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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)

I. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND II. PROPOSED ADOPTION OF THE NEW ARTICLES OF ASSOCIATION

I. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 21 November 2022 (after trading hours), the Company has entered into the (1) New Property Lease Framework Agreement; (2) New Publicity Planning Service Framework Agreement; (3) New Marketing Channel Service Framework Agreement; (4) New Commercial Operational and Value-added Services Framework Agreement; (5) New Commercial Property Management Services Framework Agreement; (6) New Property Agency Services Framework Agreement; and (7) New Residential Property Management Services Framework Agreement (i.e. the New Framework Agreements) for a term commencing from 1 January 2023 to 31 December 2025.

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.

(a) The Partial-exempt Agreements

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the highest annual cap for each of the Partial-exempt Agreements exceeds 0.1% but all of which are less than 5%, each of the Partial-exempt Agreements and the transactions contemplated respectively 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.

(b) The Non-exempt Agreement

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the highest annual cap for the New Residential Property Management Services Framework Agreement exceeds 5%, the New Residential Property Management Services Framework Agreement and the transactions contemplated thereunder will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

II. PROPOSED ADOPTION OF THE NEW ARTICLES OF ASSOCIATION

In order to, among other things, reflect and align with the new requirements under the amendments to the Listing Rules which came into effect on 1 January 2022, the Board proposed to put forward to the Shareholders for approval at the EGM a special resolution to amend the Existing Articles by way of adoption of the New Articles.

I. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Background

Reference is made to the announcements of the Company dated 5 November 2020, 29 September 2021 and 10 December 2021, respectively in respect of, among other things, the Old Framework Agreements entered into between the Company and KWG Living, and the annual caps thereunder.

As the Old Framework Agreements will be expiring on 31 December 2022 and the Company is expected to carry on the transactions contemplated thereunder upon their expiry, the Company and KWG Living entered into the New Framework Agreements on 21 November 2022. The principal terms of each of the New Framework Agreements are set out below:

(a) The Partial-exempt Agreements

(1) New Property Lease Framework Agreement

Date:	21 November 2022
Parties:	(a) The Company (for itself and on behalf of its subsidiaries); and (b) KWG Living (for itself and on behalf of its subsidiaries).
Description of the transactions:	<p>Pursuant to the New Property Lease Framework Agreement, the Group shall lease the Properties and the Car Parking Lots to KWG Living Group for a term commencing from 1 January 2023 to 31 December 2025, 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.</p> <p>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 New Property Lease Framework Agreement.</p>
Pricing policy:	The rent to be paid by KWG Living Group in relation to the Properties under the New 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 New 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 New Property Lease Framework Agreement shall not be less favourable to the Group than the rent paid by Independent Third Parties.

Payment arrangement:

The payment mechanism for all rent to be paid by KWG Living Group pursuant to the transactions contemplated under the New Property Lease Framework Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Historical transaction amounts

The existing annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 are as follows:

	For the year ended 31 December 2020 (RMB'000)	For the year ended 31 December 2021 (RMB'000)	For the year ending 31 December 2022 (RMB'000)
Properties	1,700	3,000	6,000
Car Parking Lots	<u>16,400</u>	<u>19,700</u>	<u>23,600</u>
Total	<u><u>18,100</u></u>	<u><u>22,700</u></u>	<u><u>29,600</u></u>

The actual transaction amounts for the two years ended 31 December 2021 and the six months ended 30 June 2022 under the Old Property Lease Framework Agreement are as follows:

	For the year ended 31 December 2020 (Audited)^(Note) (RMB'000)	For the year ended 31 December 2021 (Audited) (RMB'000)	For the six months ended 30 June 2022 (Unaudited) (RMB'000)
Properties	7	2,830	2,178
Car Parking Lots	<u>430</u>	<u>5,300</u>	<u>2,392</u>
Total	<u>437</u>	<u>8,130</u>	<u>4,570</u>

Note: The historical transaction amounts for the year ended 31 December 2020 was audited upon the spin-off of KWG Living on 30 October 2020.

