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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 10 December 2021 (after trading hours), the Company and KWG Living have entered into the (1) New Publicity Planning Service Framework Agreement and (2) New Marketing Channel Service Framework Agreement for a term commencing from 1 January 2022 to 31 December 2022.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are the ultimate controlling shareholders of each of the Company and KWG Living pursuant to the shareholders' agreements entered into among their respective controlled entities. Therefore, KWG Living, as an associate of the controlling shareholders of the Company, is a connected person of the Company. The transactions contemplated under the New Framework Agreements constitute continuing connected transactions for the Company.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the annual cap for each of the New Framework Agreements exceeds 0.1% but all of which are less than 5%, the New Framework Agreements and the transactions contemplated thereunder will be subject to the reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements, under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 27 August 2021 in relation to the (1) Old Publicity Planning Service Framework Agreement and (2) Old Marketing Channel Service Framework Agreement (i.e. the Old Framework Agreements). As the Old Framework Agreements will be expiring on 31 December 2021 and the Company is expected to carry on the transactions contemplated thereunder upon their expiry, the Company and KWG Living have entered into the New Framework Agreements on 10 December 2021 (after trading hours). The principal terms of each of the New Framework Agreements are set out below:

(1) New Publicity Planning Service Framework Agreement

Date

10 December 2021

Parties

- (a) the Company (for itself and on behalf of its subsidiaries); and
- (b) KWG Living (for itself and on behalf of its subsidiaries).

Term

1 January 2022 to 31 December 2022. The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

KWG Living Group shall provide publicity planning services, such as promotion design, advertisement promotion and official account marketing for the residential properties developed by the Group. The relevant parties shall enter into specific publicity planning service agreement which set out the specific provisions of the services for a specific residential property, terms of which shall be consistent with the principal terms of the New Publicity Planning Service Framework Agreement in all material aspects.

Pricing policy

Under the New Publicity Planning Service Framework Agreement, the cost of services to be paid by the Group should be determined on arm's length basis, taking into account the nature, location and size of the relevant properties, the specific requirements of publicity strategy or method, the corresponding effort to be paid and expected cost (including staff costs, material and production costs, and administrative costs).

In addition, the cost for the services to be paid by the Group shall be determined in the specific agreement and should be set, after arm's length negotiations with reference to the prevailing market rate and the cost paid by the Group when receiving similar services from Independent Third Parties. The terms of the services offered by the KWG Living Group to the Group shall not be less competitive than those made available from Independent Third Parties with similar terms.

Payment arrangement

The payment mechanism for all fees and payments payable by the Group pursuant to the transactions contemplated under the New Publicity Planning Service Framework Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Historical transaction amount

The existing annual cap for the period from 27 August 2021 to 31 December 2021 and the actual transaction amount for the period from 27 August 2021 to 31 October 2021 under the Old Publicity Planning Service Framework Agreement is as follows:

	Annual cap for the period from 27 August 2021 to 31 December 2021 (RMB million)	Actual transaction amount for the period from 27 August 2021 to 31 October 2021 (RMB million) (unaudited)
Publicity planning service	<u>24</u>	<u>9</u>

Annual cap

The annual cap to be paid by the Group to KWG Living Group pursuant to the New Publicity Planning Service Framework Agreement for the year ending 31 December 2022 is set out below:

	For the year ending 31 December 2022 <i>(RMB million)</i>
Publicity planning service	<u><u>32</u></u>

The annual cap for the publicity planning service was determined based on (i) the historical transaction amount under the Old Publicity Planning Service Framework Agreement; (ii) the expected business needs of the Group for the publicity planning service during the term of the New Publicity Planning Service Framework Agreement including considering the quantity of residential properties developed by the Group for which KWG Living Group is anticipated to be engaged to provide publicity planning service up to 31 December 2022; and (iii) the seasonal factor pursuant to which the business need of the Group for the publicity planning service is typically higher in the second half of the year.

(2) New Marketing Channel Service Framework Agreement

Date

10 December 2021

Parties

- (a) the Company (for itself and on behalf of its subsidiaries); and
- (b) KWG Living (for itself and on behalf of its subsidiaries).

Term

1 January 2022 to 31 December 2022. The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

KWG Living Group shall provide marketing channel management service for the Universal Marketing Plan of properties developed by the Group. Leveraging KWG Living Group's experience on management of property agents, the Group will ask KWG Living Group to provide administrative management services regarding the non-employees participants of the Universal Marketing Plan including human resource management, awards settlement, tax declaration and other administrative work. The relevant parties shall enter into specific agreement which set out the specific provisions of the services for each specific property or project, terms of which shall be consistent with the principal terms of the New Marketing Channel Service Framework Agreement in all material aspects.

Pricing policy

Under the New Marketing Channel Service Framework Agreement, the cost for services to be paid by the Group should be determined on arm's length basis, taking into account the nature, size of and the difficulty of selling the relevant properties, the number of participants of Universal Marketing Plan of the relevant properties and expected cost (including staff costs, administrative costs and the relevant withholding tax for the participants).

In addition, the cost for the services to be paid by the Group shall be determined in the specific agreement and should be set, after arm's length negotiations with reference to the prevailing market rate and the cost paid by the Group when receiving similar services from Independent Third Parties. The terms of the services offered by KWG Living Group to the Group shall not be less competitive than those made available from Independent Third Parties with similar terms.

