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If you have sold or transferred all your shares in **Kwung's Holdings Limited**, you should at once hand this Circular, together with the enclosed form of proxy, to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**MAJOR TRANSACTION
CONSTRUCTION AGREEMENT IN RESPECT OF
THE CONSTRUCTION OF PRODUCTION FACILITIES**

Unless the context otherwise requires, all capitalised terms used in this circular shall have the meanings as set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 3 to 8 of this circular.

The Company has obtained written Shareholders' approval for the Construction Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules from Shareholders who hold more than 50% of the total issued Shares having the right to attend and vote at a general meeting. Accordingly, no Shareholders' meeting will be held to approve the Construction Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

This Circular is being despatched to the Shareholders for information only.

3 March 2023

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DEFINITIONS

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

“Anhui Fenyuan”	Anhui Fenyuan Aromatic Technology Company Limited* (安徽芬緣芳香科技有限公司), a company established under the laws of the PRC with limited liability and an indirectly wholly owned subsidiary of the Company;
“Board”	the board of Directors;
“Company”	Kwung’s Holdings Limited (曠世控股有限公司), a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the total consideration to be paid by Anhui Fenyuan to the Contractor pursuant to the Construction Agreement, being RMB150,000,000;
“Construction Agreement”	the agreement entered into between Anhui Fenyuan and the Contractor dated 19 January 2023 for the Construction Works;
“Construction Works”	design and construction works of production facilities, which mainly comprise warehouses, workshop buildings and staff quarters, with a construction area of approximately 87,000 sq.m. on a piece of land located at the Sanshan Economic Development Zone* (三山經濟開發區) of Wuhu City, Anhui Province, the PRC;
“Contractor”	Zhejiang Lianshangyuan Construction Co., Ltd.* (浙江聯尚原建設有限公司), a company established under the laws of the PRC with limited liability;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Latest Practicable Date”	28 February 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“PRC”	the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	ordinary shares of HK\$0.001 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“sq.m.”	square metre(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

LETTER FROM THE BOARD

KWUNG'S HOLDINGS LIMITED
曠世控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1925)

Executive Directors:

Mr. JIN Jianxin
Mr. TIAN Dong

Non-executive Director:

Mr. SHAO Patrick

Independent non-executive Directors:

Mr. LAI Chun Yu
Ms. XU Qiong
Mr. ZHOU Kai

Registered office:

89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

*Principal place of business
in Hong Kong:*

Unit 1102, 11th Floor
Brill Plaza
No. 84 To Kwa Wan Road
To Kwa Wan, Kowloon
Hong Kong

3 March 2023

Dear sir/madam,

MAJOR TRANSACTION
CONSTRUCTION AGREEMENT IN RESPECT OF
THE CONSTRUCTION OF PRODUCTION FACILITIES

1. INTRODUCTION

Reference is made to the announcement of the Company dated 19 January 2023 in relation to the Construction Agreement between Anhui Fenyuan (an indirect wholly owned subsidiary of the Company) and the Contractor, pursuant to which the Contractor will undertake the Construction Works at the consideration of RMB150,000,000.

The purpose of this circular is to provide you with, among other things, further details of the Construction Agreement and the general information of the Group.

LETTER FROM THE BOARD

2. THE CONSTRUCTION AGREEMENT

The principal terms of the Construction Agreement are set out below:

Date: 19 January 2023

Parties: (i) Anhui Fenyuan; and
(ii) the Contractor.

Scope of work: Design and construction works of production facilities, which mainly comprise warehouses, workshop buildings and staff quarters, with a construction area of approximately 87,000 sq.m. on a piece of land located at the Sanshan Economic Development Zone* (三山經濟開發區) of Wuhu City, Anhui Province, the PRC.

Construction period: The Construction Works are expected to be completed within 380 days after commencement.

Consideration: RMB150,000,000, and subject to any adjustments to be agreed by both parties from time to time.

Pursuant to the Construction Agreement, the Consideration maybe adjusted only in the following circumstances:

- (i) in the event that the Contractor optimises the Construction Works, under the premise of meeting the requirements and the approval from Anhui Fenyuan and the also review by professional parties, 70% of the savings resulting from the optimisation would be reduced from the Consideration and the remaining 30% of the savings would be granted to the Contractor as incentive;
- (ii) in the event that there is overspending on the earthworks part of the Construction Works, the Consideration will not be adjusted if the overspending amount is less than RMB1,000,000, and the overspending portion exceeding RMB1,000,000 will be borne by Anhui Fenyuan with a maximum adjustment amount of RMB500,000;

LETTER FROM THE BOARD

- (iii) in the event that Anhui Fenyuan requests modification on the brands or grading of the materials stated in the quotation document, and the price of the new materials differs by more than 5% from the price of the materials stated in the quotation document, the Consideration shall be adjusted for those price differences;
- (iv) in the event that the modification on the Construction Works is not attributable to the Contractor but solely attributable to Anhui Fenyuan, the overspendings or the savings is adjusted to the Consideration; and
- (v) adjustments on items and prices of the Construction Works as mutually agreed by Anhui Fenyuan and the Contractor.

