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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 FRAMEWORK AGREEMENTS

FRAMEWORK AGREEMENTS

Reference is made to (i) the announcements of the Company dated 24 June 2020, 22 September 2020, 7 October 2020, 11 October 2020, 19 October 2020, 29 October 2020 and 30 October 2020; and (ii) the Prospectus, in relation to the Spin-off, the Distribution and separate listing of KWG Living on the Main Board of the Stock Exchange. Upon Listing, KWG Living has become a connected person of the Company and thus the transactions to be conducted between the Group and KWG Living Group from the Listing Date will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company and KWG Living have entered into the following Framework Agreements for a term commencing from the Listing Date to 31 December 2022:

- (i) the Property Lease Framework Agreement;
- (ii) the Residential Property Management Services Framework Agreement;
- (iii) the Property Agency Services Framework Agreement;
- (iv) the Commercial Property Management Services Framework Agreement; and
- (v) the Commercial Operational and Value-added Services Framework Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Company was indirectly owned as to approximately 50.15%, 8.08% and 4.54% by Mr. Kong Jianmin (through Plus Earn and Hero Fine), Mr. Kong Jiantao (through Right Rich, Excel Wave and Wealth Express) and Mr. Kong Jiannan (through Peace Kind), respectively.

Pursuant to a shareholders' agreement dated 30 December 2018 entered into between Plus Earn, Right Rich and Peace Kind, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the Shares and/or underlying Shares held by the other parties under Section 317(1)(a) of the SFO. Thus, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are deemed to be interested in approximately 62.71%, 53.50% and 53.43% of the issued share capital of the Company, respectively.

Immediately prior to Listing, KWG Living had been a subsidiary of the Company. Immediately upon Listing, KWG Living has been indirectly held as to approximately 41.21%, 6.80% and 3.98% by Mr. Kong Jianmin (through Plus Earn and Hero Fine), Mr. Kong Jiantao (through Right Rich, Excel Wave, and Wealth Express) and Mr. Kong Jiannan (through Peace Kind) respectively. Pursuant to a shareholders' agreement dated 14 October 2020 entered into between Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind, each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind is deemed to be interested in the shares and/or underlying shares in KWG Living held by the other parties under Section 317(1)(a) of the SFO. Thus, each of Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan is deemed to be interested in approximately 51.99% of the issued share capital of KWG Living, respectively. Therefore, KWG Living is an associate of Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan, all being executive Directors and controlling shareholders of the Company, and thus a connected person of the Company upon Listing. Accordingly, the transactions contemplated under the Framework Agreements from the Listing Date constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of the Framework Agreements exceed 0.1% but are less than 5%, each of the Framework Agreements and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. FRAMEWORK AGREEMENTS

Reference is made to (i) the announcements of the Company dated 24 June 2020, 22 September 2020, 7 October 2020, 11 October 2020, 19 October 2020, 29 October 2020 and 30 October 2020; and (ii) the Prospectus, in relation to the Spin-off, the Distribution and separate listing of KWG Living on the Main Board of the Stock Exchange. Upon Listing, KWG Living has become a connected person of the Company under the Listing Rules (detailed under the section headed “V. LISTING RULES IMPLICATIONS” in this announcement), and thus the transactions to be conducted between the Group and KWG Living Group from the Listing Date will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company has entered into the Framework Agreements with KWG Living to govern the terms of the continuing connected transactions to be conducted between them effective from the Listing Date to 31 December 2022. Details and the principal terms of each of the Framework Agreements are set out below:

A. PROPERTY LEASE FRAMEWORK AGREEMENT

Date: 14 October 2020

Parties: (i) the Company (for itself and on behalf of its subsidiaries);
and
(ii) KWG Living (for itself and on behalf of its subsidiaries).

Description of the transactions: Pursuant to the Property Lease Framework Agreement, the Group shall lease the Properties and the Car Parking Lots to KWG Living Group for a term commencing from the Listing Date to 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations.

The relevant parties shall enter into separate property lease agreements to set out the specific provisions of the leasing of the Properties and the Car Parking Lots, and the terms and conditions shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Property Lease Framework Agreement.

