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Leading Holdings Group Limited

領地控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6999)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION TARGET'S DEBT RESTRUCTURING

Reference is made to the announcement of Leading Holdings Group Limited (the “**Company**”) dated 16 June 2021 (the “**Announcement**”) in relation to the Debt Restructuring Agreements entered into by and among the Company, Mianyang Hengliang (an indirect wholly-owned subsidiary of the Company), the relevant Existing Shareholders, the relevant Target Companies and China Orient, in relation to (i) the provision of the Capital Contributions by the Group in the aggregate amount of RMB226.7648 million; (ii) the provision of corporate guarantees in respect of the Agreed Debt in the amount of RMB630 million and the Maximum Interest in the amount of RMB160.5 million; and (iii) the entering into of the Share Charge. Unless the context otherwise requires, capitalized terms in this announcement shall have the same meanings as defined in the Announcement.

The Board wishes to provide supplemental information on the Target's Debt Restructuring and the Capital Contributions.

DEBT RESTRUCTURING AGREEMENTS

The corporate guarantees borne by the Company

As at the date of the Debt Restructuring Agreements, (i) Hetian; (ii) Ruichun; and (iii) the Non-Acquiring Companies (i.e. Lvchen, Lvhui and Jinsheng) (collectively as the “**Restructuring Companies**”) had an outstanding loan in an aggregate amount of RMB552.5 million (the “**Original Loan**”). The Original Loan was obtained by the Restructuring Companies from two banks in the PRC (the “**Banks**”), with Jiuyuan as the corporate guarantor in favour of Jinsheng only. As for Lvchen and Lvhui, the loans originally obtained by each of them were obtained for the benefit of Hetian and Ruichun. As for Jinsheng, the loan originally obtained by Jinsheng was previously guaranteed by Jiuyuan

(one of the Target Companies) and in order for the Group to acquire Jiuyuan, China Orient requested that the Group to continue to provide guarantee in respect of the loan obtained by Jinsheng.

Due to historical failure of the Restructuring Companies and/or Jiuyuan (on behalf of Jinsheng only) to repay all or part of the bank loans owed to the Banks, the Banks had commenced legal proceedings against, inter alia, the Restructuring Companies and Jiuyuan for breach of the relevant loan facility agreements.

To the best knowledge of the Directors, upon assignment and transfer of the bank loans by the Banks to China Orient, China Orient had been in discussion with the Restructuring Companies, Jiuyuan and their respective shareholders for the repayment of the bank loans together with accrued interests. In or about mid-2020, China Orient lodged claims against the Restructuring Companies and Jiuyuan for repayment of the bank loans together with accrued interests. As the Target Companies own the Property Projects which the Directors view as a valuable opportunity to further expand the business of the Group, the Group has negotiated with China Orient on an arm's length basis to obtain 51% equity interests in each of the Target Companies. In order for the Group to acquire the Target Companies, China Orient requested for the provision of joint and several guarantee by the Group in favour of China Orient in respect of the bank loans together with accrued interests. In the event that the deadlock situation among, inter alia, China Orient, the Target Companies and the Non-Acquiring Companies subsists, the Property Projects would remain undeveloped as China Orient is not a property developer in the PRC. Accordingly, the Target's Debt Restructuring was formulated to facilitate the acquisition of the Target Companies by the Group. Upon arm's length negotiation with China Orient, it was agreed that the Group shall provide corporate guarantee in favour of the bank loans together with the interests accrued, being the Agreed Debt and the Maximum Interest in order to acquire the Target Companies.

The Agreed Debt and the Maximum Interest is guaranteed by the Group on a joint and several basis and is not counter guaranteed by the Company. In regards of the guarantee provided by the Existing Shareholders, as disclosed in the Announcement, the respective Existing Shareholders of the Target Companies shall charge their 49% equity interests to the Group to secure the obligations owed by the respective Existing Shareholders under the Debt Restructuring Agreements. Thus, in the event that the respective Existing Shareholders default and the Group is required to repay the Agreed Debt and the Maximum Interests in full, the Group is able to enforce the relevant share charges to obtain the remaining 49% equity interests in the Target Companies.

THE COOPERATION AGREEMENTS

Reasons for not acquiring the Non-Acquiring Companies

Based on the foregoing, the provision of corporate guarantees for the Non-Acquiring Companies, whilst not being part of the Target Companies to be acquired by the Group, was entered into in order to resolve certain pre-existing debt arrangement entered into by the Target Companies as well as the Non-Acquiring Companies. The provision of corporate guarantee to the Non-Acquiring Companies was a pre-requisite condition requested by China Orient in order for the Group to complete the acquisition of the Target Companies. In addition, the Non-Acquiring Companies are merely shell companies and none of them owns any property projects, the Directors are of the view that the acquisition of the Non-Acquiring Companies is not beneficial to the Group and the Shareholders as a whole and there is no necessity to acquire these shell companies for the purpose of development of the Property Projects.

THE CAPITAL CONTRIBUTIONS

Funding for construction works

In addition to and upon completion of the Capital Contributions, subject to the obtaining of all necessary regulatory approvals from the governments in the PRC, the Group intends to commence construction works on the Property Projects in late 2021, 2022, 2023 and 2024 respectively with an expectation that the Property Projects will be completed within 2–3 years from the respective construction commencement dates. It is further intended that the Group will make available a further funding for the Target Companies through different methods, such as bank facilities, shareholders' loan and/or capital contributions, for the development of the Property Projects.

BASIS OF THE CONSIDERATION FOR THE ACQUISITION OF TARGET COMPANIES

The consideration for the acquisition of the Target Companies (the “**Consideration**”) comprises of (i) the Capital Contributions; and (ii) the provision of corporate guarantee under the Debt Restructuring Agreements. In determining the Consideration, the Directors have taken into account, among other things, the following: (a) the prevailing market price of comparable land parcels and/or completed properties developed by independent third party property developers and that the estimated value of the land parcels corresponding to the Property Projects is higher than the Consideration; (b) the prospects and potential return of the Property Projects; (c) the acquisition of the Target Companies representing a valuable opportunity to further expand the business, enhance market presence and market shares of the Group in the respective regions; and (d) the continuous steady development of the real estate market in the PRC.

In assessing the potential of the Property Projects and the estimated value of the land parcels corresponding to the Property Projects, the Company made reference to publicly available information available in relation to the latest transactions prior to the date of the Announcement in Fucheng District in which the Property Projects are located and nearby districts. The Directors considered that it is appropriate to determine the potential of the Property Projects and the estimated value of the land parcels corresponding to the Property Projects with reference to the above transactions. Based on the above, the Directors found that the Consideration, comprising the Capital Contributions and the provision of the corporate guarantees under the Debt Restructuring Agreements, is more favourable than the estimated value of the land parcels corresponding to the Property Projects, Thus, the Directors are of the view that the Consideration is fair and reasonable and is in the interest of the Company.

The above supplemental information does not affect other information contained in the Announcement and the contents of the Announcement remain correct and unchanged.

By order of the Board
Leading Holdings Group Limited
Liu Yuhui
Chairman

Hong Kong, 13 July 2021

As at the date of this announcement, the Board comprises Mr. Liu Yuhui, Mr. Luo Changlin, Ms. Zeng Xurong and Ms. Hou Xiaoping as executive Directors and Ms. Jin Xu, Ms. Liang Yunxing and Mr. Fang Min as independent non-executive Directors.