The Directors do not consider that any adjustments to the Consideration would result in the transaction contemplated under the Construction Agreement falling under a higher classification pursuant to Rule 14.06 of the Listing Rules. The Company will comply with any additional requirements under Chapter 14 of the Listing Rules should the Consideration be adjusted such that the transaction contemplated under the Construction Agreement would fall under a higher classification pursuant to Rule 14.06 of the Listing Rules.

Payment terms:

The Contractor submits the monthly progress report by 20th of each month as progress billing and 70% of the amount as stated in the submitted monthly progress report will be paid by Anhui Fenyuan not later than 5th of the following month after review and checking.

Anhui Fenyuan shall pay up to 97% of the Consideration upon the completion acceptance (including acceptance by the housing construction department and the fire department of the government of the PRC).

Anhui Fenyuan shall pay the remaining 3% of the Consideration after completion of the warranty period.

**Performance
guarantee:**

The Contractor will provide a letter of guarantee to Anhui Fenyuan issued by a bank in an amount of RMB7,500,000 for a period up to the completion of the Construction Works by the Contractor and completion acceptance of the Construction Works by Anhui Fenyuan.

The letter of guarantee has been received by Anhui Fenyuan and becomes effective as at the Latest Practicable Date.

LETTER FROM THE BOARD

Warranty:	The warranty period of any defects of the Construction Works is 24 months commencing from the completion acceptance of the Construction Works by Anhui Fenyuan.
Condition precedent:	The Construction Agreement is conditional upon the approval by Shareholders. As at the date of this circular, the condition precedent set out above has been fulfilled.

3. BASIS OF CONSIDERATION

The Consideration was determined based on the tender price provided by the Contractor with further negotiation after the closed tendering process. The Directors have assessed the experience and capability of the Contractor, including its experience on similar construction works in the same city where the Land is located, and also inspecting its quality of work at construction sites that were handled by the Contractor, before awarding the Construction Agreement to the Contractor. In addition, the Directors have assessed the expected scope and complexity of the Construction Works, which include design and construction works of production facilities comprising mainly warehouses, workshop buildings and staff quarters, and consider that the Consideration is fair and reasonable. The Consideration will be financed by the Group's internal resources.

4. FINANCIAL EFFECTS OF ENTERING INTO THE CONSTRUCTION AGREEMENT

The Consideration is RMB150,000,000 and the Company considers that there will not be any material effect on the earnings of the Group immediately after the execution of the Construction Agreement. Since the Consideration is expected to be funded by the Group's internal resources, the cash and cash equivalents of the Group will decrease, while the property, plant and equipment and the interest bearing borrowings of the Group will increase. However, the net assets of the Group will have no significant change.

5. REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT

As set out in the announcement of the Company dated 2 August 2022, the Group has acquired a piece of land located at the Sanshan Economic Development Zone* (三山經濟開發區) of Wuhu City, Anhui Province, the PRC, with a total site area of approximately 95,905.81 sq.m. (the "Land").

The Group currently mainly lease its production facilities for the manufacture of the Group's products. Considering that there is increasing need on the production capacity and also there is a target to further reduce the level of outsourcing of manufacture of products, the Group will construct its own production facilities on the Land pursuant to the Construction Agreement for the long term business growth.

LETTER FROM THE BOARD

Based on the above, the Directors consider that the transaction contemplated under the Construction Agreement is on normal commercial terms, that the terms of the Construction Agreement are fair and reasonable and that the entering into of the Construction Agreement is in the interests of the Company and the Shareholders as a whole.

6. INFORMATION ON THE GROUP

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

Anhui Fenyuan is a company established with limited liability in the PRC and is indirectly wholly owned by the Company. Anhui Fenyuan is principally engaged in the manufacturing and sales of home decoration products, comprising candles, home fragrance and home accessories.

7. INFORMATION ABOUT THE CONTRACTOR

The Contractor is a company incorporated under the laws of the PRC and is principally engaged in provision of development and construction services, labour force subcontracting service and consultancy services for project costing. The Contractor is ultimately owned as to 80% by Ms. Ma Caixia* (馬彩霞) and 20% by Mr. Ren Jianding* (任建定). To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

8. LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Construction Agreement is more than 25% but less than 100%, the transaction contemplated under the Construction Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Shareholders has a material interest in the transaction contemplated under the Construction Agreement. As such, no Shareholder is required to abstain from voting if an extraordinary general meeting were convened for the approval of the Construction Agreement. The Company has obtained written approval in respect of the Construction Agreement from King Harmony Limited, which is beneficially interested in 229,146,000 Shares, representing approximately 56.57% of the entire issued share capital and voting rights of the Company as at the date of this circular. No extraordinary general meeting will be convened for the approval of the Construction Agreement as permitted under Rule 14.44 of the Listing Rules.

LETTER FROM THE BOARD

9. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that while the entering into of the Construction Agreement is not in the ordinary and usual course of business of the Group, the Construction Agreement was entered into upon normal commercial terms following arm's length negotiations between the parties and that the terms of the Construction Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. If a general meeting were to be convened for the approval of the Construction Agreement, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Construction Agreement and the transaction contemplated thereunder at such general meeting.