Pricing Policy: The rent to be paid by KWG Living Group in relation to the Properties under the Property Lease Framework Agreement shall be determined on arm's length basis with reference to the market rent of similar properties in similar locations.

The rent to be paid by KWG Living Group in relation to the Car Parking Lots under the Property Lease Framework Agreement shall be determined on arm's length basis with reference to: (i) the market rent of car parking lots in similar properties and in similar locations; and (ii) the occupancy rate of the Car Parking Lots leased by KWG Living Group from the Group.

In any event, the rent paid by KWG Living Group under the Property Lease Framework Agreement shall not be less favourable to the Group than the rent paid by Independent Third Parties.

Historical transaction amounts

The historical transaction amounts paid by KWG Living Group to the Group for leasing the Properties and the Car Parking Lots are set out below:

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Properties	—	—	0.3	0.5
Car Parking Lots	8.7	10.4	13.7	3.2
Total	8.7	10.4	14.0	3.7

Proposed annual caps

The annual caps for the transactions contemplated under the Property Lease Framework Agreement for the Group for each of the three years ending 31 December 2022 are set out below:

	For the year ending 31 December		
	2020	2021	2022
	(RMB million)	(RMB million)	(RMB million)
Properties	1.7	1.7	1.7
Car Parking Lots	<u>16.4</u>	<u>19.7</u>	<u>23.6</u>
Total	<u><u>18.1</u></u>	<u><u>21.4</u></u>	<u><u>25.3</u></u>

The annual caps were estimated based on (i) the historical transaction amounts during the Track Record Period; (ii) the rent payable under the existing lease agreements; and (iii) the expected increase in the amount of Car Parking Lots which KWG Living Group anticipates to lease from the Group based on the property development plan and delivery schedule of the Group.

B. RESIDENTIAL PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Date: 14 October 2020

Parties: (i) the Company (for itself and on behalf of its subsidiaries);
and
(ii) KWG Living (for itself and on behalf of its subsidiaries).

Description of the transactions: Pursuant to the Residential Property Management Services Framework Agreement, KWG Living Group shall provide residential property management services to the Group, including but not limited to:

(i) residential pre-sale management services, such as cleaning, security and maintenance services for pre-sale display units and sales offices owned by the Group; and

- (ii) residential property management services, such as cleaning, security, gardening and repair and maintenance services for residential properties developed by Group, which are unsold or sold but not yet delivered to the property owners,

for a term commencing from the Listing Date to 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations.

The relevant parties shall enter into separate residential property management services agreements to set out the specific provisions of the services, and the terms and conditions shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Residential Property Management Services Framework Agreement.

Pricing Policy:

The fees to be charged for the residential pre-sale management services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to the fees for similar services and types of properties in the market and the fees under other contracts for comparable services entered into by either party with Independent Third Parties.

The fees to be charged for the residential property management services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to the fees for similar services and type of properties in the market and the fees under other contracts for comparable services entered into by either party with Independent Third Parties.

In addition, such fees shall not be higher than the standard fees designated by the relevant government authorities (if applicable), and where KWG Living Group are engaged by the Group for the residential property management services through standard public tender procedures as required under the relevant PRC laws or regulations, shall be consistent with the fees submitted in the relevant tender documents.

Historical transaction amounts

The historical transaction amounts paid by the Group to KWG Living Group for the residential pre-sale management services and residential property management services are set out below:

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April 2020
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Residential pre-sale management services	34.8	68.3	129.0	48.6
Residential property management services	<u>20.4</u>	<u>29.0</u>	<u>27.8</u>	<u>10.1</u>
Total	<u><u>55.2</u></u>	<u><u>97.3</u></u>	<u><u>156.8</u></u>	<u><u>58.7</u></u>

Proposed annual caps

The annual caps for the transactions contemplated under the Residential Property Management Services Framework Agreement for the Group for each of the three years ending 31 December 2022 are set out below:

