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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)**

### **UPDATE ANNOUNCEMENT IN RELATION TO THE ACQUISITION OF 50% EQUITY INTEREST IN GUANGDONG TELIJIE**

Reference is made to the announcement of KWG Living Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 10 January 2022 (the “**Acquisition Announcement**”) in relation to the acquisition of 50% equity interest in Guangdong Telijie Environmental Engineering Co., Ltd. (“**Guangdong Telijie**”). Unless otherwise defined in this Announcement, the terms used herein shall have the same meanings as those defined in the Acquisition Announcement.

#### **I. BACKGROUND**

On 10 January 2022, the Group entered into the Equity Acquisition Agreement with the Vendors. Pursuant to the Equity Acquisition Agreement, the Group acquired 50% equity interest in Guangdong Telijie. Upon completion of the acquisition, the Group holds 55% equity interest in Guangdong Telijie, and Guangdong Telijie has become a non-wholly owned subsidiary of the Group.

As disclosed in the Acquisition Announcement, pursuant to the Equity Acquisition Agreement, the Vendors warrant and undertake to the Group the Performance Guarantee for the Guaranteed Periods (being the three years ended 31 December 2024). Upon the expiry of the Guaranteed Periods, if the accumulated actual audited net profit before non-recurring items for the Guaranteed Periods is less than the Guaranteed Net Profit, the Vendors shall make compensation to the Group.

Specifically, pursuant to the Equity Acquisition Agreement, the calculation of net profit before non-recurring items shall take into account the provision for bad debts of accounts receivable based on their actual recovery status.

The audited reports of Guangdong Telijie for each of the three years ended 31 December 2022, 2023 and 2024 shall be prepared by an auditor mutually agreed by the Group and the Vendors within 3 months after the end of the respective financial years.

## **II. UPDATES ON THE ACHIEVEMENT OF THE PERFORMANCE GUARANTEE AND CALCULATION OF COMPENSATION**

### **Current Status of the Issuance of Audited Reports**

As at the date of this Announcement, the audited report of Guangdong Telijie for the year ended 31 December 2022 (the “**2022 Report**”) and the audited report for the year ended 31 December 2023 (the “**2023 Report**”) have been issued. However, the audited report for the year ended 31 December 2024 (the “**2024 Report**”) has not yet been finalized and issued, and only a preliminary report (the “**2024 Preliminary Report**”) is available. The reasons for the delay are detailed in the section headed “Reasons for the Delay in the Issuance of the 2024 Report” below.

### **Achievement of the Performance Guarantee and Calculation of Compensation**

Based on the 2022 Report, the 2023 Report and the 2024 Preliminary Report, Guangdong Telijie has failed to meet the Performance Guarantee in respect of Guaranteed Revenue, Guaranteed Net Profit and revenue collection rate. The preliminary assessment of the achievement of the Performance Guarantee is as follows:

#### ***Revenue***

The Guaranteed Revenue is RMB1,074,095,000, while the preliminary estimated aggregate amount of the revenue for the Guaranteed Periods is RMB840,807,000.

#### ***Net profit before non-recurring items***

The Guaranteed Net Profit is RMB109,230,000, while the preliminary estimated aggregate amount of the net profit before non-recurring items for the Guaranteed Periods is RMB61,389,000.

As at 31 December 2024, the outstanding receivables of Guangdong Telijie primarily comprise account receivables due from customers of urban service projects (the “**Urban Service Receivables**”). In calculating the estimated net profit before non-recurring items for the year ended 31 December 2024, the 2024 Preliminary Report has adopted a symbolic ratio of approximately 0.3% for provision of bad debt loss given the extremely low historical default risk of Urban Service Receivables.

Pursuant to the Equity Acquisition Agreement and based on the preliminary estimate of the achievement of the Performance Guarantee above, the compensation receivable by the Group shall be the higher amount of:

$$A = (109,230,000 - 61,389,000)/3*11*55\% = \text{RMB}96.5 \text{ million}$$

Or

$$B = (1,074,095,000 - 840,807,000)*10\%*55\% = \text{RMB}12.8 \text{ million}$$

Accordingly, the Company has accrued a receivable of approximately RMB96.5 million under “Other Income and Gains” in the consolidated financial statements of the Group for the year ended 31 December 2024. For details, please refer to as Note 5 to the consolidated financial statements of the Company as contained in the Company’s 2024 annual report.

