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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE DISPOSAL OF 51% ISSUED SHARE CAPITAL
IN A SUBSIDIARY**

THE DISPOSAL

The Board is pleased to announce that on 16 February 2023 (after trading hours), the Company (being the vendor), the Purchaser (an Independent Third Party) and the Target Company entered into the Share Transfer Agreement, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the Sale Shares at a Consideration of RMB26.50 million.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

As Completion is subject to the fulfillment of the conditions precedent set out in the Share Transfer 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 16 February 2023 (after trading hours), the Company (being the vendor), the Purchaser (an Independent Third Party) and the Target Company entered into the Share Transfer Agreement, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the Sale Shares at a Consideration of RMB26.50 million.

THE SHARE TRANSFER AGREEMENT

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

- Date** 16 February 2023 (after trading hours)
- Parties**
- (i) The Company, as the vendor;
 - (ii) Mr. Guo Wei* (郭偉), as the Purchaser; and
 - (iii) Commerce Prosper Limited, being the Target Company.

Assets to be disposed

Pursuant to the Share Transfer Agreement, the Company shall dispose of the Sale Shares, being 51% issued share capital of the Target Company, to the Purchaser.

Consideration

The Consideration of RMB26.50 million shall be settled in the following manners:

- (i) RMB16.00 million, shall be paid within five (5) Business Days of the date of the Share Transfer Agreement; and
- (ii) RMB10.50 million, shall be paid on the Completion Date.

The Consideration has been arrived at arm's length negotiations between the Company and the Purchaser with reference to, including but not limited to, (i) the total asset and net asset value of the Target Group of approximately RMB48.10 million and RMB47.54 million as at 30 June 2022; (ii) the Target Group's loss-making position; and (iii) the prospect in gold mining business of the Target Group. Further details are set out in the sections headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" below.

Conditions Precedent

Completion is conditional upon the following conditions being fulfilled or waived:

- (i) the parties to the Share Transfer Agreement have properly signed and delivered the transaction documents of the Disposal, the format and content of which are in compliance with the main clauses of the Share Transfer Agreement and satisfy the parties to the Share Transfer Agreement; and
- (ii) the Vendor has the right to dispose of the Sale Shares and has obtained the internal approval authorization for the Disposal.

If the above conditions are not satisfied (or waived) within three (3) months of the date of the Share Transfer Agreement (or such other date as the parties may agree in writing), both parties have the right to terminate the Share Transfer Agreement and thereafter neither party shall have any obligations or liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the Completion Date.

Upon Completion, the Target Company will cease to be a subsidiary of the Group.

INFORMATION OF THE GROUP

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 (6) mining and sale of gold under the gold mining segment.

INFORMATION OF THE PURCHASER

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser, Mr. Guo Wei*, is an Independent Third Party.

INFORMATION OF THE TARGET COMPANY AND THE TARGET GROUP

The Target Group comprises the Target Company and Zolotoy Standart. The Target Company is a company incorporated in the British Virgin Islands with limited liability and legally and beneficially owned as to 51% by the Company and 49% by Mr. Khachatryan Araik. The Target Company is the sole legal and beneficial owner of the entire issued share capital of Zolotoy Standart. Apart from the holding of the entire issued share capital in Zolotoy Standart, the Target Company has no other assets or business.

Zolotoy Standart is a company established under the laws of the Russian Federation with limited liability and currently operates and owns the legal and beneficial interest in a mining project relating to a gold mine, which is located in the Molchan river, Zeyskiy region, Amur area, Russia with an aggregate mining area of 309.3 square km. The Target Group has exploration and exploitation rights on the same area (BLG02398BR) with an expiry date on 31 December 2027.

Financial information of the Target Group

Based on the unaudited consolidated financial statements of the Target Company for the years ended 30 June 2021 and 2022 (prepared in accordance with Hong Kong Financial Reporting Standards), the revenue and the net loss (before and after taxation) of the Target Company are as follows:

	For the year ended 30 June 2021 <i>Approximately RMB' million</i> <i>(unaudited)</i>	For the year ended 30 June 2022 <i>Approximately RMB' million</i> <i>(unaudited)</i>
Revenue	2.95	0.34
Net loss before tax	(1.50)	(1.53)
Net loss after tax	(1.59)	(1.54)

The consolidated total assets, total liabilities and net assets of the Target Company as at 30 June 2022 according to its unaudited financial statements were approximately RMB48.10 million, RMB0.56 million and RMB47.54 million respectively.

FINANCIAL EFFECT OF THE DISPOSAL AND THE INTENDED USE OF PROCEEDS

Upon Completion, the Company will cease to have any interest in the Target Company, whereas the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group upon Completion.

It is expected that upon Completion, the Group will record a gain on the Disposal of approximately RMB2.3 million. Such gain is estimated based on the Consideration in the amount of RMB26.5 million less the net assets of 51% issued share capital of the Target Company as of 30 June 2022 in the amount of approximately RMB24.2 million. Such gain from the Disposal expected by the Company are unaudited and subject to the final confirmation. It is expected that the net proceeds from the Disposal will be used for general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal asset of the Target Group is a gold mine, which is located in Russia. Due to the Russia-Ukraine war and the Covid-19 pandemic, most of the Russian labours had been infected and refused to go out for mining work. As a result, the Target Group's operation was insignificant and it recorded net loss for the financial years ended 30 June 2021 and 2022. As such, the production of gold mine is severely affected and the Target Group's business operation is facing significant challenges.

In view of above, the Directors believe that the Disposal provides a good opportunity for the Group to realise its investment in the Target Company and focus its resources to develop its other existing businesses.

The Directors (including the independent non-executive Directors) are of the view that the Disposal and the terms of the Share Transfer Agreement were entered into on arm's length basis and on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

As Completion is subject to the fulfillment of the conditions precedent set out in the Share Transfer 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 and expressions shall have the following meanings:

“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” or “Vendor”	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 settlement of the Consideration in accordance with the terms of the Share Transfer Agreement
“Completion Date”	date of Completion, being the date following all conditions precedent have been fulfilled and the Consideration has been paid, which shall be within three (3) months of the date of the Share Transfer Agreement or such other date as the parties may agree in writing
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	RMB26.50 million, being the consideration for the Disposal
“Director(s)”	director(s) of the Company

“Disposal”	the disposal of the Sale Shares pursuant to the Share Transfer Agreement
“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
“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
“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
“Purchaser”	Mr. Guo Wei* (郭偉)
“RMB”	Renminbi, the lawful currency of the PRC
“Russian Federation”	The Russian Soviet Federative Socialist Republic
“Sale Shares”	the shares of the Target Company held by the Company, representing 51% of the issued share capital of the Target Company as at the date of this announcement
“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
“Share Transfer Agreement”	the conditional share transfer agreement dated 16 February 2023 and entered into by the Company, the Purchaser and the Target Company in respect of the Disposal
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Commerce Prosper Limited, a company incorporated in the British Virgin Islands with limited liability and a non-wholly owned subsidiary of the Company

“Target Group” the Target Company and its wholly-owned subsidiary, Zolotoy Standart

“Zolotoy Standart” Zolotoy Standart Limited, a company incorporated under the laws of the Russian Federation with limited liability and is wholly-owned by the Target Company as at the date of this announcement

“%” per cent.

By order of the Board
Kingwell Group Limited
Mu Dongsheng
Chairman

Hong Kong, 16 February 2023

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 purpose only*