	For the year ending 31 December		
	2020	2021	2022
	(RMB million)	(RMB million)	(RMB million)
Residential pre-sale management services	156.3	195.3	244.2
Residential property management services	<u>51.4</u>	<u>64.2</u>	<u>80.3</u>
Total	<u><u>207.7</u></u>	<u><u>259.5</u></u>	<u><u>324.5</u></u>

The annual caps for the residential pre-sale management services for the Group were estimated based on: (i) the historical transaction amounts during the Track Record Period; (ii) the projected transaction amounts in respect of the residential properties developed by the Group for which KWG Living Group is engaged to provide the residential pre-sale management services under the existing contracts; and (iii) the estimated number of projects and the projected transaction amounts in respect of the residential properties developed by the Group for which KWG Living Group anticipates to be engaged to provide the residential pre-sale management services based on the property development plan and delivery schedule of the Group.

The annual caps for the residential property management services for the Group were estimated based on: (i) the historical transaction amounts during the Track Record Period; (ii) the projected transaction amounts in respect of the residential properties developed by the Group for which KWG Living Group is engaged to provide the residential property management services under the existing contracts; (iii) the estimated GFA and the projected transaction amounts in respect of the residential properties developed by the Group for which KWG Living Group anticipates to be engaged to provide the residential property management services based on the property development plan and delivery schedule of the Group; and (iv) the expected increment in the fees for the residential property management services.

C. PROPERTY AGENCY SERVICES FRAMEWORK AGREEMENT

Date: 14 October 2020

Parties: (i) the Company (for itself and on behalf of its subsidiaries);
and
(ii) KWG Living (for itself and on behalf of its subsidiaries).

Description of the transactions: Pursuant to the Property Agency Services Framework Agreement, KWG Living Group shall provide property agency services to the Group for properties developed by the Group for a term commencing from the Listing Date to 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations.

The relevant parties shall enter into separate property agency services agreements to set out the specific provisions of the services, and the terms and conditions shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Property Agency Services Framework Agreement.

Pricing Policy: The fees for the property agency services shall be charged at a commission rate with reference to the price of the properties sold, and the commission rate shall be determined on arm's length basis with reference to the commission rates for similar services and type of properties in the market and the commission rates charged on other contracts for comparable transactions entered into by either party with Independent Third Parties.

Historical transaction amounts

The historical transaction amounts paid by the Group to KWG Living Group for the property agency services are set out below:

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Property agency services	<u>—</u>	<u>—</u>	<u>76.1</u>	<u>44.6</u>

Proposed annual caps

The annual caps for the transactions contemplated under the Property Agency Services Framework Agreement for the Group for each of the three years ending 31 December 2022 are set out below:

	For the year ending 31 December		
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Property agency services	<u>180.1</u>	<u>284.4</u>	<u>375.1</u>

The annual caps for the property agency services for the Group were estimated based on: (i) the historical transaction amounts during the Track Record Period; (ii) the projected transaction amounts in respect of the properties developed by the Group for which KWG Living Group is engaged to provide the property agency services under the existing contracts; and (iii) the estimated total value and the projected transaction amounts in respect of the properties to be sold by the Group for which KWG Living Group anticipates to be engaged to provide the property agency services based on the property development plan and sale schedule of the Group.

D. COMMERCIAL PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Date: 14 October 2020

Parties: (i) the Company (for itself and on behalf of its subsidiaries);
and
(ii) KWG Living (for itself and on behalf of its subsidiaries).

Description of the transactions: Pursuant to the Commercial Property Management Services Framework Agreement, KWG Living Group shall provide commercial property management services to the Group, including but not limited to:

- (i) commercial pre-sale management services, such as cleaning, security and maintenance services for pre-sale display units and sales offices of commercial properties owned by the Group; and
- (ii) commercial property management services, such as file management, cleaning, security, gardening, and repair and maintenance services for commercial properties developed by the Group which are (a) unsold or sold but not yet delivered to the new owners; (b) pending to be leased out; or (c) owned by the Group for their own use,

for a term commencing from the Listing Date to 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations.

