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## **KWG GROUP HOLDINGS LIMITED**

**合景泰富集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1813)**

### **CONTINUING CONNECTED TRANSACTIONS LEASE OF PROPERTIES AND REVISION OF ANNUAL CAPS**

#### **PROPERTY LEASE AND MANAGEMENT AGREEMENTS**

Reference is made to the announcements of the Company respectively dated 6 December 2018 and 2 July 2019 in respect of the continuing connected transactions in relation to the lease of properties.

The Board announces that the Group has entered into the Property Lease and Management Agreements IV and the Property Lease and Management Agreements V with the Lessees, pursuant to which the Group respectively (i) agreed to renew the term of the lease of the ICP Property under the Property Lease and Management Agreements II, which expired on 15 January 2020; and (ii) agreed to lease the IMP Property to the Lessees, each for a fixed term of three years.

#### **LISTING RULES IMPLICATIONS**

Mr. Kong, an executive Director and chief executive officer of the Company, is the ultimate beneficial owner of the Lessees, and therefore the Lessees are associates of Mr. Kong and connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Property Lease and Management Agreements IV and the Property Lease and Management Agreements V constitute continuing connected transactions of the Company.

The Property Lease and Management Agreements have been aggregated for the Listing Rules purposes on the basis that they all relate to lease of properties by the Group to the Lessees. On an aggregated basis, one or more of the applicable percentage ratios in respect of the highest annual cap of the said transactions exceeds 0.1% but all the applicable percentage ratios are less than 5% pursuant to Rule 14.07 of the Listing Rules. As such, the transactions contemplated under the Property Lease and Management Agreements are subject to the reporting and announcement requirements but are exempt from Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

## PROPERTY LEASE AND MANAGEMENT AGREEMENTS

The Board hereby announces that on the dates specified below, the Group respectively entered into the Property Lease and Management Agreements IV and the Property Lease and Management Agreements V with the Lessees, pursuant to which the Group respectively (i) agreed to renew the term of the lease of the ICP Property under the Property Lease and Management Agreements II, which expired on 15 January 2020; and (ii) agreed to lease the IMP Property to the Lessees, each for a fixed term of three years. The Lessees are also required to pay management fees and other expenses in relation to the ICP Property and the IMP Property to the Group for the provision of property management services. The aggregate effective rental and management fee per month is approximately RMB536,000.

Date:	14 February 2020 and 26 February 2020 — Property Lease and Management Agreements IV
	27 March 2020 — Property Lease and Management Agreements V
Parties:	(1) Certain wholly-owned subsidiaries of the Company as the Lessors
	(2) Guangzhou Kai Chuang Business Investments Company Limited* (廣州凱創商務投資有限公司) and its wholly-owned subsidiaries as the Lessees
Leased Objects:	the Properties, being various commercial properties located in Guangzhou with a total gross floor area of approximately 3,368 sq.m.
Term:	as set out below in the section headed “The Properties”
Effective Monthly Rental and Management Fee:	Approximately RMB536,000
Usage:	Office space

\* for identification purpose only

<b>Properties</b>	<b>Location</b>	<b>Lease Term</b>	<b>Effective Monthly Rental and Management Fee (RMB)</b>
The ICP Property (Renewal of lease)	Level 29, International Commerce Place, No. 1168 Xingangdong Road, Haizhu District, Guangzhou, Guangdong Province, the PRC	16 January 2020 to 15 January 2023	316,000
The IMP Property	Level 57, International Metropolitan Plaza, No. 68 Huacheng Avenue, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, the PRC	1 May 2020 to 30 April 2023	220,000
<b>TOTAL</b>			<b><u>536,000</u></b>

## **HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS**

The annual aggregate effective rental and management fee paid by the Lessees in respect of the lease of the ICP Property under the Property Lease and Management Agreements II for the period from 16 December 2018 to 31 December 2018, the financial year ended 31 December 2019 and the period from 1 January 2020 to 15 January 2020 amounted to approximately RMB165,000 (on pro-rata basis), RMB3,828,000 and RMB154,000 (on pro-rata basis), respectively.

The aggregate annual caps for transactions contemplated under the Property Lease and Management Agreements for each of the years ending 31 December 2020, 2021, 2022 and 2023 will be revised as follows:

<b>Agreements</b>	<b>Annual Caps</b>			
	<b>For the year ending 31 December 2020 (RMB)</b>	<b>For the year ending 31 December 2021 (RMB)</b>	<b>For the year ending 31 December 2022 (RMB)</b>	<b>For the year ending 31 December 2023 (RMB)</b>
Property Lease and Management Agreements I & II	25,126,000	—	—	—
Property Lease and Management Agreements III	6,480,000	6,480,000	2,436,000	—
Property Lease and Management Agreements IV & V	<u>5,399,000</u>	<u>6,432,000</u>	<u>6,432,000</u>	<u>1,033,000</u>
<b>Revised annual caps</b>	<b><u>37,005,000</u></b>	<b><u>12,912,000</u></b>	<b><u>8,868,000</u></b>	<b><u>1,033,000</u></b>

The aggregate annual caps were calculated based on the annual rental and management fees pursuant to the Property Lease and Management Agreements. The rental and management fees in respect of the Property Lease and Management Agreements IV and Property Lease and Management Agreement V were determined after arm's length negotiations between the Company and the Lessees with reference to the prevailing market rates for comparable properties in the PRC as of the date of the Property Lease and Management Agreements IV and the Property Lease and Management Agreements V, as well as the rental valuation conducted by an independent professional valuer based on comparisons to transacted rental fees or asking rental fees of comparable properties.

