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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:

- (i) on 31 December 2022, Ningbo Kwung's entered into the Tenancy Agreement I with Ningbo Jingxiang to lease the Properties I as warehouse;
- (ii) on 28 February 2023, Ningbo Kwung's entered into the Tenancy Agreement II with Ningbo Jingxiang to lease the Properties II as office premises;
- (iii) on 30 April 2023, Ningbo Kwung's entered into the Tenancy Agreement III with Ningbo Jingxiang to lease the Properties III as production facilities; and
- (iv) on 30 April 2023, Ningbo Fenyuan entered into the Tenancy Agreement IV with Ningbo Jingxiang to lease the Properties IV as production facilities.

### **PRINCIPAL TERMS OF THE TENANCY AGREEMENTS**

#### **Tenancy Agreement I**

Date:	31 December 2022
Tenant:	Ningbo Kwung's
Landlord's agent:	Ningbo Jingxiang
Premises:	Room 101, Building 0659, No. 827 Qixiang Road, Ningbo City, Zhejiang Province, PRC (i.e., Properties I)
Area:	Approximately 1,774 square meters

Lease term: From 1 January 2023 to 31 December 2023 (both days inclusive)

Security deposit: RMB80,938.75

Total rent: RMB971,265

Property management fee: RMB0.17 per day per square meter

### **Tenancy Agreement II**

Date: 28 February 2023

Tenant: Ningbo Kwung's

Landlord's agent: Ningbo Jingxiang

Premises: Room 301, Building 0649, No. 827 Qixiang Road, Ningbo City, Zhejiang Province, PRC (i.e., Properties II)

Area: Approximately 1,200 square meters

Lease term: From 1 March 2023 to 31 May 2023 (both days inclusive)

Security deposit: RMB54,960

Total rent: RMB824,400

Property management fee: RMB0.17 per day per square meters

### **Tenancy Agreement III**

Date: 30 April 2023

Tenant: Ningbo Kwung's

Landlord's agent: Ningbo Jingxiang

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 III)

Area: Approximately 32,839 square meters

Lease term: From 1 May 2023 to 31 July 2024 (both days inclusive)  
Security deposit: RMB328,388.5  
Total rent: RMB4,925,827.5

#### **Tenancy Agreement IV**

Date: 30 April 2023  
Tenant: Ningbo Fenyuan  
Landlord's agent: Ningbo Jingxiang  
Premises: Building No. 2 and Warehouse, No. 70 Hongwei Road, Binhai Industrial Zone, Yinzhou District, Ningbo City, Zhejiang Province, the PRC (i.e., Properties IV)  
Area: Approximately 8,574 square meters  
Lease term: From 1 May 2023 to 31 July 2024 (both days inclusive)  
Security deposit: RMB85,735.2  
Total rent: RMB1,286,028

#### **INFORMATION OF THE PARTIES**

##### **The Group**

The Company is incorporated in Cayman Islands with limited liability and the Group is principally engaged in the design and manufacturing of home decoration products, comprising candles, home fragrance and home accessories in the PRC.

##### **The Landlord's Agent**

Ningbo Jingxiang Culture Development Company Limited\* (寧波景祥文化發展有限公司) (“Ningbo Jingxiang”) is a company established in the PRC with limited liability and is wholly owned by Mr. RU Jin (茹晉). Mr. RU Jin cohabits with Mr. RU Liming (茹黎明), his father and a substantial shareholder of the Company, and therefore Ningbo Jingxiang is a connected person of the Company.

Ningbo Jingxiang is principally engaged in property management and agency service in the PRC. Properties I and Properties II, Properties III and Properties IV are indirectly owned by Mr. JIN Jianxin (金建新), an executive Director and a controlling shareholder of the Company, and Ningbo Jingxiang has been engaged as an agent to manage the leasing matters of Properties I, Properties II, Properties III and Properties IV.

## **BASIS OF THE CONSIDERATION**

The terms of each of the Tenancy Agreement I, Tenancy Agreement II, Tenancy Agreement III and Tenancy Agreement IV were negotiated on arm's length basis with reference to the prevailing market rent for comparable properties in the vicinity.

