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KWUNG'S HOLDINGS LIMITED

曠世控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1925)

CONNECTED TRANSACTIONS IN RELATION TO TENANCY AGREEMENTS

BACKGROUND

The Board announces that on 29 April 2022 (after trading hours), each of Ningbo Kwung's and Ningbo Fenyuan, both of which being indirectly wholly owned subsidiaries of the Company, entered into the Tenancy Agreement I and Tenancy Agreement II with Ningbo Jingyuan, pursuant to which each of Ningbo Kwung's and Ningbo Fenyuan (as lessees) agreed to lease the Properties I and Properties II from Ningbo Jingyuan (as the lessor) as production facilities respectively.

PRINCIPAL TERMS OF THE TENANCY AGREEMENTS

Tenancy Agreement I

Date:	29 April 2022 (after trading hours)
Tenant:	Ningbo Kwung's
Landlord:	Ningbo Jingyuan
Premises:	Building No. 1, Building No. 3 and Office Building, No. 70 Hongwei Road, Binhai Industrial Zone, Yinzhou District, Ningbo City, Zhejiang Province, the PRC (i.e., Properties I)
Area:	Approximately 32,839 square meters
Lease term:	From 1 May 2022 to 30 April 2023 (both days inclusive)
Security deposit:	RMB328,388.5
Monthly rent:	RMB328,388.5

Payment term: RMB1,970,331 (equivalent to six months of the monthly rent) payable in advance within three days upon the execution of the Tenancy Agreement I and the remaining RMB1,970,331 payable in advance in six months after the first payment

Tenancy Agreement II

Date: 29 April 2022 (after trading hours)

Tenant: Ningbo Fenyuan

Landlord: Ningbo Jingyuan

Premises: Building No. 2 and Warehouse, No. 70 Hongwei Road, Binhai Industrial Zone, Yinzhou District, Ningbo City, Zhejiang Province, the PRC (i.e., Properties II)

Area: Approximately 8,574 square meters

Lease term: From 1 May 2022 to 30 April 2023 (both days inclusive)

Security deposit: RMB85,735.2

Monthly rent: RMB85,735.2

Payment term: RMB514,411.2 (equivalent to six months of the monthly rent) payable in advance in within three days upon the execution of the Tenancy Agreement II and the remaining RMB514,411.2 payable in advance in six months after the first payment

ACCOUNTING TREATMENT

In accordance with HKFRS 16 *Leases*, the Group will recognise right-of-use assets and related lease liabilities within the consolidated statement of financial position of the Group in connection with the Tenancy Agreement I and the Tenancy Agreement II. The total estimated value of the right-of-use assets to be recognised by the Group under the Tenancy Agreement I and Tenancy Agreement II amounts to approximately RMB4,905,174, which is the present value of rental payment in accordance with HKFRS 16.

The above figure is unaudited and may be subject to adjustment in the future.

REASONS AND BENEFITS FOR THE CONNECTED TRANSACTIONS

The Group has a stable growth on the business over the past years and management of the Group expects that the growth will sustain in the foreseeable future. Accordingly, the Group intends to lease the Properties I and the Properties II to expand the production capacities. In addition, the Group currently subcontracts certain production to outside parties and the Group intends to reduce the subcontracting arrangement for achieving a better product quality and also more stable production time. The entering into of the Tenancy Agreement I and the Tenancy Agreement II can provide the Group with additional production facilities to satisfy its business operation needs.

The Directors (including the independent non-executive Directors) are of the view that both the Tenancy Agreement I and the Tenancy Agreement II are entered into in the ordinary course of business of the Group and on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the rentals under both the Tenancy Agreement I and the Tenancy Agreement II are fair and reasonable. Mr. Jin is regarded as having a material interest in the transactions contemplated under the Tenancy Agreement I and the Tenancy Agreement II, and therefore Mr. Jin has abstained from voting on the Board resolution to approve the transactions contemplated under the Tenancy Agreement I and the Tenancy Agreement II. Save and except for the aforesaid, none of the then Directors has any material interest in the Tenancy Agreement I and the Tenancy Agreement II, and was required to abstain from voting on the Board resolutions in relation to the transactions contemplated under the Tenancy Agreement I and the Tenancy Agreement II.

IMPLICATIONS OF THE LISTING RULES

Mr. Jin, being an executive Director and a controlling shareholder of the Company, is interested in 56.08% of the issued shares of the Company, and is therefore a connected person of the Company. Mr. Jin indirectly hold an effective interest of approximately 98.81% of Jingyuan, and therefore Jingyuan is also a connected person of the Company.

In accordance with HKFRS 16 Leases, the rental payment to be made by Ningbo Kwung's and Ningbo Fenyuan under the Tenancy Agreement I and the Tenancy Agreement II will be recognised as right-of-use assets and will be regarded as an acquisition of assets by the Group for the purpose of the Listing Rules. As such, pursuant to Chapter 14A of the Listing Rules, the payment of rentals under the Tenancy Agreement I and the Tenancy Agreement II constitute one-off connected transactions of the Company.

The transaction contemplated under Tenancy Agreement II, on a standalone basis, is exempted from the reporting, announcement and independent shareholders' approval requirements as all applicable percentage ratios are more than 0.1% but less than 5%, and the total consideration of the transaction is less than HK\$3,000,000. However, the transaction contemplated under Tenancy Agreement II, when aggregated with the transaction contemplated under Tenancy Agreement I, shall be subject to the reporting, announcement but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules as

the applicable percentage ratios were less than 5% but the aggregated consideration of the transactions exceeded HK\$3,000,000.

GENERAL INFORMATION

The Group is principally engaged in the design and manufacturing of home decoration products, comprising candles, home fragrance and home accessories in the PRC.

Ningbo Jingyuan is principally engaged in the property investment for rental purpose.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Kwung’s 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
“connected person”	has the same meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Jin”	Mr. JIN Jianxin (金建新), an executive Director, chairman of the Board and a controlling shareholder of the Company

“Ningbo Fenyuan”	寧波芬緣香薰製品有限公司, a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
“Ningbo Jingyuan”	寧波璟元文化發展有限公司, a company established in the PRC with limited liability and is directly owned as to approximately 98.81% by Mr. Jin
“Ningbo Kwung’s”	寧波曠世智源工藝設計有限公司, a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Properties I”	Building No. 1, Building No. 3 and Office Building, No. 70 Hongwei Road, Binhai Industrial Zone, Yinzhou District, Ningbo City, Zhejiang Province, the PRC
“Properties II”	Building No. 2 and Warehouse, No. 70 Hongwei Road, Binhai Industrial Zone, Yinzhou District, Ningbo City, Zhejiang Province, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement I”	the tenancy agreement dated 29 April 2022 entered into between Ningbo Kwung’s and Ningbo Jingyuan in respect of the lease of the Properties I
“Tenancy Agreement II”	the tenancy agreement dated 29 April 2022 entered into between Ningbo Fenyuan and Ningbo Jingyuan in respect of the lease of the Properties II

By order of the Board
Kwung’s Holdings Limited
JIN Jianxin
Chairman

Hong Kong, 29 April 2022

As at the date of this announcement, the executive Directors are Mr. JIN Jianxin and Mr. TIAN Dong; the non-executive Director is Mr. SHAO Patrick; and the independent non-executive Directors are Mr. LAI Chun Yu, Ms. XU Qiong and Mr. ZHOU Kai.