The Directors (including the independent non-executive Directors) consider that the aggregate annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **REASONS FOR AND BENEFITS OF THE LEASE OF THE PROPERTIES**

The Company believes that it will benefit from the transactions under the Property Lease and Management Agreements IV and the Property Lease and Management Agreements V due to the following reasons: (1) the Company will earn rental and management fee income; and (2) all the costs and risks relating to the operation of the business in the Properties will be borne by the Lessees. To the Company's awareness, the Lessees intend to provide the Properties to third parties as co-working spaces and serviced offices, to be used as offices and meeting venues, which will cater to entrepreneurs, start-up businesses, branches of large enterprises and professional services. The Properties are located in Guangzhou, one of the first tier cities in the PRC, and there is a growing market in the PRC for co-working spaces.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Property Lease and Management Agreements IV and the Property Lease and Management Agreements V and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms in the Property Lease and Management Agreements IV and the Property Lease and Management Agreements V, including the relevant annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Since Mr. Kong has a material interest in the Property Lease and Management Agreements, he had abstained from voting on the relevant board resolutions approving (i) the Property Lease and Management Agreements IV and the Property Lease and Management Agreements V and the transactions contemplated thereunder and (ii) the aggregate annual caps in respect of the Property Lease and Management Agreements.

## **INFORMATION ON THE GROUP AND THE PARTIES TO THE PROPERTY LEASE AND MANAGEMENT AGREEMENTS**

### **The Group**

The Group is a large-scale property developer in the PRC with a leadership position in Guangzhou and an established presence in various major cities in the PRC and Hong Kong.

### **Lessees**

The Lessees are companies established under the laws of the PRC. The Lessees are principally engaged in providing business services, including the provision of properties to third parties as co-working space and serviced offices.

## **LISTING RULES IMPLICATIONS**

Mr. Kong, an executive Director and chief executive officer of the Company, is the ultimate beneficial owner of the Lessees, and therefore the Lessees are associates of Mr. Kong and connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Property Lease and Management Agreements IV and the Property Lease and Management Agreements V constitute continuing connected transactions of the Company.

The Property Lease and Management Agreements have been aggregated for the Listing Rules purposes on the basis that they all relate to lease of properties by the Group to the lessees. On an aggregated basis, one or more of the applicable percentage ratios in respect of the highest annual cap of the said transactions exceeds 0.1% but all the applicable percentage ratios are less than 5% pursuant to Rule 14.07 of the Listing Rules. As such, the transactions contemplated under the Property Lease and Management Agreements are subject to the reporting and announcement requirements but are exempt from Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

## DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	KWG Group Holdings Limited (合景泰富集團控股有限公司) (stock code: 1813), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICP Property”	the commercial property located at Level 29, International Commerce Place, No. 1168 Xingangdong Road, Haizhu District, Guangzhou, Guangdong Province, the PRC with gross floor area of approximately 2,179 sq.m., which the term of lease was expired on 15 January 2020
“IMP Property”	the commercial property located at Level 57, International Metropolitan Plaza, No. 68 Huacheng Avenue, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, the PRC with gross floor area of approximately 1,189 sq.m.
“Lessees”	Guangzhou Kai Chuang Business Investments Company Limited* (廣州凱創商務投資有限公司) and its wholly-owned subsidiaries
“Lessors”	certain wholly-owned subsidiaries of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Kong”	Mr. KONG Jiantao, an executive Director and chief executive officer of the Company

\* for identification purpose only

“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Properties”	collectively, the ICP Property and the IMP Property
“Property Lease and Management Agreements I”	the agreements entered into between the Group and the Lessees on 30 November 2018, details of which are set out in the announcement of the Company dated 6 December 2018
“Property Lease and Management Agreements II”	the agreements entered into between the Group and the Lessees on 6 December 2018, details of which are set out in the announcement of the Company dated 6 December 2018
“Property Lease and Management Agreements III”	the agreements entered into between the Group and the Lessees on 1 July 2019, details of which are set out in the announcement of the Company dated 2 July 2019
“Property Lease and Management Agreements IV”	the agreements entered into between the Group and the Lessees respectively on 14 February 2020 and 26 February 2020 for the leasing and management of the ICP Property
“Property Lease and Management Agreements V”	the agreements entered into between the Group and the Lessees on 27 March 2020 for the leasing and management of the IMP Property
“Property Lease and Management Agreements”	collectively, the Property Lease and Management Agreement I, the Property Lease and Management Agreements II, the Property Lease and Management Agreements III, the Property Lease and Management Agreements IV and the Property Lease and Management Agreements V
“RMB”	Renminbi, the lawful currency of China
“Share(s)”	ordinary share(s) of par value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

“sq.m.” square metres

“%” per cent

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

Hong Kong, 27 March 2020

*As at the date of this announcement, the Board comprises seven Directors, of which Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao, Mr. KONG Jiannan and Mr. CAI Fengjia are executive Directors; and Mr. LEE Ka Sze, Carmelo JP, Mr. TAM Chun Fai and Mr. LI Binhai are independent non-executive Directors.*