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Datang Group Holdings Limited

大唐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2117)

**MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF FURTHER
EQUITY INTERESTS IN CHONGQING ZHIYUAN**

Reference is made to the announcement of the Company dated 30 September 2021 in relation to, among others, the acquisition of 20% equity interests in Chongqing Zhiyuan (the “**2021 Announcement**”).

THE SHARE TRANSFER AGREEMENT

The Board is pleased to announce that on 30 December 2022, Chongqing Tangcheng (a wholly-owned subsidiary of the Company) entered into the Share Transfer Agreement with Chongqing Hesheng and Tianyu Jurong (as the Vendors) and Chongqing Zhiyuan (as the Target Company), pursuant to which Chongqing Tangcheng conditionally agreed to acquire, and Chongqing Hesheng and Tianyu Jurong conditionally agreed to sell, 60% and 20% of the equity interests in the Target Company, respectively, at a total consideration of RMB542,077,556, comprising (1) the assumption of the debt in the amount of RMB262,077,556 due by Chongqing Hesheng (one of the Vendors) to the Target Company by Chongqing Tangcheng; and (2) an offset of an amount of RMB280,000,000 due by Chongqing Hesheng to Chongqing Tangcheng. Before the Acquisition, the registered capital of the Target Company is RMB100,000,000, which is held by Chongqing Tangcheng, Chongqing Hesheng and Tianyu Jurong as to 20%, 60% and 20%, respectively. Upon the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

Reference is made to the 2021 Announcement, which contains particulars of the Previous Acquisition. As both the Previous Acquisition and the Acquisition involve the acquisition of equity interests in the Target Company, the Previous Acquisition and the Acquisition have been aggregated as a series of transactions pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As one of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Previous Acquisition and the Acquisition (in aggregate) exceed 25% but all percentage ratios are less than 100%, the Previous Acquisition and the Acquisition constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Acquisition may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the company were to convene a general meeting for the approval of the transactions; and (2) written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

Good Fountain and MeiDi Investment (together, the "**Group Shareholders**") are closely allied group of Shareholders who directly hold 418,585,136 Shares and 407,789,564 Shares, respectively, and together hold 826,374,700 Shares, which represent approximately 60.60% of the total issued Shares of the Company and voting rights in general meetings of the Company as at the date of this announcement. The Directors consider that the Group Shareholders as a closely allied group of Shareholders under Rules 14.44 and 14.45 of the Listing Rules taking into account among others, (i) the Group Shareholders have been long term Shareholders since the listing of the Company on the Stock Exchange; (ii) although Good Fountain and MeiDi Investment are not parties acting in concert, for the purpose of the Hong Kong Code on Takeovers and Mergers, the Group Shareholders have voted in the same way on most shareholders' resolutions of the Company, except for cases (if any) in which any of them was required to abstain from voting or absent from the general meetings; and (iii) Ms. Wong (the ultimate beneficial owner of Good Fountain) and Mr. Wu (the ultimate beneficial owner of MeiDi Investment) had known each other since 1980s and Ms. Wong had built up a professional management team of the Group led by Mr. Wu from an operation perspective. No Shareholder is required to abstain from voting on the Acquisition if the Company were to convene a general meeting for the approval of the Acquisition. As such, no special general meeting will be convened by the Company for the purpose of approving the Acquisition and the Acquisition has been approved by written Shareholders' approval from the Group Shareholders.

A circular containing, among other things, further details of the Share Transfer Agreement and the Acquisition will be dispatched to the Shareholders as soon as possible but not later than 26 January 2023.

As Completion is subject to the satisfaction of the condition precedent as set out in the Share Transfer Agreement, the Acquisition may or may not proceed. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.

THE SHARE TRANSFER AGREEMENT

On 30 December 2022, Chongqing Tangcheng, Chongqing Hesheng, Tianyu Jurong and Chongqing Zhiyuan entered into the Share Transfer Agreement.

