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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 RENEWAL OF PROPERTY LEASE AGREEMENT

RENEWAL OF PROPERTY LEASE AGREEMENT

Reference is made to the announcement of the Company dated 27 March 2020 regarding, among others, the lease of the IMP Property.

The Board announces that on 31 August 2023, the Lessor entered into the 2023 Property Lease Agreement II with the Lessee, pursuant to which the Lessor agreed to renew the terms of lease of the IMP Property under the Property Lease and Management Agreements V, which has expired on 31 May 2023 (i.e. three-year term from 1 June 2020 upon delivery of the IMP Property to the Lessee).

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 2023 Property Lease Agreement II constitutes continuing connected transaction of the Company.

Under Rule 14A.83 of the Listing Rules, as the 2023 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 2023 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.

RENEWAL OF PROPERTY LEASE AGREEMENT

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Principal terms of the 2023 Property Lease Agreement II are set out as follows:

Date:	31 August 2023
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 property:	the IMP Property, Level 57, International Metropolitan Plaza, No. 68 Huacheng Avenue, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, the PRC with a total gross floor area of approximately 1,188.54 sq.m.
Lease Term:	1 June 2023 to 31 May 2024
Effective monthly rental fee:	RMB177,995.75
Payment terms:	Rental fees shall be payable monthly in advance on the 25th day of each preceding calendar month.
Usage:	Office space

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 2023, 2024 and 2025 will be revised as follows:

	Annual Caps for the financial year ending 31 December		
	2023 (RMB)	2024 (RMB)	2025 (RMB)
Annual caps under the Property Lease and Management Agreements IV & V	1,033,000	—	—
Annual caps under the 2020 Property Lease Agreements I & II	15,039,600	—	—
Annual caps under the 2021 Property Lease Agreement II	25,016	—	—
Annual caps under the 2022 Property Lease Agreement I	477,500	—	—
Annual caps under the 2022 Property Lease Agreement II	3,210,084	3,210,084	2,407,563
Annual caps under the 2023 Property Lease Agreements I	3,369,672	2,062,181	—
Annual caps under the 2023 Property Lease Agreement II	<u>1,245,970</u>	<u>889,979</u>	<u>—</u>
Revised aggregate annual caps	<u><u>24,400,842</u></u>	<u><u>6,162,244</u></u>	<u><u>2,407,563</u></u>

The rental fees in respect of the 2023 Property Lease Agreement II were determined after taking into the consideration (a) the rental fees under the existing lease agreements in respect of the lease of the units at the same building; (b) the prevailing market rates for comparable properties in the proximity of the IMP 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 IMP 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 2023 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 IMP 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 2023 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 2023 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 2023 Property Lease Agreement II and the transaction contemplated thereunder, he had abstained from voting on the relevant board resolutions approving (i) the 2023 Property Lease Agreement II and the transaction contemplated thereunder; and (ii) the annual caps in respect of the 2023 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 the Greater Bay Area and is principally engaged in property development, property investment and hotel operation.

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 2023 Property Lease Agreement II constitutes continuing connected transaction of the Company.

Under Rule 14A.83 of the Listing Rules, as the 2023 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 2023 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:

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| “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 Agreement II” | the agreement entered into between the Lessor and the Lessee on 1 June 2021, details of which were set out in the announcement of the Company dated 1 June 2021 |
| “2022 Property Lease Agreement I” | the agreement entered into between the Lessor and a wholly-owned subsidiary of the Lessee on 30 May 2022 details of which were set out in the announcement of the Company dated 30 May 2022 |

“2022 Property Lease Agreement II”	the agreement entered into between a wholly-owned subsidiary of the Lessor and the Lessee on 21 October 2022, details of which were set out in the announcement of the Company dated 21 October 2022
“2023 Property Lease Agreements I”	the agreements entered into between the Lessor and the Lessee on 4 April 2023, details of which were set out in the announcement of the Company dated 4 April 2023
“2023 Property Lease Agreement II”	the agreement entered into between the Lessor and the Lessee on 31 August 2023 whereby the Lessor agreed to lease the IMP 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 IV, the Property Lease and Management Agreements V, the 2021 Property Lease Agreement II, the 2022 Property Lease Agreement I, the 2022 Property Lease Agreement II and the 2023 Property Lease Agreements I
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“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 a total gross floor area of approximately 1,188.54 sq.m.
“Lessee”	Guangzhou Kai Chuang Business Investments Group Company Limited* (廣州凱創商務投資集團有限公司), a company indirectly wholly-owned by Mr. KONG
“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
“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 2023 Property Lease Agreement II and the Existing Property Lease and Management Agreements
“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

* For identification purposes only

“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, 31 August 2023

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, Mr. TAM Chun Fai and Mr. LAW Yiu Wing, Patrick are independent non-executive Directors.