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KINGWELL GROUP LIMITED

京維集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1195)

**VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF 51% EQUITY INTERESTS OF PROPERTY
MANAGEMENT COMPANIES**

THE ACQUISITION

The Board is pleased to announce that, on 18 January 2022 (after trading hours), the Purchaser (as purchaser), a wholly-owned subsidiary of the Company, the Vendor (as vendor), Shenzhen Hailian and Huiyang Peninsula One entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Shenzhen Hailian Sale Shares and the Huiyang Peninsula One Sales Shares, being 51% equity interest in each of Shenzhen Hailian and Huiyang Peninsula One, at the Consideration of RMB15.50 million (equivalent to approximately HK\$19.07 million), which will be satisfied by cash.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and as such, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Acquisition.

GENERAL

The EGM will be convened and held for the Shareholders to consider, and if thought fit, to approve, the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information of the Agreement and the transactions contemplated thereunder; (ii) financial information of the Group and the Properties Management Companies; (iii) pro forma financial information on the enlarged group; and (iv) notice of the EGM, will be despatched to the Shareholders on or before 28 February 2022 as additional time is required for the preparation of the relevant information for inclusion in the circular.

Completion is subject to the fulfillment of certain conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that, on 18 January 2022 (after trading hours), the Purchaser (as purchaser), a wholly-owned subsidiary of the Company, the Vendor (as vendor), Shenzhen Hailian and Huiyang Peninsula One entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Shenzhen Hailian Sale Shares and the Huiyang Peninsula One Sales Shares, being 51% equity interests in each of Shenzhen Hailian and Huiyang Peninsula One.

THE AGREEMENT

The principal terms of the Agreement are summarized as follows:–

Date

18 January 2022 (after trading hours)

Parties

- (i) Purchaser: 深圳融匯控股集團有限公司 (Shenzhen Integration Holding Group Co. Ltd.*), a wholly-owned subsidiary of the Company;
- (ii) Vendor: 中建蛇口發展有限公司 (China Construction Shekou Development Co., Ltd.*);
- (iii) Shenzhen Hailian; and
- (iv) Huiyang Peninsula One.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Shenzhen Hailian Sale Shares and the Huiyang Peninsula One Sales Shares, being 51% equity interest in each of Shenzhen Hailian and Huiyang Peninsula One.

Consideration

The Consideration of an aggregate value of RMB15.5 million (equivalent to approximately HK\$19.07 million) shall be paid by the Purchaser to the Vendor in cash and financed by Company's internal resources in the following manner:

- (i) 50% of the Consideration (being RMB7.75 million (equivalent to approximately HK\$9.533 million)) shall be payable by the Purchaser to the Vendor within ten (10) Business Days upon all of the condition precedents to the Agreement are satisfied (the "**First Consideration Payment**"); and
- (ii) 50% of the Consideration (being RMB7.75 million (equivalent to approximately HK\$9.533 million)) shall be payable by the Purchaser to the Vendor within ten (10) Business Days from the Completion Date.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to among others, (i) the positive performance of the Property Management Companies as they recorded combined net profit after tax for the two years ended 31 December 2019 and 2020, and for the nine months ended 30 September 2021; (ii) the price to earnings ratios ("**P/E ratio(s)**") of 31 comparable companies (the "**Comparable Companies**") listed in Hong Kong principally engaged in property management business in the PRC which ranging from approximately 2.3 times to 83.0 times with a median of approximately 19.33 times ((x) based on the market price of the Comparable Companies as at 31 December 2021 and their latest published annual reports; and (y) excluding an outlier with a P/E ratio of approximately 5,854.0 times); (iii) the Consideration represents a P/E ratio of approximately 5.9 times (based on the combined net profit of the Property Management Companies for the year ended 31 December 2020), which is below the median of the P/E ratio of the Comparable Companies.

Conditions precedent

Completion is conditional upon the satisfaction of the following conditions precedent:

- (i) the parties to the Agreement have properly signed and delivered the transaction documents of the Acquisition, the format and content of which are in compliance with the main clauses of the Agreement and satisfy the parties to the Agreement;
- (ii) the Purchaser has completed the audit and due diligence of the Property Management Companies Group, and obtained audit and due diligence reports that satisfy the requirements of the Purchaser (including but not limited to Purchaser's authority, the parent company and competent government department), and the Purchaser has obtained the internal approval and authorization for the Acquisition;