Proposed annual caps

The proposed annual caps under the New Property Lease Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023 (RMB'000)	2024 (RMB'000)	2025 (RMB'000)
Properties	6,000	7,200	8,600
Car Parking Lots	<u>24,000</u>	<u>27,000</u>	<u>30,000</u>
Total	<u>30,000</u>	<u>34,200</u>	<u>38,600</u>

The proposed annual caps for the New Property Lease Framework Agreement were determined based on (i) the historical transaction amounts under the Old Property Lease Framework Agreement; (ii) the rent payable under the existing lease agreements; (iii) the expected number of the Car Parking Lots (approximately 4,000 to 5,000) which KWG Living Group anticipates to lease from the Group based on the property development plan and delivery schedule of the Group; and (iv) the expected increment in rental and area to be leased by KWG Living Group based on the estimated increasing needs of KWG Living Group with reference to its future business development plan.

(2) New Publicity Planning Service Framework Agreement

- Date:** 21 November 2022
- Parties:** (a) The Company (for itself and on behalf of its subsidiaries); and
- (b) KWG Living (for itself and on behalf of its subsidiaries).
- Description of the transactions:** 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 for a term commencing from 1 January 2023 to 31 December 2025, 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 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 for the 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 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 caps for the year ending 31 December 2022 is as follows:

	For the year ending 31 December 2022 (RMB'000)
Publicity planning service	<u><u>32,000</u></u>

The actual transaction amount for the six months ended 30 June 2022 under the Old Publicity Planning Service Framework Agreement is as follows:

	For the six months ended 30 June 2022 (Unaudited) (RMB'000)
Publicity planning service	<u><u>16,174</u></u>

Proposed annual caps

The proposed annual caps under the New Publicity Planning Service Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)
Publicity planning service	<u>38,400</u>	<u>44,200</u>	<u>50,800</u>

The proposed annual caps for the publicity planning service was determined based on (i) the historical transaction amount under the Old Publicity Planning Service Framework Agreement; and (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 expected growth in the number of projects (from 54 projects for the year ending 31 December 2022 to approximately 70 projects for the year ending 31 December 2025) in respect 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 2025.

(3) *New Marketing Channel Service Framework Agreement*

Date: 21 November 2022

Parties:

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

Description of the transactions:

KWG Living Group shall provide marketing channel management service for the Universal Marketing Plan of properties developed by the Group. Leveraging on 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 for a term commencing from 1 January 2023 to 31 December 2025, 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 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 year ending 31 December 2022 is as follows:

	For the year ending 31 December 2022 (RMB'000)
Marketing channel management service	<u><u>12,000</u></u>

The actual transaction amount for the six months ended 30 June 2022 under the Old Marketing Channel Service Framework Agreement is as follows:

	For the six months ended 30 June 2022 (Unaudited) (RMB'000)
Marketing channel management service	<u><u>1,271</u></u>

Proposed annual caps

The proposed annual caps under the New Marketing Channel Service Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)
Marketing channel management service	<u>11,900</u>	<u>14,900</u>	<u>18,100</u>

The proposed annual caps for the marketing channel management service were 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 expected growth in the number of projects (from 30 projects for the year ending 31 December 2022 to approximately 45 projects for the year ending 31 December 2025) in respect of residential properties developed by the Group which adopted the Universal Marketing Plan and for which KWG Living Group is anticipated to be engaged to provide marketing channel management service up to 31 December 2025; and (iii) the expected number of participants of Universal Marketing Plan up to 31 December 2025.

(4) New Commercial Operational and Value-added Services Framework Agreement

Date: 21 November 2022

Parties: (a) The Company (for itself and on behalf of its subsidiaries); and
(b) KWG Living (for itself and on behalf of its subsidiaries).

Description of the transactions:

Pursuant to the New Commercial Operational and Value-added Services Framework Agreement, KWG Living Group shall provide Commercial Operational Services and Commercial Value-Added Services to the Group for a term commencing from 1 January 2023 to 31 December 2025, 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 New 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.