## **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, the Tenancy Agreement II, the Tenancy Agreement III and the Tenancy Agreement IV. The total estimated value of the right-of-use assets to be recognised by the Group under the Tenancy Agreement I, the Tenancy Agreement II, the Tenancy Agreement III and Tenancy Agreement IV amounts to approximately RMB8,000,000, 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 currently owns limited properties and rely on leasing of properties, including production facilities, warehouse and office premises, to support the Group's business. The transactions hereunder are considered as renewal of the existing leasing arrangements to sustain the Group's business.

The Group has recently 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 and is currently constructing its own production facilities on such piece of land. Management of the Company considers that it is beneficial for the Group to renew the leasing of properties until the completion of construction to maintain the flexibility and then will reassess the leasing arrangement.

The Directors (including the independent non-executive Directors) are of the view that the Tenancy Agreement I, the Tenancy Agreement II, the Tenancy Agreement III and the Tenancy Agreement IV 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 the Tenancy Agreement I, the Tenancy Agreement II, the Tenancy Agreement III and the Tenancy agreement IV are fair and reasonable. Mr. Jin is regarded as having a material interest in the transactions contemplated

under the Tenancy Agreement I, the Tenancy Agreement II, the Tenancy Agreement III and the Tenancy Agreement IV, and therefore Mr. Jin has abstained from voting on the Board resolution to approve the transactions contemplated under the Tenancy Agreement I, the Tenancy Agreement II, the Tenancy Agreement III and the Tenancy Agreement IV. Save and except for the aforesaid, none of the Directors has any material interest in the Tenancy Agreement I, the Tenancy Agreement II, the Tenancy Agreement III and the Tenancy Agreement IV, and was required to abstain from voting on the Board resolutions in relation to the transactions contemplated under the Tenancy Agreement I, the Tenancy Agreement II, the Tenancy Agreement III and the Tenancy Agreement IV.

## **IMPLICATIONS OF THE LISTING RULES**

In accordance with HKFRS 16 Leases, the rental payment to be made by Ningbo Kwung's or Ningbo Fenyuan under the Tenancy Agreement I, the Tenancy Agreement II, the Tenancy Agreement III and the Tenancy Agreement IV 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, the Tenancy Agreement II, the Tenancy Agreement III and the Tenancy Agreement IV constitute one-off connected transactions of the Company.

The transactions contemplated under each of the Tenancy Agreement I, the Tenancy Agreement II and the Tenancy Agreement IV, on a standalone basis, are 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.

Since all of the Tenancy Agreement I, the Tenancy Agreement II, the Tenancy Agreement III and the Tenancy Agreement IV share similar transaction nature and are entered into with Ningbo Jingxiang, the landlord's agent, and transactions thereunder are carried out within 12 months prior to the date of this announcement, such transactions are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules.

The transactions contemplated under the Tenancy Agreement I, the Tenancy Agreement II and the Tenancy Agreement IV, when aggregated with the transaction contemplated under the Tenancy Agreement III, 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.

## 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 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”	Room 101, Building 0659, No. 827 Qixiang Road, Ningbo City, Zhejiang Province, PRC
“Properties II”	Room 301, Building 0649, No. 827 Qixiang Road, Ningbo City, Zhejiang Province, PRC
“Properties III”	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 IV”	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 31 December 2022 entered into between Ningbo Kwung’s and Ningbo Jingxiang in respect of the lease of the Properties I
“Tenancy Agreement II”	the tenancy agreement dated 28 February 2023 entered into between Ningbo Kwung’s and Ningbo Jingxiang in respect of the lease of the Properties II
“Tenancy Agreement III”	the tenancy agreement dated 30 April 2023 entered into between Ningbo Kwung’s and Ningbo Jingxiang in respect of the lease of the Properties III

“Tenancy Agreement IV” the tenancy agreement dated 30 April 2023 entered into between Ningbo Fenyuan and Ningbo Jingxiang in respect of the lease of the Properties IV

“%” Percentage

\* *For identification only*

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

Hong Kong, 2 May 2023

*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 nonexecutive Directors are Mr. LAI Chun Yu, Ms. XU Qiong and Mr. ZHOU Kai.*