The principal terms of the Share Transfer Agreement are set out as below:

Date:

30 December 2022

Parties:

- (1) Chongqing Hesheng and Tianyu Jurong (the Vendors);
- (2) Chongqing Tangcheng (wholly-owned subsidiary of the Company, the purchaser); and
- (3) Chongqing Zhiyuan (the Target Company);

(each a “**Party**”, collectively the “**Parties**”)

At the date of this announcement, save as disclosed in this announcement, to the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, each of Tianyu Jurong, Chongqing Hesheng, and the Target Company and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Subject matter

Pursuant to the Share Transfer Agreement, Chongqing Tangcheng conditionally agreed to acquire and Chongqing Hesheng and Tianyu Jurong conditionally agreed to sell an aggregate of 80% of the equity interests in the Target Company. Before the Acquisition, the registered capital of the Target Company is RMB100,000,000, which is held by Chongqing Tangcheng, Chongqing Hesheng and Tianyu Jurong as to 20%, 60% and 20%, respectively. Upon the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Consideration

Pursuant to the Share Transfer Agreement, the total consideration of the Acquisition shall be RMB542,077,556, which shall be fully satisfied by:

- (1) the assumption of the debt in the amount of RMB262,077,556 due by Chongqing Hesheng (one of the Vendors) to the Target Company by Chongqing Tangcheng. Such debt was mainly attributable to the daily operating expenses paid by the Target Company on behalf of Chongqing Hesheng; and
- (2) an offset of an amount of RMB280,000,000 due by Chongqing Hesheng to Chongqing Tangcheng. Such amount was a financing advanced to Chongqing Hesheng by Chongqing Tangcheng.

The consideration of the Acquisition was determined (i) on the basis of normal commercial terms and after arm's length negotiations with reference to the preliminary valuation as at 30 September 2022 of RMB1,059 million regarding the properties under development held by the Target Company as at 30 September 2022 determined by Cushman & Wakefield International Properties Advisers (Guangzhou) Co., Ltd., an independent valuer, with market comparison approach; and (ii) the benefits that will be brought to the Group by the Acquisition as set out in the paragraph headed "Reasons for and Benefits of the Acquisition" in this announcement.

Rights and liabilities

Pursuant to the Share Transfer Agreement, the profit and loss of the Target Company during the period from the Transfer Benchmark Date to the Completion Date shall be enjoyed and borne by the Target Company. Upon the Completion Date, the profit and loss of the Target Company shall be enjoyed and borne by Chongqing Tangcheng.

Condition precedent

The Completion is conditional upon the satisfaction of the following condition precedent on or before 30 June 2023:

- (1) Skyfame Realty having obtained its shareholders' approval in respect of the Share Transfer Agreement and the transaction contemplated thereunder as required under the Listing Rules.

The condition precedent as set forth above may not be waived by the Parties to the Acquisition.

Completion

The Completion is conditional upon the satisfaction of the condition precedent as set forth above. Pursuant to the Share Transfer Agreement, the Completion shall take place within one day from the date when the condition precedent is fulfilled, and Chongqing Tangcheng shall be responsible for the industrial and commercial registration modification in relation to the Acquisition. The Completion Date shall be the date of completion of the industrial and commercial registration modification of the Target Company. Upon the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated to the financial statement of the Company.

If such condition precedent cannot be fulfilled on or before 30 June 2023, except for any liabilities arising from the breach of the terms of the Share Transfer Agreement by any Party, the Share Transfer Agreement shall lapse and be terminated.

Information of the Target Company

Before the Acquisition, the equity interests in the Target Company is held by Chongqing Tangcheng, Chongqing Hesheng and Tianyu Jurong as to 20%, 60% and 20%, respectively. As a limited liability company established in the PRC, the Target Company has a registered capital of RMB100,000,000. The Target Company is principally engaged in real estate development and commercial housing sales. As at the date of this announcement, the Target Company held a residential property project under construction in Xinsheng Village, Bicheng Street, Bishan District, Chongqing City, the PRC with a total site area of approximately 128,000 sq.m.. The Target Company intends to develop the residential property project into a residential building with a total planned gross floor area of approximately 448,000 sq.m..

