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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 PROPERTY

PROPERTY LEASE AGREEMENT

The Board announces that on 1 June 2021, the Group entered into the 2021 Property Lease Agreement II with the Lessee, pursuant to which the Group agreed to lease the ICP property to the Lessee, from 1 June 2021 to 15 January 2023.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. KONG, an executive Director and chief executive officer of the Company, indirectly owns 100% equity interests in the Lessee, and therefore the Lessee is an associate of Mr. KONG and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the 2021 Property Lease Agreement II constitutes continuing connected transaction of the Company.

Under Rule 14A.83 of the Listing Rules, as the 2021 Property Lease Agreement II and the Existing Property Lease and Management Agreements are all entered into between the Group and the Lessee or its wholly-owned subsidiaries, they are required to be aggregated. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the highest annual caps of the transactions under the Property Lease and Management Agreements on an aggregated basis exceeds 0.1% but all of them are less than 5%, the transaction contemplated under the 2021 Property Lease Agreement II is subject to the reporting, annual review and announcement requirements but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

PROPERTY LEASE AGREEMENT

The Board announces that on 1 June 2021, the Group entered into the 2021 Property Lease Agreement II with the Lessee, pursuant to which the Group agreed to lease the ICP Property to the Lessee, from 1 June 2021 to 15 January 2023.

Principal terms of the 2021 Property Lease Agreement II are set out as follows:

Date:	1 June 2021
Parties:	(1) Guangzhou Junzhao Real Estate Management Co., Ltd. (廣州市君兆物業經營有限公司), a wholly-owned subsidiary of the Company as the Lessor (2) Guangzhou Kai Chuang Business Investments Group Company Limited* (廣州凱創商務投資集團有限公司) as Lessee
Leased properties:	the ICP Property, which is located in Guangzhou, the PRC with a total gross floor area of approximately 423 sq.m.
Payment terms:	Rental fees shall be payable monthly in advance on the 5th day of each calendar month.
Usage:	Office space

The ICP Property

Details of the ICP Property are set out as follows:

Location	Lease Term	Effective Monthly Rental Fee (RMB)
Level 30, International Commerce Place, No. 1168 Xingangdong Road, Haizhu District, Guangzhou, Guangdong Province, the PRC	1 June 2021 to 15 January 2023	51,699.94
	Total	<u>51,699.94</u>

* For identification purposes only

PROPOSED ANNUAL CAPS

Taking into account the aggregate annual rental fees for the transactions contemplated under the Existing Property Lease and Management Agreements, the aggregated annual caps under the Property Lease and Management Agreements for each of the financial years ending 31 December 2021, 2022 and 2023 will be revised as follows:

	For the financial year ending 31 December 2021 (RMB)	Annual Caps For the financial year ending 31 December 2022 (RMB)	For the financial year ending 31 December 2023 (RMB)
Annual caps under the Property Lease and Management Agreements III	6,480,000	2,436,000	—
Annual caps under the Property Lease and Management Agreements IV & V	6,432,000	6,432,000	1,033,000
Annual caps under the 2020 Property Lease Agreements I & II	15,039,600	15,039,600	15,039,600
Annual caps under the 2021 Property Lease Agreements I	6,233,472	2,647,091	—
Annual caps under the 2021 Property Lease Agreement II	<u>361,900</u>	<u>620,399</u>	<u>25,016</u>
Revised aggregate annual caps	<u><u>34,546,972</u></u>	<u><u>27,175,090</u></u>	<u><u>16,097,616</u></u>

The rental fees in respect of the 2021 Property Lease Agreement II were determined after taking into the consideration (a) the rental fees under the existing lease agreements (including the 2020 Property Lease Agreements II and the Property Lease and Management Agreements IV) in respect of the lease of two units at the same building; (b) the prevailing market rates for comparable properties in the proximity of the ICP Property; (c) the rental fees agreed between the Group and independent third party lessees for comparable transactions; and (d) the rental valuation conducted by an independent professional valuer based on comparisons to transacted rental fees or asking rental fees of comparable properties.