### **Reasons for the Delay in the Issuance of the 2024 Report**

When the 2022 Report and the 2023 Report were issued, no impairment loss was provided for the account receivables of Guangdong Telijie as all account receivables were assumed to be recoverable. However, when finalizing the 2024 Report, the actual recovery situation of the account receivables needs to be considered for the following reasons:

- (i) as the assessment on the Performance Guarantee and compensation (if any) would only be made upon expiry of the Guaranteed Periods, if the account receivables for the two years ended 31 December 2022 and 2023 remain uncollected at the time of finalization of the 2024 Report, such uncollected account receivables from prior years could be adjusted and reflected in the 2024 Report by deducting the uncollectible amounts from the net profit before non-recurring items in the 2024 Report;
- (ii) based on prior-year experience, Urban Service Receivables were all fully recoverable. However, in recent years, the continuous pressure on the macroeconomic environment has resulted in a longer recovery period for the Urban Service Receivables. As at 30 June 2025, the outstanding receivables of Guangdong Telijie aged one year or more amounted to approximately RMB161,000,000 (among which, approximately RMB8,910,000 are aged three years or more); and
- (iii) as the calculation of the Guaranteed Net Profit should take into account bad debts accrued based on the actual recovery situation, the Guaranteed Net Profit of Guangdong Telijie will vary depending on the collection status of its outstanding accounts receivables, and hence affecting the compensation payable by the Vendors to the Group. If most of the Urban Service Receivables could not be recovered, the amount of net profit before non-recurring items of

Guangdong Telijie for the year ended 31 December 2024 will be less than as currently recorded in the 2024 Preliminary Report (which only adopted a minimal bad debt ratio of 0.3%). Accordingly, the amount of compensation receivable by the Group will be larger than the amount of “A” as calculated above based on the 2024 Preliminary Report.

In view of the above, the Company intends to allow sufficient time up to around the second quarter of 2026 to monitor the collection progress of the Urban Service Receivables due as of 31 December 2024, which, the Company believes would be conducive to improving the accuracy of the actual net profit before non-recurring items for the year ended 31 December 2024 and ensuring the accuracy of the amount of compensation receivable by the Group.

If, by the end of the second quarter of 2026, the recovery rate of the outstanding receivables of Guangdong Telijie is still unsatisfactory, it has been agreed with the Vendors that and the two parties should negotiate and engage an independent valuer to conduct an impairment assessment of the accounts receivables which is calculated on the basis of using the accounts receivable balance as of 31 December 2024 minus the amount collected during the period from 1 January 2025 up to 30 June 2026. The result will be used as the final 2024 Report.

The Company considers that extending the observation period of the collection of accounts receivables until the second quarter of 2026 with an aim to improve the accuracy of the final performance compensation amount is fair and reasonable and in the interest of the Company and its shareholders as a whole.

### **III. MEASURES TO BE TAKEN BY THE COMPANY**

Given that the actual recovery status of Guangdong Telijie’s accounts receivable will affect the final determination of the Guaranteed Net Profit and thus the accuracy of the compensation amount, the Company has maintained a friendly business relationship with the Vendors based on mutual trust and collaboration, and the Vendors have actively assisted Guangdong Telijie in collecting the outstanding account receivables. The Vendors have not shown any sign of unwillingness to pay the compensation, and the current disagreement between the two parties only lies in the determination of the compensation amount. Therefore, unless there is a material adverse change in the Vendors’ cooperative attitude, the Company considers it unnecessary to resort to legal proceedings, which may lead to a deadlock between the two parties, increase the cost for the Company to recover the compensation, and extend the period for recovering the compensation.

The Company will continue to maintain close communication with the Vendors and track the recovery progress of accounts receivable in real time. If the recovery rate of Guangdong Telijie’s accounts receivable remains unsatisfactory by the second quarter of 2026, the Company will negotiate with the Vendors to engage a third-party valuer to conduct an impairment assessment on the balance of accounts

receivable as at 30 June 2026 (calculated as the balance of accounts receivable as at 31 December 2024 minus the amount collected from 1 January 2025 to 30 June 2026). The result of this assessment will be used for the issuance of the 2024 Report. At that time, the Company will require the Vendors to settle the compensation amount in cash or in such other manners decided by the Group in accordance with the Equity Acquisition Agreement.

The Company will publish announcement(s) to provide updated information in accordance with the Listing Rules as and when appropriate.

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

Hong Kong, 12 January 2026

*As at the date of this announcement, the Board comprises Mr. KONG Jianmin (Chairman) as Non-executive Director; Mr. KONG Jiannan and Mr. CHEN Wende as Executive Directors; and Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum as Independent Non-executive Directors.*