The relevant parties shall enter into separate commercial property management services agreements to set out the specific provisions of the services, and the terms and conditions shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Commercial Property Management Services Framework Agreement.

Pricing Policy: The fees for the services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to the fees for similar services and type of properties in the market and the fees under other contracts for comparable services entered into by either party with Independent Third Parties.

Historical transaction amounts

The historical transaction amounts paid by the Group to KWG Living Group for the commercial pre-sale management services and commercial property management services are set out below:

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Commercial pre-sale management services	5.8	7.0	11.0	2.8
Commercial property management services	<u>5.3</u>	<u>42.5</u>	<u>111.0</u>	<u>37.0</u>
Total	<u><u>11.1</u></u>	<u><u>49.5</u></u>	<u><u>122.0</u></u>	<u><u>39.8</u></u>

Proposed annual caps

The annual caps for the transactions contemplated under the Commercial Property Management Services Framework Agreement for the Group for each of the three years ending 31 December 2022 are set out below:

	For the year ending 31 December		
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Commercial pre-sale management services	23.3	29.1	36.4
Commercial property management services	<u>96.4</u>	<u>119.7</u>	<u>140.2</u>
Total	<u><u>119.7</u></u>	<u><u>148.8</u></u>	<u><u>176.6</u></u>

The annual caps for the commercial pre-sale management services for the Group were estimated based on: (i) the historical transaction amounts during the Track Record Period; (ii) the projected transaction amounts in respect of the commercial properties developed by the Group for which KWG Living Group is engaged to provide the commercial pre-sale management services under the existing contracts; and (iii) the estimated number of projects and the projected transaction amounts in respect of the commercial properties developed by the Group for which KWG Living Group anticipates to be engaged to provide the commercial pre-sale management services based on the property development plan and delivery schedule of the Group.

The annual caps for the commercial property management services for the Group were estimated based on: (i) the historical transaction amounts during the Track Record Period; (ii) the projected transaction amounts in respect of the commercial properties developed by the Group for which KWG Living Group is engaged to provide the commercial property management services under the existing contracts; (iii) the estimated GFA and the projected transaction amounts in respect of the commercial properties developed by the Group for which KWG Living Group anticipates to be engaged to provide the commercial property management services based on the property development plan and delivery schedule of the Group; and (iv) the expected increment in the fees for the commercial property management services.

E. COMMERCIAL OPERATIONAL AND VALUE-ADDED SERVICES FRAMEWORK AGREEMENT

Date: 14 October 2020

Parties: (i) the Company (for itself and on behalf of its subsidiaries);
and
(ii) KWG Living (for itself and on behalf of its subsidiaries).

Description of the transactions: Pursuant to the Commercial Operational and Value-added Services Framework Agreement, KWG Living Group shall provide the following services to the Group for a term commencing from the Listing Date to 31 December 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations:

(i) commercial operational services, such as preliminary planning and consultancy, tenant sourcing and management, and marketing and promotion services, for commercial properties owned by the Group; and

- (ii) commercial value-added services, such as providing assistance in leasing out common areas, advertising spaces and empty floor space, for properties owned by the Group.

The relevant parties shall enter into separate commercial operational and value-added services agreements to set out the specific provisions of the services, and the terms and conditions shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Commercial Operational and Value-added Services Framework Agreement.

Pricing Policy:

The fees for the services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to the fees for similar services and type of properties in the market and the fees under other contracts for comparable services entered into by either party with Independent Third Parties.

Historical transaction amounts

The historical transaction amounts paid by the Group to KWG Living Group for the commercial operational services and commercial value-added services are set out below:

	For the year ended 31 December			For the four months ended
	2017	2018	2019	30 April
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Commercial operational services	28.4	44.7	40.7	20.3
Commercial value-added services	<u>0.1</u>	<u>6.0</u>	<u>9.3</u>	<u>2.4</u>
Total	<u><u>28.5</u></u>	<u><u>50.7</u></u>	<u><u>50.0</u></u>	<u><u>22.7</u></u>

Proposed annual caps

The annual caps for the transactions contemplated under the Commercial Operational and Value-added Services Framework Agreement for the Group for each of the three years ending 31 December 2022 are set out below:

