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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**

**(1) PUBLICITY PLANNING SERVICE FRAMEWORK AGREEMENT  
AND**

**(2) MARKETING CHANNEL SERVICE FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

The Board is pleased to announce that on 27 August 2021, the Company (for itself and on behalf of its subsidiaries), and KWG Living (for itself and on behalf of its subsidiaries) have entered into (1) the Publicity Planning Service Framework Agreement and (2) the Marketing Channel Service Framework Agreement for a term commencing from 27 August 2021 to 31 December 2021.

## **LISTING RULES IMPLICATION**

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 them was deemed to have interest in the shares and/or underlying shares in KWG Living held by the other parties under Section 317(1)(a) of the SFO. Thus, as at the date of this announcement, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are deemed to be interested in approximately 52.96%, 52.85% and 52.92% of the issued share capital of KWG Living, respectively. Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are the Controlling Shareholders. Therefore, KWG Living is an associate of the Controlling Shareholders and thus a connected person of the Company. Accordingly, the transactions contemplated under the Publicity Planning Service Framework Agreement and Marketing Channel Service Framework Agreement will constitute continuing connected transactions for the Company. Each of Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan has abstained from voting on the relevant resolutions of the Board in relation to the Framework Agreements and the transactions contemplated thereunder. Saved as disclosed, none of other Directors has a material interest in the Framework Agreements and the transaction contemplated thereunder.

As one or more of the applicable percentage ratios in respect of each of the Framework Agreements exceed 0.1% but all of which 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.

## **FRAMEWORK AGREEMENTS**

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. Details and the principal terms of each of the Framework Agreements are set out below:

### **(1) Publicity Planning Service Framework Agreement**

#### ***Date***

27 August 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***

27 August 2021 to 31 December 2021. 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 Publicity Planning Service Framework Agreement in all material aspects.

***Pricing policy***

Under the 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 of the relevant properties, and 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 and the terms 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 Publicity Planning Service Framework Agreement should be specified in the relevant specific agreement to be entered into by the parties.

### *Annual cap*

The annual caps to be paid by the Group to KWG Living Group pursuant to the Publicity Planning Service Framework Agreement for the period from 27 August 2021 to 31 December 2021 is set out below:

**For the period from  
27 August to  
31 December 2021**  
*(RMB million)*

Publicity planning service	<u>24</u>
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The annual cap for the publicity planning service was determined based on (i) the expected business needs of the Group for the publicity planning service during the term of the Publicity Planning Service Framework Agreement taking into account the quantity of residential properties developed by the Group of which KWG Living Group is anticipated to be engaged to provide publicity planning service up to 31 December 2021; and (ii) a certain percentage of buffer for the increase in potential demands of the Group for the publicity planning service including considering the property development plan of the Group up to 31 December 2021.

## **(2) Marketing Channel Service Framework Agreement**

### *Date*

27 August 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*

27 August 2021 to 31 December 2021. 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 resources 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 this Marketing Channel Service Framework Agreement in all material aspects.

### ***Pricing policy***

Under the 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 and the terms 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 Marketing Channel Service Framework Agreement should be specified in the relevant specific agreement to be entered into by the parties.

### *Annual cap*

The annual cap to be paid by the Group to KWG Living Group pursuant to the Marketing Channel Service Framework Agreement for the Group for the period from 27 August 2021 to 31 December 2021 is set out below:

**For the period from  
27 August to  
31 December 2021**  
*(RMB million)*

Marketing channel management service	<u><u>8</u></u>
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The annual cap for the marketing channel management service was determined based on (i) the expected business needs of the Group for the marketing channel management service during the term of the Marketing Channel Service Framework Agreement taking into account the quantity of residential properties developed by the Group that will adopt the Universal Marketing Plan; (ii) a certain percentage of buffer for the increase in potential demands of the Group for the marketing channel management service taking into account the property development plan of the Group up to 31 December 2021; and (iii) the expected number of participants of the Universal Marketing Plan up to 31 December 2021.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORKS 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 Board considers that the terms of the Framework Agreements and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms, 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 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 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 price 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 competent 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 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 Framework Agreements and the auditors 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 PARTIES TO THE 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, hotel operation and education.

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 IMPLICATION**

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 them was deemed to have interest in the shares and/or underlying shares in KWG Living held by the other parties under Section 317(1)(a) of the SFO. Thus, as at the date of this announcement, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are

deemed to be interested in approximately 52.96%, 52.85% and 52.92% of the issued share capital of KWG Living, respectively. Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are the Controlling Shareholders. Therefore, KWG Living is an associate of the Controlling Shareholders and thus a connected person of the Company. Accordingly, the transactions under the Framework Agreements will constitute continuing connected transactions for the Company. Each of Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan has abstained from voting on the relevant resolutions of the Board in relation to the Framework Agreements and the transactions contemplated thereunder. Saved as disclosed, none of other Directors has a material interest in the Framework Agreements and the transaction contemplated thereunder.

As one or more of the applicable percentage ratios in respect of each of the Framework Agreements exceed 0.1% but all of which 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.

## DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	KWG Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1813)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“Framework Agreements”	the Publicity Planning Service Framework Agreement and the Marketing Channel Service Framework Agreement
“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



“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and their respective connected persons, ultimate beneficial owner(s) or associates
“KWG Living”	KWG Living Group Holdings Limited (合景悠活集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 16 September 2019, 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
“Marketing Channel Service Framework Agreement”	the marketing channel service framework agreement entered into by the Company and KWG Living on 27 August 2021
“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
“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
“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
“Publicity Planning Service Framework Agreement”	the publicity planning service framework agreement entered into by the Company and KWG Living on 27 August 2021
“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
“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” (全民營銷計劃)	the Universal Marketing Plan means a marketing plan that uses all resources available to develop sales channel and facilitate transactions
“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

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

Hong Kong, 27 August 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.*