Payment arrangement

The payment mechanism for all fees and payments payable by the Group pursuant to the transactions contemplated under the New Marketing Channel Service Framework Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Historical transaction amount

The existing annual cap for the period from 27 August 2021 to 31 December 2021 and the actual transaction amount for the period from 27 August 2021 to 31 October 2021 under the Old Marketing Channel Service Framework Agreement is as follows:

	Annual cap for the period from 27 August 2021 to 31 December 2021 (RMB million)	Actual transaction amount for the period from 27 August 2021 to 31 October 2021 (RMB million) (unaudited)
Marketing channel management service	<u>8</u>	<u>3</u>

Annual cap

The annual cap to be paid by the Group to KWG Living Group pursuant to the New Marketing Channel Service Framework Agreement for the year ending 31 December 2022 is set out below:

	For the year ending 31 December 2022 (RMB million)
Marketing channel management service	<u>12</u>

The annual cap for the marketing channel management service was determined based on (i) the historical transaction amount under the Old Marketing Channel Service Framework Agreement; (ii) the expected business needs of the Group for the marketing channel management service during the term of the New Marketing Channel Service Framework Agreement including considering the quantity of residential properties developed by the Group for which KWG Living Group which adopted the Universal Marketing Plan; (iii) the seasonal factor pursuant to which the business need of the Group for the marketing channel management service is typically higher in the second half of the year; and (iv) the expected number of participants of Universal Marketing Plan up to 31 December 2022.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FRAMEWORK AGREEMENTS

The Group has engaged KWG Living Group for property management services in respect of the properties developed by the Group. The Board believes that the Group could make use of KWG Living Group's nation-wide platforms, good and longstanding relationships with suppliers, expertise in industry and market information by engaging KWG Living Group to provide publicity planning service and related value-added services to the Group.

In addition, by engaging KWG Living Group to provide marketing channel management service to the Group, the Board believes it will boost the sales volume and amounts for the properties developed by the Group, and therefore increase the income of the Group.

In light of the above reasons, the Directors (including the independent non-executive Directors) consider that the terms of the New Framework Agreements and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and are in the interests of the Company and its shareholders as a whole.

INTERNAL CONTROL MEASURES

Pursuant to the terms of New Framework Agreements, the Group will receive from KWG Living Group promotion, advertisement, marketing services and administrative management services, etc. as stipulated therein on terms which are equivalent to those the Group receives from Independent Third Parties. The costs for the transactions contemplated under the New Framework Agreements are determined based on the services price list compiled by KWG Living Group for the services offered to all its customers including Independent Third Parties and the Group. Such prices offered to both the Group and Independent Third Parties will also take into consideration the market conditions at the relevant time, the size of orders and the technical conditions, subject to the principles of fairness and reasonableness. The final prices will be ultimately approved by the senior management of the Company or its subsidiaries. Hence, the terms of the services received by the Group from KWG Living Group will not be less competitive than those made available from Independent Third Parties with similar terms.

The Company has also established procedures for monitoring its continuing connected transactions in which various departments of the Group will be responsible for the implementation, monitoring and review of such procedures. Regular checks will be conducted on a quarterly basis to review and assess whether the transactions contemplated under the New Framework Agreements 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 New Framework Agreements and the auditor of the Company will also conduct an annual review on the pricing terms and annual cap of the relevant continuing connected transactions thereof.

INFORMATION ON THE PARTIES TO THE NEW FRAMEWORK AGREEMENTS

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 and hotel operation.

KWG Living Group is a comprehensive property management service provider in the PRC, providing comprehensive property management services for both residential properties and non-residential properties.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are the ultimate controlling shareholders of each of the Company and KWG Living pursuant to the shareholders' agreements entered into among their respective controlled entities. Therefore, KWG Living, as an associate of the controlling shareholders of the Company, is a connected person of the Company. The transactions contemplated under the New Framework Agreements constitute continuing connected transactions for the Company.

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BOARD APPROVAL

At the Board meeting held to approve the New Framework Agreements, each of Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan is considered as having a material interest in the transactions contemplated under the New Framework Agreements. Accordingly, each of Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan has abstained from voting on the Board resolutions for approving the New Framework Agreements and the transactions contemplated thereunder. Save as disclosed, none of the Directors was required to abstain from voting on the relevant Board resolutions.

DEFINITIONS

“associate(s)”	shall have the same meaning as ascribed to it under 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), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1813)
“connected person(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	shall have the same meaning as ascribed to it under 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
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“KWG Living”	KWG Living Group Holdings Limited (合景悠活集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 3913)
“KWG Living Group”	KWG Living and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Framework Agreements”	the New Publicity Planning Service Framework Agreement and the New Marketing Channel Service Framework Agreement

“New Marketing Channel Service Framework Agreement”	the marketing channel service framework agreement entered into by the Company and KWG Living on 10 December 2021
“New Publicity Planning Service Framework Agreement”	the publicity planning service framework agreement entered into by the Company and KWG Living on 10 December 2021
“Old Framework Agreements”	the Old Publicity Planning Service Framework Agreement and the Old Marketing Channel Service Framework Agreement
“Old Marketing Channel Service Framework Agreement”	the marketing channel service framework agreement entered into by the Company and KWG Living on 27 August 2021
“Old Publicity Planning Service Framework Agreement”	the publicity planning service framework agreement entered into by the Company and KWG Living on 27 August 2021
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Universal Marketing Plan”	the Universal Marketing Plan (全民營銷計劃) means a marketing plan that uses all resources available to develop sales channel and facilitate transactions

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

Hong Kong, 10 December 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.