	For the year ending 31 December		
	2020	2021	2022
	(RMB million)	(RMB million)	(RMB million)
Commercial operational services	90.1	136.9	156.8
Commercial value-added services	<u>13.0</u>	<u>13.9</u>	<u>16.1</u>
Total	<u><u>103.1</u></u>	<u><u>150.8</u></u>	<u><u>172.9</u></u>

The annual caps for the commercial operational services and commercial value-added services for the Group were estimated based on (i) the historical transaction amounts during the Track Record Period; (ii) the projected transaction amounts in respect of the commercial properties developed by the Group for which KWG Living Group is engaged to provide the commercial operational services and commercial value-added services under the existing arrangements/contracts; and (iii) the estimated GFA and the projected transaction amounts in respect of the commercial properties developed by the Group for which KWG Living Group anticipates to be engaged to provide the commercial operational services and commercial value-added services based on the property development plan of the Group.

II. REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE FRAMEWORK AGREEMENTS

KWG Living Group is a comprehensive property management service provider in the PRC providing comprehensive property management services for both residential and commercial properties. KWG Living Group has extensive business coverage and professional knowledge in property management in the PRC. It has been providing and will continue to provide quality services to the Group in its ordinary and usual course of business.

Further, KWG Living Group has been part of the Group prior to Listing and has been leasing the Properties as office and staff quarters from the Group, and leasing Car Parking Lots from the Group for its sub-leasing to end users in order to better utilise resources.

As members of KWG Living Group have become connected persons of the Group upon Listing, by entering into the Framework Agreements, the Group will continue to benefit from KWG Living Group's expertise in property management for residential and commercial properties, property agency services, commercial operational and value-added services. Further, leasing out the Properties and Car Parking Lots is cost and time efficient and would bring in additional revenue to the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Framework Agreements 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 Framework Agreements, including the relevant annual caps, are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

III. INTERNAL CONTROL MEASURES

The pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group in charge to ensure the relevant continuing connected transaction is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole.

The relevant personnel and management of the Group will review and assess the terms before entering into each individual agreement to ensure they are consistent with the principles and provisions set out in the Framework Agreements.

In order to ensure the price terms are in accordance with the Framework Agreements and with reference to prevailing market prices of similar services, before entering into any individual agreement for:

- (i) the Property Lease Framework Agreement, the lease management department of the Group will make reference to the prevailing market rates for comparable properties and car parking lots and the rental valuation conducted by an independent professional valuer based on comparison to transacted rental fees or asking rental fees for comparable properties and car parking lots (if applicable).

- (ii) the Property Agency Services Framework Agreement, the Commercial Property Management Services Framework Agreement (for contracts which are not awarded through standard public tender procedures) and the Commercial Operational and Value-added Services Framework Agreement, the sales department of the Group will collect the following information:
 - (a) at least two other contemporaneous transactions of the Group of similar services (in terms of nature, size and location of the properties, the scope of services and the anticipated operational costs) carried out with Independent Third Parties or quoted by Independent Third Parties; and
 - (b) prices charged by other property management companies in the PRC of comparable transactions with Independent Third Parties.
- (iii) contract which is not awarded through standard public tender procedures under the Residential Property Management Services Framework Agreement, the sales department of the Group will collect the following information:
 - (a) at least two other contemporaneous transactions of the Group of similar services (in terms of nature, size and location of the properties, the scope of services and the anticipated operational costs) carried out with Independent Third Parties or quoted by Independent Third Parties;
 - (b) prices charged by other property management companies in the PRC of comparable transactions with Independent Third Parties; and
 - (c) standard fees designated by the relevant government authorities (if applicable).

After collecting the relevant information, except for the Property Lease Framework Agreement, the sales department of the Group would determine a price to be offered to KWG Living Group which will not be less than the prices offered to the Group by Independent Third Parties. In addition, for the Residential Property Management Services Framework Agreement, the price offered to KWG Living Group shall not be higher than the standard fees designated by the relevant government authorities (if applicable). For the Property Lease Framework Agreement, the rent charged to KWG Living Group will not be less than the market rent for comparable transactions and the rental valuation (if applicable).