Payment arrangement:

The payment mechanism for all fees and payments payable by the Group pursuant to the transactions contemplated under the New Commercial Operational and Value-added Services Framework Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Historical transaction amount

The existing annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 are as follows:

	For the year ended 31 December 2020 (RMB'000)	For the year ended 31 December 2021 (RMB'000)	For the year ending 31 December 2022 (RMB'000)
Commercial Operational Services	90,100	136,900	156,800
Commercial Value-added Services	<u>13,000</u>	<u>13,900</u>	<u>16,100</u>
Total	<u>103,100</u>	<u>150,800</u>	<u>172,900</u>

The actual transaction amounts for the two years ended 31 December 2021 and the six months ended 30 June 2022 under the Old Commercial Operational and Value-added Services Framework Agreement are as follows:

	For the year ended 31 December 2020 (Audited)^(Note) (RMB'000)	For the year ended 31 December 2021 (Audited) (RMB'000)	For the six months ended 30 June 2022 (Unaudited) (RMB'000)
Commercial Operational Services	10,238	114,658	57,335
Commercial Value-added Services	<u>5,706</u>	<u>13,859</u>	<u>7,852</u>
Total	<u>15,944</u>	<u>128,517</u>	<u>65,187</u>

Note: The historical transaction amounts for the year ended 31 December 2020 was audited upon the spin-off of KWG Living on 30 October 2020.

Proposed annual caps

The proposed annual caps under the New Commercial Operational and Value-added Services Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)
Commercial Operational Services	116,200	122,600	140,700
Commercial Value-added Services	<u>17,100</u>	<u>18,800</u>	<u>20,700</u>
Total	<u><u>133,300</u></u>	<u><u>141,400</u></u>	<u><u>161,400</u></u>

The proposed annual caps for the New Commercial Operational and Value-added Services Framework Agreement were determined based on (i) the historical transaction amounts of the Commercial Operational Services and Commercial Value-added Services under the Old Commercial Operational and Value-added Services Framework Agreement; (ii) the existing contracts under which the Group has engaged KWG Living Group to provide Commercial Operational Services and Commercial Value-added Services; and (iii) the estimated GFA under management for which the Group anticipates it may engage KWG Living Group to provide Commercial Operational Services and Commercial Value-added Services based on the property development plan and delivery schedule of the Group for the three years ending 31 December 2025.

(5) *New Commercial Property Management Services Framework Agreement*

Date: 21 November 2022

Parties:

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

Description of the transactions:

Pursuant to the New Commercial Property Management Services Framework Agreement, KWG Living Group shall provide Commercial Pre-Sale Management Services and Commercial Property Management Services to the Group for a term commencing from 1 January 2023 to 31 December 2025, 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 New 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.

Payment arrangement:

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

Historical transaction amount

The existing annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 are as follows:

	For the year ended 31 December 2020 (RMB'000)	For the year ended 31 December 2021 (RMB'000)	For the year ending 31 December 2022 (RMB'000)
Commercial Pre-sale Management Services	23,300	29,100	36,400
Commercial Property Management Services	<u>96,400</u>	<u>153,700</u>	<u>184,500</u>
Total	<u>119,700</u>	<u>182,800</u>	<u>220,900</u>

The actual transaction amounts for the two years ended 31 December 2021 and the six months ended 30 June 2022 under the Old Commercial Property Management Services Framework Agreement are as follows:

	For the year ended 31 December 2020 (Audited)^(Note) (RMB'000)	For the year ended 31 December 2021 (Audited) (RMB'000)	For the six months ended 30 June 2022 (Unaudited) (RMB'000)
Commercial Pre-sale Management Services	4,113	14,670	6,083
Commercial Property Management Services	<u>6,399</u>	<u>120,132</u>	<u>65,066</u>
Total	<u>10,512</u>	<u>134,802</u>	<u>71,149</u>

Note: The historical transaction amounts for the year ended 31 December 2020 was audited upon the spin-off of KWG Living on 30 October 2020.