REASONS AND BENEFITS FOR PROPERTY LEASE AGREEMENT

The ICP Property is located in first tier city in the PRC, and there is a growing market in the PRC for co-working spaces. The Group has been leasing properties to the Lessee and its wholly-owned subsidiaries for sub-leasing 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 Company believes that it will benefit from the transaction under the 2021 Property Lease Agreement II due to the following reasons: (i) the Group will earn rental fee incomes which are at the prevailing market rates; and (ii) all the costs and risks relating to the operation of the business in the ICP Property will be borne by the Lessee.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the 2021 Property Lease Agreement II and the transaction contemplated thereunder is on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms in the 2021 Property Lease Agreement II, 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 2021 Property Lease Agreement II and the transaction contemplated thereunder, he had abstained from voting on the relevant board resolutions approving (i) the 2021 Property Lease Agreement II and the transaction contemplated thereunder; and (ii) the annual caps in respect of the 2021 Property Lease Agreement II and the aggregated annual caps of the Property Lease and Management Agreements.

INFORMATION ON THE GROUP AND THE PARTIES TO THE PROPERTY LEASE AGREEMENT

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.

Lessee

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. KONG, an executive Director and chief executive officer of the Company, indirectly owns 100% equity interests in the Lessee, and therefore the Lessee is an associate of Mr. KONG and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the 2021 Property Lease Agreement II constitutes continuing connected transaction of the Company.

Under Rule 14A.83 of the Listing Rules, as the 2021 Property Lease Agreement II, and the Existing Property Lease and Management Agreements are all entered into between the Group and the Lessee or its wholly-owned subsidiaries, they are required to be aggregated. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the highest annual caps of the transactions under the Property Lease and Management Agreements on an aggregated basis exceeds 0.1% but all of them are less than 5%, the transaction contemplated under the 2021 Property Lease Agreement II is subject to the reporting, annual review and announcement requirements but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2020 Property Lease Agreements I”	the agreements entered into between the Group and the Lessee and its wholly-owned subsidiaries on 31 December 2020, details of which were set out in the announcement of the Company dated 31 December 2020
“2020 Property Lease Agreements II”	the agreements entered into between the Group and the Lessee and its wholly-owned subsidiaries on 31 December 2020, details of which were set out in the announcement of the Company dated 31 December 2020
“2021 Property Lease Agreements I”	the agreements entered into between the Lessor and the Lessee on 19 March 2021, details of which were set out in the announcement of the Company dated 19 March 2021
“2021 Property Lease Agreement II”	the agreement entered into between the Lessor and the Lessee on 1 June 2021 whereby the Lessor agreed to lease the ICP Property to the Lessee
“associate”	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 limited liability company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Property Lease and Management Agreements”	collectively, the 2020 Property Lease Agreements I, the 2020 Property Lease Agreements II, the Property Lease and Management Agreements III, the Property Lease and Management Agreements IV, the Property Lease and Management Agreements V and the 2021 Property Lease Agreements I
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICP Property”	the properties set out in the section “The ICP Property” of this announcement
“Lessee”	Guangzhou Kai Chuang Business Investments Group Company Limited* (廣州凱創商務投資集團有限公司)
“Lessor”	Guangzhou Junzhao Real Estate Management Co., Ltd. (廣州市君兆物業經營有限公司), a wholly-owned subsidiary 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
“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
“Property Lease and Management Agreements”	collectively, the 2021 Property Lease Agreement II and the Existing Property Lease and Management Agreements

* For identification purposes only

“Property Lease and Management Agreements III”	the agreements entered into between the Group and the Lessee and its wholly-owned subsidiaries 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 Lessee and its wholly-owned subsidiaries respectively on 14 February 2020 and 26 February 2020, details of which are set out in the announcement of the Company dated 27 March 2020
“Property Lease and Management Agreements V”	the agreements entered into between the Group and the Lessee and its wholly-owned subsidiaries on 27 March 2020, details of which are set out in the announcement of the Company dated 27 March 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of par value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“%”	per cent

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

Hong Kong, 1 June 2021

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.