully integrate the contents and resources of various operating services of projects managed by the Target Group and further identify new growth niche in various operating services of projects under the management of the Target Group. Through the integration of resources, the Group is expected to realise rapid growth in revenue from various operating services.

Overview of the Target Group and its service brands

Established in 2001, the Target Group is a subsidiary of Cedar Group engaged in the provision of "smart city" living services and a leading "smart city" service operator in the PRC. The Target Group develops specialised servicing systems and brands in urban living services for commercial and residential properties, municipal facilities, schools and hospitals through the integration of resources to help facilitate the construction of novel smart cities and improve the residential living environment of cities.

The Target Group owns more than 10 well-known first-tier property enterprises and Yinyaoshi Alliance (銀鑰匙聯盟), the largest alliance in the property sector in the PRC. Its service covers GFA of more than 86 million square metres nationwide, with more than 1,100 franchisee property enterprises and a business presence covering 17 provinces and 109 cities across the nation, serving approximately 31 million property owners.

Overview of city life service brands, the core business under the Target Group:

1. Guangzhou Qingde

Established in 2000, 廣州市慶德物業管理有限公司 (Guangzhou Qingde Property Management Co., Ltd.*) ("**Guangzhou Qingde**"), a subsidiary of the Target Group, is an urban living service brand specialised in school services and hospital services. In 2019, Guangzhou Qingde was ranked the 84th among the Top 500 PRC Property Service Enterprises in Comprehensive Strengths (中國物業服務企業綜合實力500強) and was named among the "Top 100 PRC Property Service Enterprises" (中國物業服務百強企業) for the third year in a row, in addition to numerous honours such as the "Outstanding Education Properties Management Enterprise of the PRC (中國教育物業管理優秀企業), Outstanding Hospital Security Service Enterprise of the PRC (中國醫院安全服務優秀企業), Contract-compliant and Credit-worthy Enterprise of Guangdong Province (廣東省守合同重信用企業), Vanguard Entity of Guangdong Province (廣州市先進集體), Champion of Youth Civilisation of Guangzhou (廣州市青年文明號) and AAA Grade Enterprise in Harmonious Labour Relations of Guangzhou (廣州市勞動關係和諧AAA級企業)", among others.

Currently, as one of the market leaders in the third-party provision of services to schools and hospitals, Guangzhou Qingde is committed to becoming a specialised provider of logistics services covering the full life cycle of the industry. It has

currently established extensive business presences in schools, hospitals, the rehabilitation sector, administrative institutions and high-end office buildings, covering major administrative districts in Guangzhou as well as neighbouring provinces and cities.

廣州市慶德保安服務有限公司 (Guangzhou Qingde Security Service Co., Ltd.*), a subsidiary of Guangzhou Qingde engaged in professional security services, has been named a “Vanguard Security Service Unit” of Guangzhou (廣州市“先進保安從業單位”) and an “Outstanding Security Service Unit Providing Security Service at the 70th Anniversary Celebrations of New China” (新中國成立70周年大慶安保工作優秀保安從業單位).

2. Hunan Huating

Established in 2005, 湖南華庭物業管理有限公司 (Hunan Huating Property Management Co., Ltd.*) (“**Hunan Huating**”), a subsidiary of the Target Group, is an urban living service brand specialised in municipal cleaning services. Its subsidiary, 湖南華庭清潔服務有限公司 (Hunan Huating Cleaning Service Co., Ltd.*), is a specialised branded enterprise principally engaged in property cleaning services, road hygiene and cleaning, maintenance of municipal facilities, cleaning of city bridges and tunnels, exterior wall cleaning, and maintenance of stone materials.

Hunan Huating has been specialised in municipal cleaning services for 15 years and has extensive experience in cleaning service management. It holds Class I national qualifications in property management and cleaning services, and has received ISO9001: 2000 accreditation for quality management systems, ISO14001: 2004 accreditation for environmental management systems and GB/T28001 accreditation for occupational health management. It is named among the Top 10 Property Management Service Enterprises of Changsha (長沙市物業服務企業十強), Star Enterprises in “Municipal Environmental” Hygiene Cleaning Industry of Hunan Province (湖南省“市政環衛”清潔行業明星企業), Trustworthy Enterprise in the Cleaning Industry of Hunan Province (湖南省清潔行業誠信企業) and Top 100 Enterprises in the Cleaning Service Industry of the PRC (中國清潔服務行業百強企業).

3. Shanghai Yinwan

Established in 1996, 上海文化銀灣物業管理有限公司 (Shanghai Wenhua Yinwan Property Management Co., Ltd.*) (“**Shanghai Yinwan**”), a subsidiary of the Target Group, is an urban living service brand specialised in commercial and residential property services. It has been specialised in the property industry for 24 years and holds Class I national qualifications in property management. It is a national leader in terms of the provision of comprehensive community and is currently one of the largest branded enterprises for modern smart property services in the PRC. A number of its service projects have been rated as outstanding property management projects and exemplary projects (national level: 3, provincial level: 55, municipal

level: 286). The business presence of Shanghai Yinwan covers 50 cities in 15 provinces in the country with more than 800 service projects, serving over 20 million property owners.

In view of the business prospects of the Target Group and leveraging on its profound experience in creating advanced technological service platforms, the Directors consider the Acquisition to be a good investment opportunity to enhance the service quality of the Group's property management services, and to bring long-term enhancement of value to the Shareholders. Based on the above, the Directors are of the view that the terms and conditions of the Acquisition Agreement are fair and reasonable and on normal commercial terms, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company, and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

An EGM will be convened for the Shareholders to consider, and if thought fit, approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and therefore no Shareholder is required to abstain from voting on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further details of the Acquisition; (ii) financial information of the Group; (iii) financial information of the Target Group; (iv) unaudited pro forma financial information of the Enlarged Group; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 31 March 2021 as additional time will be required to prepare the above information to be included in such circular.