Proposed annual caps

The proposed annual caps under the New Commercial Property Management Services Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)
Commercial Pre-sale Management Services	28,500	29,900	31,400
Commercial Property Management Services	<u>165,900</u>	<u>186,200</u>	<u>215,000</u>
Total	<u><u>194,400</u></u>	<u><u>216,100</u></u>	<u><u>246,400</u></u>

The proposed annual caps for the New Commercial Property Management Services Framework Agreement were determined based on (i) the historical transaction amounts under the Old Commercial Property Management Services Framework Agreement; (ii) the existing contracts under which KWG Living Group has been engaged by the Group to provide the Commercial Pre-sale Management Services and Commercial Property Management Services; and (iii) the estimated increase in GFA and the projected transaction amounts in respect of the commercial properties developed by the Group for which the Group anticipates that it may engage KWG Living Group to provide the Commercial Pre-sale Management Services and Commercial Property Management Services based on the property development plan and delivery schedule of the Group for the three years ending 31 December 2025.

(6) *New Property Agency Services Framework Agreement*

Date: 21 November 2022

Parties:

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

Description of the transactions:

Pursuant to the New 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 1 January 2023 to 31 December 2025, 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 New 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.

Payment arrangement:

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

Historical transaction amount

The existing annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 are as follows:

	For the year ended 31 December 2020 (RMB'000)	For the year ended 31 December 2021 (RMB'000)	For the year ending 31 December 2022 (RMB'000)
Property Agency Services	<u>180,100</u>	<u>540,800</u>	<u>649,000</u>

The actual transaction amounts for the two years ended 31 December 2021 and the six months ended 30 June 2022 under the Old Property Agency Services Framework Agreement are as follows:

	For the year ended 31 December 2020 (Audited)^(Note) (RMB'000)	For the year ended 31 December 2021 (Audited) (RMB'000)	For the six months ended 30 June 2022 (Unaudited) (RMB'000)
Property Agency Services	<u>64,778</u>	<u>356,241</u>	<u>63,850</u>

Note: The historical transaction amount for the year ended 31 December 2020 was audited upon the spin-off of KWG Living on 30 October 2020.

Proposed annual caps

The proposed annual caps under the New Property Agency Services Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023 (RMB'000)	2024 (RMB'000)	2025 (RMB'000)
Property Agency Services	<u>169,100</u>	<u>212,100</u>	<u>257,100</u>

The proposed annual caps for the Property Agency Services were determined based on (i) the historical transaction amounts under the Old Property Agency Services Framework Agreement; (ii) the existing contracts under which KWG Living Group has been engaged by the Group to provide the Property Agency Services; and (iii) the expected increase in the number of projects for which the Group anticipates that it may engage KWG Living Group to provide the Property Agency Services based on the property development plan and delivery schedule of the Group for the three years ending 31 December 2025.

(b) The Non-exempt Agreement

(7) New Residential Property Management Services Framework Agreement

Date: 21 November 2022

Parties: (a) The Company (for itself and on behalf of its subsidiaries); and
(b) KWG Living (for itself and on behalf of its subsidiaries).

Description of the transactions: Pursuant to the New Residential Property Management Services Framework Agreement, KWG Living Group shall provide Residential Pre-Sale Management Services and Residential Property Management Services to the Group for a term commencing from 1 January 2023 to 31 December 2025, 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 New Residential Property Management Services Framework Agreement.

Pricing policy:

The fees to be charged for the Residential Pre-sale Management Services and 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 types 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 filed with the relevant government authorities (if applicable), and where KWG Living Group is 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.

**Payment
arrangement:**

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

Historical transaction amount

The existing annual caps for the two years ended 31 December 2021 and the year ending 31 December 2022 are as follows:

	For the year ended 31 December 2020 (RMB'000)	For the year ended 31 December 2021 (RMB'000)	For the year ending 31 December 2022 (RMB'000)
Residential Pre-sale Management Services	156,300	248,300	298,000
Residential Property Management Services	<u>51,400</u>	<u>111,900</u>	<u>134,300</u>
Total	<u>207,700</u>	<u>360,200</u>	<u>432,300</u>

The actual transaction amounts for the two years ended 31 December 2021 and the six months ended 30 June 2022 under the Old Residential Property Management Services Framework Agreement are as follows:

	For the year ended 31 December 2020 (Audited)^(Note) (RMB'000)	For the year ended 31 December 2021 (Audited) (RMB'000)	For the six months ended 30 June 2022 (Unaudited) (RMB'000)
Residential Pre-sale Management Services	17,723	229,304	89,329
Residential Property Management Services	<u>21,619</u>	<u>76,413</u>	<u>55,500</u>
Total	<u>39,342</u>	<u>305,717</u>	<u>144,829</u>

Note: The historical transaction amounts for the year ended 31 December 2020 was audited upon the spin-off of KWG Living on 30 October 2020.