10. ADDITIONAL INFORMATION

Your attention is drawn to the financial and general information as set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Kwung's Holdings Limited
JIN Jianxin
Chairman and executive Director

The English translation of the Chinese name(s) in this circular (if any), where indicated with "", is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

1. FINANCIAL INFORMATION OF THE COMPANY

Details of the financial information of the Group for the three financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and for the six months ended 30 June 2022 have been set out in the following documents respectively:

- (a) the annual report of the Company for the year ended 31 December 2019 from pages 37 to 97 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042902046.pdf>);
- (b) the annual report of the Company for the year ended 31 December 2020 from pages 67 to 183 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0430/2021043001982.pdf>);
- (c) the annual report of the Company for the year ended 31 December 2021 from pages 115 to 272 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042900288.pdf>); and
- (d) the interim report of the Company for the six months ended 30 June 2022 from pages 24 to 56 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0929/2022092900393.pdf>).

2. INDEBTEDNESS OF THE COMPANY

As at the close of business on 31 January 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had unguaranteed and unsecured interest bearing borrowings of approximately RMB175.2 million, and unguaranteed and unsecured lease liabilities of approximately RMB2.2 million.

Save as disclosed above, apart from intra-group liabilities, normal trade payables and other payables, as at 31 January 2023, the Group did not have any other debt securities, term loans, other borrowings or indebtedness in the nature of borrowings whether issued and outstanding, or authorised or otherwise created but unissued, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptable credits, hire purchase commitments, guaranteed, unguaranteed, secured or unsecured debts and borrowings, mortgages, charges, contingent liabilities or guarantees.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the Group's internal resources and the available banking facilities, and the effects of entering into the Construction Agreement, the working capital available to the Group is sufficient for the Group's requirements for at least the next 12 months from the date of this circular. The Group has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

During the first half of 2022, the Group recorded a growth of approximately 50.2% in revenue as compared to the corresponding period in the previous year. Some of the manufacturers in countries in Southeast Asia region, being the Group's competitors, have closed down their businesses, causing the Group's existing customers to increasingly rely on the Group in supplying products as original design manufacturer of candle products, home fragrance products and home decoration products.

The Group currently mainly lease its production facilities for the manufacture of the Group's products. Considering that there is increasing need on the production capacity and also there is a target to further reduce the level of outsourcing of manufacture of products, the Group will construct its own production facilities for the long term business growth on a piece of land located at the Sanshan Economic Development Zone* (三山經濟開發區) of Wuhu City, Anhui Province, the PRC.

The Group expects that the new production facilities would provide a more stable production capacity as compared to the existing outsourcing arrangement, and so do a better and more stable product quality. The Group will also be able to explore new products and potential customers for future business development with the new production facilities.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (as defined under the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares

Name of Directors	Note	Number of Shares held	
		Through controlled corporation	Percentage of the Company's share capital
JIN Jianxin	(a)	229,146,000	56.57%

Note:

- (a) King Harmony Limited is wholly owned by Mr. JIN Jianxin, and Mr. JIN Jianxin is deemed to be interested in the 229,146,000 Shares owned by King Harmony Limited under the SFO.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares

Name	Notes	Number of Shares held			Total	Percentage of the Company's share capital
		Directly beneficially owned	Through spouse	Through controlled corporation		
CHEN						
Jiangyan	(a)	–	229,146,000	–	229,146,000	56.57%
King						
Harmony						
Limited		229,146,000	–	–	229,146,000	56.57%
DMA						
Limited		54,102,857	–	–	54,102,857	13.36%
RU Liming	(b)	–	–	54,102,857	54,102,857	13.36%

Notes:

- (a) Ms. CHEN Jiangyan is the spouse of Mr. JIN Jianxin and therefore is deemed to be interested in all the Shares Mr. JIN Jianxin is interested in under the SFO.
- (b) DMA Limited is owned as to 80.70% by Mr. RU Liming and Mr. RU Liming is deemed to be interested in the 54,102,857 Shares owned by DMA Limited under the SFO.

Mr. JIN Jianxin, an executive Director, is the director of King Harmony Limited which had an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL CONTRACT

The following contract (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date and are, or may be, material:

The Construction Agreement

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation other than statutory compensation.

6. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, save as disclosed in the annual report of the Company for the year ended 31 December 2021, none of the Directors (i) had any interest in any assets which have been, since 31 December 2021 (being the date up to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group and (ii) was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting and significant in relation to the business of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them or his/her/its respective close associates had interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be disclosable under the Listing Rules.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MISCELLANEOUS

- (a) The registered office of the Company is situated at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.
- (b) The principal place of business in Hong Kong is at Unit 1102, 11th Floor, Brill Plaza, No. 84 To Kwa Wan Road, To Kwa Wan, Kowloon, Hong Kong.
- (c) The Company's branch share registrar in Hong Kong is Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong.
- (d) The secretary of the Company is Mr. LAU Chung Wai, a certified public accountant (practising) in Hong Kong.

- (e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS ON DISPLAY

A copy of the Construction Agreement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kwungs.com) from the date of this circular up to and including the 14th day thereafter.