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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

DISPOSAL OF 80% EQUITY INTERESTS IN THE TARGET COMPANY

INTRODUCTION

The Board hereby announces that, after trading hours of the Stock Exchange on 30 December 2022, Xiamen Datang (an indirect wholly-owned subsidiary of the Company) as the vendor, Guangxi Jishunlong as the purchaser and the Target Company entered into the Equity Transfer Agreement, pursuant to which Guangxi Jishunlong conditionally agreed to acquire and Xiamen Datang conditionally agreed to sell 80% of the equity interests of the Target Company at a total consideration of RMB251,810,000.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction for the Company 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 Disposal 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 Disposal if the Company were to convene a general meeting for the approval of the Disposal. As such, no special general meeting will be convened by the Company for the purpose of approving the Disposal and the Disposal has been approved by written Shareholders’ approval from the Group Shareholders.

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

INTRODUCTION

The Board hereby announces that, after trading hours of the Stock Exchange on 30 December 2022, Xiamen Datang (an indirect wholly-owned subsidiary of the Company) as the vendor, Guangxi Jishunlong as the purchaser and the Target Company entered into the Equity Transfer Agreement, pursuant to which Guangxi Jishunlong conditionally agreed to acquire and Xiamen Datang conditionally agreed to sell 80% of the equity interests of the Target Company at a total consideration of RMB251,810,000.

THE EQUITY TRANSFER AGREEMENT

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

Date

30 December 2022

Parties

- (i) Xiamen Datang (as the vendor);
- (ii) Guangxi Jishunlong (as the purchaser); and
- (iii) the Target Company

Subject matter

Pursuant to the Equity Transfer Agreement, Guangxi Jishunlong conditionally agreed to acquire and Xiamen Datang conditionally agreed to sell 80% of the equity interests of the Target Company at a total consideration of RMB251,810,000.

Consideration

The consideration for the Disposal is RMB251,810,000, which shall be paid on the day of completion of the industrial and commercial registration for the 80% equity interests of the Target Company as disclosed in paragraph headed “Completion” below.

The consideration for the Disposal was determined after arm’s length negotiations between Xiamen Datang and Guangxi Jishunlong on normal commercial terms with reference to (i) the net asset of the Target Company as at 30 November 2022, being approximately RMB349,163,876; (ii) the 80% of equity interests of the Target Company to be sold by Xiamen Datang; (iii) the registered capital of the Target Company paid by Xiamen Datang being RMB249,598,464.54; and (iv) the reasons and benefits of the Disposal as more particularized in the section headed “Reasons for and Benefits of the Disposal” below.

Completion

Pursuant to the Equity Transfer Agreement, Xiamen Datang and Guangxi Jishunlong shall cooperate to arrange the change of industrial and commercial registration for the 80% equity interests of the Target Company. Such registration shall be completed within 60 days after the date of the Equity Transfer Agreement.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal business of the Group is property development in the PRC. In 2022, the global market was volatile and turbulent, and China's economy continued to face challenges. Under the complex situation, property developers in the PRC have experienced the most difficult year in the industry's development. The sales of the top 100 real estate companies in the first half of the year 2022 declined significantly year-on-year. However, the real estate industry's status as one of the primary economic pillars of the PRC was unchanged. In the first half of the year 2022, national and local governments launched policies to boost the real estate market, "Guaranteed Delivery" has become the top priority of the industry and enterprises. The private real estate companies shifted from expansion to contraction, reduced debt and shrank balance sheets to cope with the difficulties. Under the continuous stimulation of a series of policies, the Group expects that the real estate market in China will gradually recover in the year 2023. In order to deal with the new challenges and adhere to the prudent operation strategy, the Company expects that the Disposal will be beneficial for the Company to strengthen its cash flow. The sales proceeds will be used as general working capital of the Group, which can facilitate further development of "Guaranteed Delivery" and "Guaranteed Operation".

The Directors (including the independent non-executive Directors) have reviewed the Disposal and are of the view that the Disposal is on normal commercial terms and not in the ordinary and usual course of business of the Group, but it is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The Company and Xiamen Datang

The Company is an investment holding company. The Group is principally engaged in property development business in the PRC.

Xiamen Datang is a company established in the PRC with limited liability and is wholly-owned by the Company as at the date of this announcement. Xiamen Datang is principally engaged in property development.

Guangxi Jishunlong

Guangxi Jishunlong is a wholly foreign-owned enterprise in PRC with limited liability and is wholly-owned by Ji Long Shun Holding Limited, a company incorporated in Hong Kong with limited liability. Guangxi Jishunlong is principally engaged in the operation of facilities in sports venue and sales of outdoor products. Ji Long Shun Holding Limited is wholly beneficially owned by Dong Kailin.

To the best of the directors' knowledge, information and belief having made all reasonable enquiry, Guangxi Jishunlong and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

The Target Company

The Target Company is a company established in the PRC with limited liability. As at the date of this announcement, the total registered capital of the Target Company is RMB311,998,080.68 which is owned as to 80% by Xiamen Datang and 20% by Guangxi Jishunlong. The Target Company is principally engaged in management services for commercial complexes and real estate development and operation. The principal assets of the Target Company are trade and other receivables, fixed assets and construction in progress.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the unaudited financial information of the Target Company for the two financial years ended 31 December 2020 and 2021 and 9 months ended 30 September 2022 respectively:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the 9 months ended 30 September 2022
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Revenue	33,597	39,898	8,885
Net (loss)/profit before taxation	22,703	45,123	(316,287)
Net (loss)/profit after taxation	17,267	45,123	(316,287)

Based on the financial information of the Target Company, the unaudited net assets of the Target Company was approximately RMB349,164,000 as at 30 November 2022.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Group will record a loss on the Disposal in the amount of approximately RMB27.5 million, which is calculated with reference to the difference between the consideration for the Disposal and the fair value of the 80% equity interests of the Target Company subject to the Disposal. The actual gain or loss arising from the Disposal will be subject to audit by the auditors of the Company and may be different from the amount stated.

The Target Company is a joint venture of the Company, whose results are accounted for in the Group's consolidated financial statements using the equity method. Upon completion of the Disposal, the Company will cease to have any equity interest in the Target Company and the Target Company will cease to be a joint venture of the Company.

The net proceeds from the Disposal will be used as general working capital of the Group.

GENERAL

None of the Directors is or is deemed to have a material interest in the transactions contemplated under the Equity Transfer Agreement and is required to abstain from voting for the approval of the Equity Transfer Agreement in the Board meeting.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Company”	Datang Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (Stock Code: 2117)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the 80% equity interests of the Target Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between Xiamen Datang and Guangxi Jishunlong in relation to the Disposal
“Good Fountain”	Good Fountain Limited, a company incorporated in the British Virgin Islands and is ultimately owned by Ms. Wong
“Group”	the Company and its subsidiaries
“Guangxi Jishunlong”	Guangxi Jishunlong Sports Development Co., Ltd.* (廣西吉順隆體育發展有限公司)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MeiDi Investment”	MeiDi Investment Holding Limited (美地投資控股有限公司), a limited liability company incorporated in the British Virgin Islands, 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
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Xiamen Shengshanling Commercial Management Co., Ltd.* (廈門盛善領商業管理有限公司)
“Xiamen Datang”	Xiamen Datang Real Estate Group Co., Ltd.* (廈門大唐房地產集團有限公司)
“%”	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