For contracts under the Residential Property Management Services Framework Agreement which are awarded through standard public tender procedures regulated by applicable PRC laws and regulations, whereby the tenders would be evaluated by a tender evaluation committee established by the Group in accordance with the Interim Measures for the Administration of Tendering and Bidding for Preliminary Property Management (前期物業管理招標投標管理暫行辦法). The tender evaluation committee shall consist of an odd number of no less than five members, including (i) at least a two-thirds majority of property management experts who are independent of the Group and are selected on a random basis from a list of experts compiled by the local real estate administrative department; and (ii) the representative members from the Group. In evaluating the candidates, the tender valuation committee would consider a range of factors, such as reputation, quality of service, management system, human resources management and the proposed management plan.

For contracts under the Commercial Property Management Services Framework Agreement which are chosen by the Group to award through public tender procedures, the Group will follow the same tender procedures as to the Residential Property Management Services Framework Agreement.

Regular checks will be conducted on a quarterly basis to review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of its respective agreement and the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy.

The independent non-executive Directors will continue to review the transactions contemplated under the relevant continuing connected transaction and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under each of the Framework Agreements will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

IV. INFORMATION OF THE GROUP AND KWG LIVING GROUP

The Group is a large-scale property developer in the PRC with a leading position in the Greater Bay Area and is principally engaged in property development, property investment, hotel operation and education.

KWG Living was incorporated in the Cayman Islands on 11 September 2019. KWG Living Group is principally engaged in the provision of residential property management services and commercial property management and operational services. The shares of KWG Living have been listed on the Main Board of the Stock Exchange since 30 October 2020.

V. LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company was indirectly owned as to approximately 50.15%, 8.08% and 4.54% by Mr. Kong Jianmin (through Plus Earn and Hero Fine), Mr. Kong Jiantao (through Right Rich, Excel Wave and Wealth Express) and Mr. Kong Jiannan (through Peace Kind), respectively.

Pursuant to a shareholders' agreement dated 30 December 2018 entered into between Plus Earn, Right Rich and Peace Kind, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the Shares and/or underlying Shares held by the other parties under Section 317(1)(a) of the SFO. Thus, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are deemed to be interested in approximately 62.71%, 53.50% and 53.43% of the issued share capital of the Company, respectively.

Immediately prior to Listing, KWG Living had been a subsidiary of the Company. Immediately upon Listing, KWG Living has been indirectly held as to approximately 41.21%, 6.80% and 3.98% by Mr. Kong Jianmin (through Plus Earn and Hero Fine), Mr. Kong Jiantao (through Right Rich, Excel Wave, and Wealth Express) and Mr. Kong Jiannan (through Peace Kind) respectively. Pursuant to a shareholders' agreement dated 14 October 2020 entered into between Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind, each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind is deemed to be interested in the shares and/or underlying shares in KWG Living held by the other parties under Section 317(1)(a) of the SFO. Thus, each of Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan is deemed to be interested in approximately 51.99% of the issued share capital of KWG Living, respectively. Therefore, KWG Living is an associate of Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan, all being executive Directors and controlling shareholders of the Company, and thus a connected person of the Company upon Listing. Accordingly, the transactions contemplated under the Framework Agreements from the Listing Date constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of the Framework Agreements exceed 0.1% but are less than 5%, each of the Framework Agreements and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are the controlling shareholders of KWG Living and Mr. Kong Jiannan and Mr. Kong Jianmin are also directors of KWG Living, all of them are considered to be interested

in the Framework Agreements. Therefore, they have abstained from voting on the relevant board resolutions approving the Framework Agreements and the transactions contemplated thereunder.