Completion of the Acquisition is subject to the satisfaction of the conditions precedent in the Acquisition Agreement and may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interests by the Purchaser from the Vendor on the terms and subject to the conditions set forth in the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 17 January 2021 entered into between the Purchaser, the Vendor, the Guarantors and the Target Company in relation to the Acquisition
“Administrative Completion Date”	the date on which all administrative, managerial and operational documents and items of the Target Group having been passed to, and acknowledged receipt by, the Purchaser in accordance with the Acquisition Agreement
“Audited Net Profit”	the audited net profit after taxation and excluding extraordinary items of the Guaranteed Target Group in the manner agreed in the Acquisition Agreement
“Board”	the board of Directors
“Cedar Group”	雪松實業集團有限公司 (Cedar Industrial Group Limited*), a company established in the PRC with limited liability and is ultimately and beneficially owned by ZHANG Jing (張勁)
“Company”	KWG Living Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 3913)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement and upon issuance of the new business licence of the Target Company
“Consideration”	the consideration for the Sale Interests, being RMB1,316,000,000
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among others, the Acquisition Agreement and the transactions contemplated thereunder

“Enlarged Group”	the Group as enlarged by the Target Group
“GFA”	gross floor area
“Global Offering”	the Hong Kong public offering and the international offering as defined in the Prospectus
“Group”	the Company and its subsidiaries
“Guaranteed Target Group”	the Target Group excluding 廣州松雲智慧城市科技有限公司 (Guangzhou Songyun Smart City Technology Co., Ltd.*), 上海長物網絡科技有限公司 (Shanghai Changwu Network Technology Co., Ltd.*) and 上海銀鑰匙網絡有限公司 (Shanghai Yinyaoshi Network Co., Ltd.*), and their subsidiaries
“Guarantors”	Cedar Group and Qixing Partnership
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a person, or in the case of a company, the company of its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 19 October 2020
“Purchaser”	廣東省合景悠活控股集團有限公司 (Guangdong Hejing Youhuo Holdings Group Co., Ltd.*), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company

“Qixing Partnership”	壽光市齊興企業管理中心(有限合夥) (Shouguang Qixing Enterprise Management Center (Limited Partnership)*), a limited partnership established in the PRC and is ultimately and beneficially owned as to approximately 32.32% by SU Qi (蘇齊), 25.9% by LIU Guifeng (劉桂鋒), 12.35% by CHUN Zhengxing (淳正興), 5.93% by LIAN Hancui (連漢才), 2.33% by DAI Yonghua (代勇華), 1.90% by MA Zeyan (馬澤雁), 1.84% by LI Hailing (李海玲), 1.84% by YIN Feng (尹鋒), 1.69% by ZHOU Shanshan (周姍姍), 1.69% by NIU Hongxia (牛紅霞), 1.48% by XIANG Yuan (向媛), 1.27% by ZHANG Quanmin (張泉敏), 1.06% by LU Kai (呂凱), 0.85% by CHANG Qing (常青), 0.85% by LU Changlei (陸常磊), 0.85% by LUO Xu (羅旭), 0.85% by DU Tiejun (杜鐵軍), 0.85% by XIAO Xianghua (肖祥華), 0.63% by TAN Yiping (譚一萍), 0.63% by ZHANG Xinfu (張新發), 0.63% by HOU Kai (侯凱), 0.55% by TANG Jun (唐俊), 0.43% by ZHONG Baojian (鐘寶劍), 0.43% by MEI Anping (梅安平), 0.42% by ZHOU Chunxiu (周春秀), 0.21% by LIN Peitian (林佩甜) and 0.21% by CUI Jijun (崔吉軍)
“Relevant Periods”	the two years ending 31 December 2022 and each a “Relevant Period”
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interests”	80% equity interests of the Target Company
“Share(s)”	ordinary share(s) in the share capital of the Company
“Share Charges”	the share charges to be granted respectively by the Guarantors in favour of the Purchaser over the 17% and 3% equity interests held respectively by the Guarantors in the Target Company as security for the Vendor’s performance of its obligations under the Acquisition Agreement
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	雪松智聯科技集團有限公司 (Cedar Technology Group Co., Ltd.*), a company established in the PRC with limited liability, which is held as to 80% by the Vendor, 17% by Cedar Group and 3% by Qixing Partnership as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“Track Record Period”	the period comprising the three years ended 31 December 2019 and the four months ended 30 April 2020 as disclosed in the Prospectus

“Vendor”	廣州市祥泰商務管理有限公司 (Guangzhou Xiangtai Business Management Co., Ltd.*), a company established in the PRC with limited liability and is ultimately and beneficially owned as to 60% by CHEN Yi (陳怡) and 40% by YE Shujun (葉淑君)
“Working Days”	any day which banks in the PRC are open for business, except Saturdays, Sundays and statutory holidays as announced by the PRC government
“%”	per cent

* *for identification purpose only*

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

Hong Kong, 18 January 2021

As at the date of this announcement, the Board of Directors of the Company comprises Mr. KONG Jianmin (Chairman) as Non-executive Director; Mr. KONG Jiannan (Chief Executive Officer), Ms. YANG Jingbo and Mr. WANG Yue as Executive Directors; and Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum as Independent Non-executive Directors.