- (iii) the Shenzhen Hailian Sale Shares and the Huiyang Peninsula One Sales Shares do not have any encumbrances or defects, and the Vendor has complete, effective and legal disposition rights of the Shenzhen Hailian Sale Shares and the Huiyang Peninsula One Sales Shares, and the Vendor has obtained the internal approval and authorization for the Acquisition;
- (iv) The Property Management Companies Group has completed all internal approval procedures (including but not limited to execute of the directors or board of directors resolutions, the shareholder resolutions or shareholders meeting' resolutions) for the Acquisition. Specifically, the existing shareholders of the Properties Management Companies Group has formally adopted shareholders meeting' resolutions or shareholder resolutions to: (i) approve the Acquisition, and the existing shareholders of the Properties Management Companies Group expressly and irrevocably waive any express or implied right of first refusal or other priority rights for the Acquisition; (ii) approve the Property Management Companies Group for signing all the transaction documents related to the Acquisition; and (iii) approve amendments to the articles of association of the Property Management Companies Group to reflect: (a) changes in the Property Management Companies Group's shareholders; (b) agree to establish a board of directors in compliance with the Agreement; (c) other matters that should be reflected under the transaction documents for the Acquisition;
- (v) the Property Management Companies Group has obtained various government licenses, approvals, registrations, and filings required for its operations; there are no material adverse changes in the Property Management Companies Group' business, assets, personnel, and operations results, financial conditions and future prospects from the date of the Letter of Intent (i.e. 19 November 2021) to the Completion Date;
- (vi) from the date of the Letter of Intent (i.e. 19 November 2021) to the Completion Date, the representations, the guarantees, the documents, and the explanation made and provided by the Vendor, the Property Management Companies Group, and the related parties and employees of the aforementioned entities under the transaction documents for the Acquisition and during the audit and due diligence process, are continue to be true, complete, accurate and fulfill the commitments stipulated in the transaction documents that should be performed on or before the Completion Date, and there is no violation of the transaction documents for the Acquisition;
- (vii) the Acquisition has been approved by the Stock Exchange and the relevant regulatory authorities, and all the approvals, registrations, and filings required for the Acquisition have been completed; and
- (viii) the Acquisition having been approved by the authorities of the Purchaser, including but not limited to the approval from the board of directors and shareholders of the parent company of the Purchaser.

If the above conditions are not satisfied on or before the 30 April 2022 (or such other date as the Purchaser agree in writing), the Agreement shall be terminated and thereafter neither party shall have any obligations or liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Profits Distribution

The profits distributed by the Property Management Companies Group before the date of the Agreement shall be enjoyed by the existing shareholders, and the undistributed profits of the Property Management Companies Group as of the date of the Agreement and the newly generated profits after the date of the Agreement shall be enjoyed by the shareholders of the Property Management Companies Group after the Completion. If the Property Management Companies Group incurs losses during the transition period (being from the date of the Letter of Intent to the Completion Date), the Vendor and other existing shareholders of the Property Management Companies Group (if any) shall bear the loss in proportion to their shareholding before the Acquisition.

Profit Guarantee

Pursuant to the Agreement, the Vendor undertakes and guarantees to the Purchaser that the net profit (after excluding the non-recurring gains and losses) attributed to the owners of the Property Management Companies (the “**Net Profit**”) for each of the four years ending 31 December 2022 (the “**2022 Guaranteed Net Profit**”), 2023 (the “**2023 Guaranteed Net Profit**”), 2024 (the “**2024 Guaranteed Net Profit**”) and 2025 (the “**2025 Guaranteed Net Profit**”) will not be lower than RMB6.20 million. In the event that any of the 2022 Guaranteed Net Profit, 2023 Guaranteed Net Profit, 2024 Guaranteed Net Profit and 2025 Guaranteed Net Profit is less than RMB6.20 million, the Vendor shall pay a compensation amount (the “**Compensation Amount**”) to the Purchaser in cash, which shall be calculated in the following manner:

$$\begin{aligned} &= \frac{\text{the guaranteed Net Profit at the relevant year} - \text{the actual Net Profit at the relevant year}}{\text{the guaranteed Net Profit at the relevant year}} \\ &\times \frac{\text{the guaranteed Net Profit at the relevant year}}{\text{the sum of the guaranteed Net Profit for the four years ending 31 December 2025}} \\ &\times \text{the Consideration} \end{aligned}$$

Pursuant to the Agreement, in any event (including in the event that the actual Net Profit for any of the four years ending 31 December 2025 is a negative figure), the aggregated Compensation Amount for the four years ending 31 December 2025 should be capped at RMB15.5 million. If the actual Net Profit is more than RMB6.20 million for any of the four years ending 31 December 2025, there shall not be any upward adjustment on the Consideration of RMB15.5 million.

After the Completion Date, the Property Management Companies Group shall appoint an auditor as agreed by the Purchaser, to issue audit report (the “**Audit Report**”) confirming the actual Net Profit for each of the four years ending 31 December 2025. In the event that any of the 2022 Guaranteed Net Profit, 2023 Guaranteed Net Profit, 2024 Guaranteed Net Profit and 2025 Guaranteed Net Profit falls short, the Vendor shall pay the Compensation Amount within 30 Business Days from the issue of the Audit Report for each of four years ending 31 December 2025.