Proposed annual caps

The proposed annual caps under the New Residential Property Management Services Framework Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December		
	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)
Residential Pre-sale Management Services	182,000	182,000	182,000
Residential Property Management Services	<u>133,800</u>	<u>154,600</u>	<u>178,600</u>
Total	<u><u>315,800</u></u>	<u><u>336,600</u></u>	<u><u>360,600</u></u>

The proposed annual caps for New Residential Property Management Services Framework Agreement were determined based on: (i) the historical transaction amounts of the Residential Pre-sale Management Services and Residential Property Management Services under the Old Residential Property Management Services Framework Agreement; (ii) the existing contracts under which KWG Living Group has been engaged by the Group to provide the Residential Pre-sale Management Services and Residential Property Management Services; and (iii) the estimated number of projects and increase in 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 Pre-sale Management Services and Residential Property Management Services based on the property development plan and delivery schedule of the Group for the three years ending 31 December 2025.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE NEW 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 leasing the Properties as office and staff quarters from the Group, and leasing the Car Parking Lots from the Group for its sub-leasing to end users in order to better utilise resources.

Also, 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.

By entering into the New 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 the Car Parking Lots is cost and time efficient and would bring in additional revenue to the Group. Also, 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, (i) the Directors (including the independent non-executive Directors) consider that the terms of the Partial-exempt 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 the Shareholders as a whole; and (ii) the Directors (excluding the independent non-executive Directors, whose view will be provided after taking into account the advice of the Independent Financial Adviser) consider that the terms of the New Residential Property Management Services Framework Agreement 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 the Shareholders as a whole.

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 the 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 New Framework Agreements.

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

- (i) the New 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 New Publicity Planning Service Framework Agreement and the New Marketing Channel Service Framework Agreement, the costs for the transactions contemplated thereunder 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.
- (iii) the New Property Agency Services Framework Agreement, the New Commercial Property Management Services Framework Agreement (for contracts which are not awarded through standard public tender procedures) and the New 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.
- (iv) contract which is not awarded through standard public tender procedures under the New Residential Property Management Services Framework Agreement, the operation 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) 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 filed with the relevant government authorities (if applicable).

After collecting the relevant information, the operation 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 New Residential Property Management Services Framework Agreement, the price offered to KWG Living Group shall not be higher than the standard fees filed with the relevant government authorities (if applicable). For the New 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 New 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 New 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 New 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 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 relevant framework agreements 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 New Framework Agreements will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

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. KWG Living is 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: 3913).

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.

(a) The Partial-exempt Agreements

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the highest annual cap for each of the Partial-exempt Agreements exceeds 0.1% but all of which are less than 5%, each of the Partial-exempt Agreements and the transactions contemplated respectively 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.

(b) The Non-exempt Agreement

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the highest annual cap for the New Residential Property Management Services Framework Agreement exceeds 5%, the New Residential Property Management Services Framework Agreement and the transactions contemplated thereunder will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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.

II. PROPOSED ADOPTION OF THE NEW ARTICLES OF ASSOCIATION

On 1 January 2022, the Listing Rules were amended to introduce, among others, a uniform set of 14 core standards for shareholder protection as set out in Appendix 3 to the Listing Rules, which are applicable to all listed companies regardless of their place of incorporation. The Board proposes to amend the Existing Articles by way of adoption of the New Articles to (i) bring its Existing Articles in line with the relevant requirements of the applicable laws of the Cayman Islands and the Listing Rules; (ii) enable the Company to convene and hold electronic or hybrid general meetings of the Shareholders and provide provisions regulating the conduct of such general meetings; and (iii) make other miscellaneous and housekeeping changes to update or clarify the provisions of the Existing Articles, including consequential amendments in line with the above amendments to the Existing Articles, where it is considered desirable or to better align the wording of the Existing Articles with that of the Listing Rules and the applicable laws of Cayman Islands.