The table below sets forth a summary of certain unaudited financial information of the Target Company (prepared in accordance with the applicable financial reporting standards in Hong Kong) for the two years ended 31 December 2021 respectively:

	For the year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Total assets	1,369,296	682,554
Total equity	593,257	575,005
Net loss before taxation	31,954	6,600
Net loss after taxation	24,368	6,601

Based on the unaudited management accounts of the Target Company as at 30 September 2022, the total assets, total liabilities and net assets of the Target Company were approximately RMB1,516.85 million, RMB962.36 million and RMB554.49 million respectively. The total assets of the Target Company as at 30 September 2022 mainly comprised property under

development held by it of approximately RMB1,058.95 million and amount due from fellow subsidiaries of approximately RMB287.43 million. The total liabilities of the Target Company as at 30 September 2022 mainly comprised contract liabilities of approximately RMB790.61 million and other payables and accruals of approximately RMB171.75 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

It is the business strategy of the Group to focus on the property development and expand the property investment business in the PRC. Although in 2022, the international situation was volatile and turbulent and the real estate developers in China have experienced the most difficult year in the industry's development in the past years, the Group expects the real estate market in the PRC will gradually recover under the continuous stimulation of various favourable policies promulgated by the government.

As of 30 November 2022, an aggregate GFA of 127,000 sq.m. of the Chongqing Skyfame Linxifu Project (a property project held by the Target Company) has been sold. The first phase of the Chongqing Skyfame Linxifu Project is in the final stage of project acceptance and in preparation for delivery. The second and third phases of the Chongqing Skyfame Linxifu Project are in the middle stage of the construction while the fourth phase of the Chongqing Skyfame Linxifu Project is in preliminary stage of construction. The project still needs further financial resources to ensure timely deliveries of presold homes.

The residential property project held by the Target Company in Xinsheng Village, Bicheng Street, Bishan District, Chongqing City, the PRC is expected to be completed on 2024 and the contracted sales brought by the sales of the residential properties will bring favourable returns to the Group's revenue and general cashflow for the Group in the short-run after the Acquisition and the consolidation of the financial results of the Target Company into the financial statements of the Group. The Board is also of the view that the Acquisition will enhance the Group's existing business in developing quality residential projects and strengthen its presence in Chongqing City which will bring synergy to the future development projects owned by the Group.

Therefore, the Board considers the transactions contemplated thereunder are in the interests of the Company. The terms of the Share Transfer Agreement were determined by the Parties after arm's length negotiations and in view of the above factors, the Directors consider that the terms of the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE ACQUISITION

The Company

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in property development business in the PRC.

Chongqing Tangcheng

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

Chongqing Hesheng

Chongqing Hesheng, an 97.02% indirectly owned subsidiary of Skyfame Realty (a company listed on the Stock Exchange (stock code: 00059)), is a limited liability company established in Chongqing, the PRC, and is principally engaged in property development business.

Tianyu Jurong

As at the date of this announcement, Tianyu Jurong is 20% indirectly owned by the Company and 80% owned by Tianyu Yujun, which is a subsidiary of Skyfame Realty. Tianyu Jurong is a limited liability company established in Nanning City, the PRC, and is principally engaged in property development business. As at the date of this announcement, the Company has also entered into a share transfer agreement for the disposal of 20% equity interests in Tianyu Jurong. For details, please refer to the announcement of the Company dated 30 December 2022.

BOARD APPROVAL

The Board has considered and approved the resolutions in relation to the Share Transfer Agreement. As none of the Directors has any material interest in the Share Transfer Agreement, none of the Directors was required to abstain from voting on the relevant Board resolutions.

LISTING RULES IMPLICATIONS

Reference is made to the 2021 Announcement, which contains particulars of the Previous Acquisition. As both the Previous Acquisition and the Acquisition involve the acquisition of equity interests in the Target Company, the Previous Acquisition and the Acquisition have been aggregated as a series of transactions pursuant to Rules 14.22 and 14.23 of the Listing Rules.

As one of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Previous Acquisition and the Acquisition (in aggregate) exceed 25% but all percentage ratios are less than 100%, the Previous Acquisition and the Acquisition constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Acquisition may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the company were to convene a general meeting for the approval of the transactions; and (2) written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