Board of directors of the Properties Management Companies Group

Following the Completion Date, the board of directors of the Properties Management Companies Group will be consisted of five (5) directors. The Purchaser will appoint three (3) directors, the Vendor and other shareholders of the Properties Management Companies Group (if any) will appoint two (2) directors. The chairman of the board of directors of the Properties Management Companies Group will be elected from the directors assigned by the Purchaser.

Retention of key management of the Properties Management Companies Group

The Vendor undertakes that from the Completion Date, the existing key management of the Properties Management Companies Group will serve the Properties Management Companies Group for at least 48 months.

COMPLETION

The parties to the Agreement agreed that within 20 Business Days from the First Consideration Payment (or such other date as agreed by the Purchaser in writing), the Vendor and the Properties Management Companies Group shall complete the relevant registration of industrial and commercial changes for the Acquisition (including not limited to the registration of change of shareholder, change of management, filing of board of directors and, filing of articles of association).

Completion shall take place on the Completion Date, being the date of completion of registration of industrial and commercial changes for the Acquisition.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group are engaged in (1) sale of properties, (2) sale of parking lots, (3) the provision of property management services, (4) the provision of construction services; and (5) the provision of sales agency services under the property development, property leasing and property management services segment and mining and sale of gold under the gold mining segment. The Purchaser is an investment holding company.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the PRC with limited liability which owns 80% equity interest of Shenzhen Hailian and the entire equity interest of Huiyang Peninsula One. The Vendor is an investment holding company and is wholly-owned by its ultimate beneficial owner, Mr. Ma Chan Hung.

The Vendor was introduced by Ms. Zhang Chunyan, a senior management of the Group's property management services segment, to the Directors on October 2021.

INFORMATION OF THE PROPERTY MANAGEMENT COMPANIES

Shenzhen Hailian is a company incorporated in the PRC with limited liability. As at the date of this announcement, Shenzhen Hailian is owned as to 80% equity interests by the Vendor and 20% equity interests by Mr. Zhang Song Sheng. Its principal activity is provision of property management services in the PRC.

Huiyang Peninsula One is a company incorporated in the PRC with limited liability. As at the date of this announcement, Huiyang Peninsula One is wholly owned by the Vendor. Its principal activity is provision of property management services in the PRC.

Financial information of the Property Management Companies

Set out below is a summary of the combined financial information of the Property Management Companies prepared under the Hong Kong Financial Reporting Standards, for the three years ended 31 December 2020 and for the nine months ended 30 September 2021:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020	For the nine months ended 30 September 2021
	<i>Approximately RMB' million (unaudited)</i>	<i>Approximately RMB' million (unaudited)</i>	<i>Approximately RMB' million (unaudited)</i>	<i>Approximately RMB' million (unaudited)</i>
Revenue	38.86	41.46	62.01	49.43
Net profit/(loss) before tax	(1.32)	0.45	6.45	4.40
Net profit/(loss) after tax	(1.50)	0.46	5.15	3.10

The combined total assets, total liabilities and net assets of the Property Management Companies as at 30 September 2021 according to the unaudited combined financial statements were approximately RMB107.86 million, RMB98.75 million and RMB9.11 million respectively.

Upon Completion, the Property Management Companies will become non-wholly owned subsidiaries of the Company and the combined financial results of the Property Management Companies will be consolidated into the Group's financial statement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Property management services is one of the major business of the Group and the Group manages one property project in Xuzhou City, Jiangsu Province, the PRC as at the date of this announcement. For the year ended 30 June 2021, the Group's property management services contributed approximately 31% of the Group's total revenue. The Board believes that the Property Management Companies have a material level of operation and the Acquisition will help to expand and develop the existing business of the Group.

As at the date of this announcement, the Property Management Companies Group provides property management services to a total of 11 property projects, a summary of which are as follows:

Property project under management	Location	Size of the property under management
海景廣場 (Harbour View Plaza*) 錦隆花園 (Jin Long Garden*) 觀海台花園 (Guan Hai Tai Garden*) 倉前錦福苑 (Cang Qian Jin Fu Court*) 蓬萊花園 (Peng Lai Garden*) 中建工業大廈 (China Construction Industry Building*)	Shenzhen, the PRC	Approximately 450,000 square meters in aggregate
半島壹號 (Ban Dao Yi Hao*)	Huizhou, the PRC	Approximately 1,300,000 square meters and will increase to approximately 1,480,000 square meters upon further construction
東方新城 (Orient New City*) 湖濱花園 (Hu Bin Garden*)	Huizhou, the PRC	Approximately 500,000 square meters in aggregate
江濱華府高檔住宅區 (Jiang Bin Hua Fu High End Residential Area*) 江茂華府高檔住宅區 (Jiang Mao Hua Fu High End Residential Area*)	Huizhou, the PRC	Approximately 800,000 square meters in aggregate