In view of the vast number of amendments proposed to be made to the Existing Articles, the Board proposed that the New Articles be adopted in substitution for and to the exclusion of the Existing Articles, instead of carrying out piecemeal modifications on the Existing Articles. The proposed adoption of the New Articles shall be subject to the passing of a special resolution by the Shareholders at the EGM. Prior to the passing of the relevant special resolution at the EGM, the Existing Articles shall remain valid. Full text of the New Articles will be set out in the appendix to the circular to be despatched to the Shareholders in due course.

The Board is of the view that the proposed adoption of the New Articles is in the interests of the Company and the Shareholders as a whole.

After the proposed adoption of the New Articles comes into effect, the full text of the New Articles will be published on the websites of the Stock Exchange and the Company.

GENERAL INFORMATION

The Company will convene and hold the EGM for the purpose of, among other things, considering and if thought fit, approving (i) the New Residential Property Management Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor); and (ii) the proposed adoption of the New Articles.

Voting at the EGM will be conducted by way of poll. Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan and their respective associates shall abstain from voting on the proposed resolutions approving the New Residential Property Management Services Framework Agreement and the transactions contemplated thereunder at the EGM. Save for the above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the other Shareholders is required to abstain from voting on the resolutions in respect of the New Residential Property Management Services Framework Agreement to be proposed at the EGM, and none of the Shareholders is required to abstain from voting on the proposed resolution approving the proposed adoption of the New Articles.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders on the New Residential Property Management Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor). Goldline Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further information on the New Residential Property Management Services Framework Agreement and the transactions contemplated thereunder; (ii) further information on the proposed adoption of the New Articles; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 8 December 2022, as additional time is required to finalise the contents of the circular.

DEFINITIONS

“associate(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Car Parking Lots”	the car parking lots leased by the Group to KWG Living Group for sub-leasing to end users

“Commercial Operational Services”	the commercial operational services to be provided by KWG Living Group to the Group under the Old Commercial Operational and Value-added Services Framework Agreement or the New Commercial Operational and Value-added Services Framework Agreement (as the case may be), such as preliminary planning and consultancy, tenant sourcing and management, and marketing and promotion services, for commercial properties owned by the Group
“Commercial Pre-sale Management Services”	the commercial pre-sale management services to be provided by KWG Living Group to the Group under the Old Commercial Property Management Services Framework Agreement or the New Commercial Property Management Services Framework Agreement (as the case may be), such as cleaning, security and maintenance services for pre-sale display units and sales offices of commercial properties owned by the Group
“Commercial Property Management Services”	the commercial property management services to be provided by KWG Living Group to the Group under the Old Commercial Property Management Services Framework Agreement or the New Commercial Property Management Services Framework Agreement (as the case may be), 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 its own use
“Commercial Value-added Services”	the commercial value-added services to be provided by KWG Living Group to the Group under the Old Commercial Operational and Value-added Services Framework Agreement or the New Commercial Operational and Value-added Services Framework Agreement (as the case may be), such as providing assistance in leasing out common areas, advertising spaces and empty floor space, for properties owned by the Group
“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 Main Board of 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
“EGM”	the extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held for the purpose of considering and, if thought fit, approving (i) the New Residential Property Management Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor); and (ii) the proposed adoption of the New Articles
“Existing Articles”	the existing articles of association of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee established by the Board, comprising all the independent non-executive Directors, namely Mr. LEE Ka Sze, Carmelo, Mr. TAM Chun Fai and Mr. LAW Yiu Wing, Patrick, to advise the Independent Shareholders in respect of the New Residential Property Management Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor)
“Independent Financial Adviser” or “Goldlink Capital”	Goldlink Capital (Corporate Finance) Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New Residential Property Management Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor)
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the relevant resolution with respect to the New Residential Property Management Services Framework Agreement