Good Fountain and MeiDi Investment (together, the "**Group Shareholders**") are closely allied group of Shareholders who directly hold 418,585,136 Shares and 407,789,564 Shares, respectively, and together hold 826,374,700 Shares, which represent approximately 60.60% of the total issued Shares of the Company and voting rights in general meetings of the Company as at the date of this announcement. The Directors consider that the Group Shareholders as a closely allied group of Shareholders under Rules 14.44 and 14.45 of the Listing Rules taking into account among others, (i) the Group Shareholders have been long term Shareholders since the listing of the Company on the Stock Exchange; (ii) although Good Fountain and MeiDi Investment are not parties acting in concert, for the purpose of the Hong Kong Code on Takeovers and Mergers, the Group Shareholders have voted in the same way on most shareholders' resolutions of the Company, except for cases (if any) in which any of them was required to abstain from voting or absent from the general meetings; and (iii) Ms. Wong (the ultimate beneficial owner of Good Fountain) and Mr. Wu (the ultimate beneficial owner of MeiDi Investment) had known each other since 1980s and Ms. Wong had built up a professional management team of the Group led by Mr. Wu from an operation perspective. No Shareholder is required to abstain from voting on the Acquisition if the Company were to convene a general meeting for the approval of the Acquisition. As such, no special general meeting will be convened by the Company for the purpose of approving the Acquisition and the Acquisition has been approved by written Shareholders' approval from the Group Shareholders.

GENERAL

A circular containing, among other things, further details of the Acquisition will be dispatched to the Shareholders on or before 26 January 2023.

As Completion is subject to the satisfaction of the condition precedent as set out in the Share Transfer Agreement, the Acquisition may or may not proceed. Shareholders and prospective 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 expressions shall have the following meanings:

“Acquisition”	the acquisition of 60% and 20% of the equity interests in the Target Company from Chongqing Hesheng and Tianyu Jurong, respectively, by Chongqing Tangcheng pursuant to the Share Transfer Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chongqing Hesheng”	重慶核盛房地產開發有限公司 (Chongqing Hesheng Property Development Co., Ltd.*), a limited liability company established in the PRC
“Chongqing Tangcheng”	重慶唐承房地產開發有限公司 (Chongqing Tangcheng Property Development Co., Ltd.*), a limited liability company established in the PRC and is an indirect wholly-owned subsidiary of the Company
“Chongqing Zhiyuan” or “Target Company”	重慶之遠地產有限公司 (Chongqing Zhiyuan Property Co., Ltd.*), a limited liability company established in the PRC
“Company”	Datang Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2117)
“Completion”	the completion of Acquisition
“Completion Date”	the date of Completion
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Good Fountain”	Good Fountain Holdings Limited, a company incorporated in the British Virgin Islands and is ultimately owned by Ms. Wong
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Code on Takeovers and Mergers”	the Codes on Takeovers and Mergers and Share Buy-backs
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MeiDi Investment”	MeiDi Investment Holding Limited (美地投資控股有限公司), a limited liability company incorporated in the BVI, which is wholly-owned by Mr. Wu
“Mr. Wu”	Mr. Wu Di, an executive Director
“Ms. Wong”	Ms. Wong Hei (黃晞), one of controlling shareholders of the Company and the ultimate beneficial owner of Good Fountain
“PRC”	the People’s Republic of China
“Previous Acquisition”	the Company’s previous acquisition of 20% equity interests in the Target Company as disclosed in the announcement of the Company dated 30 September 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Share Transfer Agreement”	the share transfer agreement dated 30 December 2022 entered into by Chongqing Tangcheng, Chongqing Hesheng, Tianyu Jurong and Chongqing Zhiyuan
“Shareholder(s)”	holder(s) of Share(s)
“Skyfame Realty”	天譽置業(控股)有限公司 (Skyfame Realty (Holdings) Limited), a company listed on the Stock Exchange (stock code: 00059) and incorporated in Bermuda with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianyu Jurong”	南寧天譽巨榮置業有限公司 (Nanning Tianyu Jurong Realty Co., Ltd.*), being a limited liability company established in the PRC

“Tianyu Yujun”	南寧天譽譽浚投資有限公司 (Nanning Tianyu Yujun Investment Co., Ltd.*), a limited liability company established in the PRC and a subsidiary of Skyfame Realty
“Transfer Benchmark Date”	30 June 2022, pursuant to the Share Transfer Agreement
“Vendors”	Chongqing Hesheng and Tianyu Jurong
“%”	per cent

On behalf of the Board
Datang Group Holdings Limited
WU Di
Chairman

Hong Kong, 30 December 2022

As at the date of this announcement, the executive Directors are Mr. WU Di, Mr. HAO Shengchun, and Mr. TANG Guozhong, the non-executive Director is Ms. CHEN Xiaoyun, and the independent non-executive Directors are Mr. CHANG Eric Jackson, Ms. XIN Zhu and Mr. TAM Chi Choi.

* For identification purpose only