The historical performance of the Properties Management Companies Group was positive and it had recorded a net profit after taxation of approximately RMB0.46 million for the year ended 31 December 2019, approximately RMB5.15 million for the year ended 31 December 2020 and approximately RMB3.10 million for the nine months ended 30 September 2021. Furthermore, as stated in the subsection headed "Profit Guarantee" above, the Vendor had undertaken and guaranteed to the Purchaser that the 2022 Guaranteed Net Profit, 2023 Guaranteed Net Profit, 2024 Guaranteed Net Profit and 2025 Guaranteed Net Profit will not be less than RMB6.20 million. In view of the past performance and the guaranteed profits as mentioned above, it is expected that the Property Management Companies will provide the Group with additional source of profit.

In light of the above, the Directors consider it is a good opportunity for the Group to proceed with the Acquisition and allow the Group to (i) expand its existing property management services and property management portfolio; (ii) increase the source of revenue; and (iii) improve the profitability.

The Directors are of the view that the Acquisition is in the best interests of the Company and the Shareholders as a whole and the terms of the Agreement, and the transaction contemplated under the Agreement, are fair and reasonable and on normal commercial terms.

As at the date of this announcement, the Company does not have any intention to acquire additional interest in the Property Management Companies.

As at the date of this announcement, the Company does not have any intention, arrangement, agreement, understanding or negotiation (concluded or otherwise) in relation to (i) the disposal or downsize of the existing business of the Group; (ii) injecting any assets or business into the Group; and (iii) the change in shareholding structure of the Company and the composition of the Board as a result of the Acquisition.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and as such, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Acquisition.

GENERAL

The EGM will be convened and held for the Shareholders to consider, and if thought fit, to approve, the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information of the Agreement and the transactions contemplated thereunder; (ii) financial information of the Group and the Properties Management Companies; (iii) pro forma financial information on the enlarged group; and (iv) notice of the EGM, will be despatched to the Shareholders on or before 28 February 2022 as additional time is required for the preparation of the relevant information for inclusion in the circular.

Completion is subject to the fulfillment of certain conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Shenzhen Hailian Sale Shares and the Huiyang Peninsula One Sales Shares by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the conditional equity transfer agreement dated 18 January 2022 and entered into by the Purchaser, the Vendor, Shenzhen Hailian and Huiyang Peninsula One in respect of the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day on which banks are generally open for regular banking business in the PRC, other than Saturdays, Sundays and public holidays
“Company”	Kingwell Group Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of registration of industrial and commercial changes for the Acquisition in accordance with the terms of the Agreement
“Completion Date”	date of the Completion, being the date of completion of registration of industrial and commercial changes for the Acquisition
“Consideration”	RMB15.50 million, being the consideration for the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huiyang Peninsula One”	惠州市惠陽半島壹號物業管理有限公司 (Huizhou Huiyang Peninsula One Property Management Co., Ltd.*), a company incorporated in the PRC with limited liability

“Huiyang Peninsula One Sale Shares”	51% equity interests of Huiyang Peninsula One
“Independent Third Party(ies)”	a third party(ies) which is independent of and not connected with the Company and its connected persons and not a connected person of the Company
“Letter of Intent”	the letter of intent dated 19 November 2021 entered into between the Purchaser and the Vendor with respect to the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Property Management Companies”	Shenzhen Hailian and Huiyang Peninsula One
“Property Management Companies Group”	the Property Management Companies and their subsidiaries and branches, and any entity directly or indirectly controlled by them and other affiliated companies (if any)
“Purchaser”	深圳融匯控股集團有限公司 (Shenzhen Integration Holding Group Co. Ltd.*), a wholly-owned subsidiary of the Company and incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Hailian”	深圳市海聯物業管理有限公司 (Shenzhen Hailian Property Management Co., Ltd.*), a company incorporated in the PRC with limited liability
“Shenzhen Hailian Sale Shares”	51% equity interests in of Shenzhen Hailian
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor” 中建蛇口發展有限公司 (China Construction Shekou Development Co., Ltd.*), a company incorporated in the PRC with limited liability

“%” per cent

For illustration purpose only, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.23.

By order of the Board
Kingwell Group Limited
Mu Dongsheng
Chairman

Hong Kong, 18 January 2022

As at the date of this announcement, the Board comprises Mr. Mu Dongsheng and Mr. Du Yun as executive Directors, and Mr. Cheung Chuen, Mr. Ling Aiwen and Mr. Lu Lin as independent non-executive Directors.

* *for identification purposes only*