VI. DEFINITION

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

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Car Parking Lots”	the car parking lots leased by the Group to KWG Living Group for sub-leasing to end users
“Commercial Operational and Value-added Services Framework Agreement”	the commercial operational and value-added services framework agreement entered into by KWG Living and the Company on 14 October 2020 for the provision of commercial operational services and commercial value-added services
“Commercial Property Management Services Framework Agreement”	the commercial property management services framework agreement entered into by KWG Living and the Company on 14 October 2020 for the provision of commercial property management services
“Company”	KWG Group Holdings Limited (合景泰富集團控股有限公司) (stock code: 1813), an exempted company incorporated in the Cayman Islands with limited liability on 28 July 2006, the shares of which are listed on the Main Board
“connected person”	shall have the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Distribution”	the conditional special dividend declared by the Company on 7 October 2020 as disclosed in the Company’s announcements dated 7 October 2020 and 19 October 2020

“Excel Wave”	Excel Wave Investments Limited (卓濤投資有限公司), a company incorporated in the BVI with limited liability on 10 April 2008, which is wholly owned by Mr. Kong Jiantao, the chief executive officer of the Company, an executive Director and a controlling shareholder of the Company
“Framework Agreements”	the Property Lease Framework Agreement, the Residential Property Management Services Framework Agreement, the Property Agency Services Framework Agreement, the Commercial Property Management Services Framework Agreement, and the Commercial Operational and Value-added Services Framework Agreement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hero Fine”	Hero Fine Group Limited (英明集團有限公司), a company incorporated in the BVI with limited liability on 25 October 2007, which is wholly owned by Mr. Kong Jianmin, chairman of the Company, an executive Director and a controlling shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with the Company or its connected persons as defined under the Listing Rules
“KWG Living”	KWG Living Group Holdings Limited (合景悠活集團控股有限公司) (stock code: 3913), an exempted company incorporated in the Cayman Islands with limited liability on 11 September 2019, the shares of which have been listed on the Main Board since the Listing Date
“KWG Living Group”	KWG Living and its subsidiaries
“Listing”	the listing of the ordinary shares of KWG Living on the Main Board

“Listing Date”	30 October 2020, being the date on which dealings in the ordinary shares of KWG Living on the Main Board first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Peace Kind”	Peace Kind Investments Limited (和康投資有限公司), a company incorporated in the BVI with limited liability on 10 October 2018, which is wholly owned by Mr. Kong Jiannan, an executive Director and a controlling shareholder of the Company
“Plus Earn”	Plus Earn Consultants Limited (晉得顧問有限公司), a company incorporated in the BVI with limited liability on 18 May 2006, which is wholly owned by Mr. Kong Jianmin, chairman of the Company, an executive Director and a controlling shareholder of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the properties leased by the Group to KWG Living Group as office and staff quarters
“Property Agency Services Framework Agreement”	the property agency services framework agreement entered into by KWG Living and the Company on 14 October 2020 for the provision of property agency services
“Property Lease Framework Agreement”	the property lease framework agreement entered into by KWG Living and the Company on 14 October 2020 for the leasing of the Properties and the Car Parking Lots
“Prospectus”	the prospectus of KWG Living dated 19 October 2020 being issued in connection with the Listing
“Residential Property Management Services Framework Agreement”	the residential property management services framework agreement entered into by KWG Living and the Company on 14 October 2020 for the provision of residential property management services

“Right Rich”	Right Rich Consultants Limited (正富顧問有限公司), a company incorporated in the BVI with limited liability on 21 April 2006, which is wholly owned by Mr. Kong Jiantao, the chief executive officer of the Company, an executive Director and a controlling shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary share(s) with nominal value of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Spin-off”	the spin-off and separate listing of the shares of KWG Living on the Main Board
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the same meanings as ascribed to it under the Listing Rules
“Track Record Period”	the period comprising the three years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020
“Wealth Express”	Wealth Express Investments Limited (富迅投資有限公司), a company incorporated in the BVI with limited liability on 3 October 2012, which is wholly owned by Mr. Kong Jiantao, the chief executive officer of the Company, an executive Director and a controlling shareholder of the Company
“%”	per cent

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

Hong Kong, 5 November 2020

As at the date of this announcement, the Board comprises seven Directors, of whom Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao (Chief Executive Officer), 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.