“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, 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: 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 Articles”	the amended and restated articles of association proposed to be adopted by the Company at the EGM
“New Commercial Operational and Value-added Services Framework Agreement”	the commercial operational and value-added services framework agreement entered into by the Company and KWG Living on 21 November 2022
“New Commercial Property Management Services Framework Agreement”	the commercial property management services framework agreement entered into by the Company and KWG Living on 21 November 2022
“New Framework Agreements”	the (1) New Property Lease Framework Agreement; (2) New Publicity Planning Service Framework Agreement; (3) New Marketing Channel Service Framework Agreement; (4) New Commercial Operational and Value-added Services Framework Agreement; (5) New Commercial Property Management Services Framework Agreement; (6) New Property Agency Services Framework Agreement; and (7) New Residential Property Management Services Framework Agreement
“New Marketing Channel Service Framework Agreement”	the marketing channel service framework agreement entered into by the Company and KWG Living on 21 November 2022

“New Property Agency Services Framework Agreement”	the property agency services framework agreement entered into by the Company and KWG Living on 21 November 2022
“New Property Lease Framework Agreement”	the property lease framework agreement entered into by the Company and KWG Living on 21 November 2022
“New Publicity Planning Service Framework Agreement”	the publicity planning service framework agreement entered into by the Company and KWG Living on 21 November 2022
“New Residential Property Management Services Framework Agreement”	the residential property management services framework agreement entered into by the Company and KWG Living on 21 November 2022
“Old Commercial Operational and Value-added Services Framework Agreement”	the commercial operational and value-added services framework agreement entered into by the Company and KWG Living on 14 October 2020
“Old Commercial Property Management Services Framework Agreement”	the commercial property management services framework agreement entered into by the Company and KWG Living on 14 October 2020 (as amended and supplemented by the supplemental agreement dated 29 September 2021)
“Old Framework Agreements”	the (1) Old Property Lease Framework Agreement; (2) Old Publicity Planning Service Framework Agreement; (3) Old Marketing Channel Service Framework Agreement; (4) Old Commercial Operational and Value-added Services Framework Agreement; (5) Old Commercial Property Management Services Framework Agreement; (6) Old Property Agency Services Framework Agreement; and (7) Old Residential Property Management Services Framework Agreement
“Old Marketing Channel Service Framework Agreement”	the marketing channel service framework agreement entered into by the Company and KWG Living on 10 December 2021

“Old Property Agency Services Framework Agreement”	the property agency services framework agreement entered into by the Company and KWG Living on 14 October 2020 (as amended and supplemented by the supplemental agreement dated 29 September 2021)
“Old Property Lease Framework Agreement”	the property lease framework agreement entered into by the Company and KWG Living on 14 October 2020
“Old Publicity Planning Service Framework Agreement”	the publicity planning service framework agreement entered into by the Company and KWG Living on 10 December 2021
“Old Residential Property Management Services Framework Agreement”	the residential property management services framework agreement entered into by the Company and KWG Living on 14 October 2020 (as amended and supplemented by the supplemental agreement dated 29 September 2021)
“Partial-exempt Agreements”	the (1) New Property Lease Framework Agreement; (2) New Publicity Planning Service Framework Agreement; (3) New Marketing Channel Service Framework Agreement; (4) New Commercial Operational and Value-added Services Framework Agreement; (5) New Commercial Property Management Services Framework Agreement; and (6) New Property Agency Services Framework Agreement
“PRC”	the People’s Republic of China
“Properties”	the properties leased by the Group to KWG Living Group as office and staff quarters
“Property Agency Services”	the property agency services to be provided by KWG Living Group to the Group under the Old Property Agency Services Framework Agreement or the New Property Agency Services Framework Agreement (as the case may be) for properties developed by the Group
“Residential Pre-sale Management Services”	the residential pre-sale management services to be provided by KWG Living Group to the Group under the Old Residential Property Management Services Framework Agreement or the New Residential Property Management Services Framework Agreement (as the case may be), such as cleaning, security and maintenance services for pre-sale display units and sales offices owned by the Group

“Residential Property Management Services”	the residential property management services to be provided by KWG Living Group to the Group under the Old Residential Property Management Services Framework Agreement or the New Residential Property Management Services Framework Agreement (as the case may be), such as cleaning, security, gardening and repair and maintenance services for residential properties developed by the Group which are unsold or sold but not yet delivered to the property owners
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares with nominal value of HK\$0.10 each in the share capital of the Company
“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, 21 November 2022

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.