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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 TRANSACTION AND DISCLOSABLE TRANSACTION DISPOSAL OF ENTIRE EQUITY INTEREST IN NINGBO WANWEI

DISPOSAL OF ENTIRE EQUITY INTEREST IN NINGBO WANWEI

On 28 December 2023 (after trading hours), Ningbo Kwung's (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with Kwung's Investment, pursuant to which Ningbo Kwung's agreed to sell, and Kwung's Investment agreed to purchase, the Target Equity Interest representing 100% equity interest in and of Ningbo Wanwei at the consideration of RMB47 million.

As at the date of this announcement, Ningbo Wanwei was an indirect wholly-owned subsidiary of the Company. Upon completion of the Disposal, the Group cease to have any equity interest in and of Ningbo Wanwei, and Ningbo Wanwei will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 239,766,000 Shares of the Company, representing approximately 59.20% of the total number of issued Shares, were held by Golden Element Investment Limited which in turn was held as to 99.99% by Golden Existence Investment Limited. Golden Existence Investment Limited was held as to 100% by Equiom Fiduciary Services (Hong Kong) Limited which is the trustee of a family trust set up by Mr. Jin who can influence how the trustee exercises its discretion in the trust. As a result, in addition to being an executive Director and the chairman of the Board, Mr. Jin is a substantial Shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules.

As Kwung's Investment is owned as to 98.81% by Mr. Jin, it is an associate of Mr. Jin and also a connected person of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the Disposal contemplated under the Equity Transfer Agreement exceed 5%, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. Furthermore, as one or more of the applicable percentage ratios in relation to the Disposal is 5% or more, but less than 25%, the Disposal constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Jin and his associates will abstain from voting in respect of ordinary resolutions to be put forward at the EGM for approving the Equity Transfer Agreement and the transactions contemplated thereunder.

Save as aforesaid, the Directors are not aware of any other Shareholders who are required to abstain from voting on the ordinary resolutions in respect of the Equity Transfer Agreement and the transactions contemplated thereunder to be put forward at the EGM.

GENERAL

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder.

A circular containing, among others, details on the Equity Transfer Agreement, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be dispatched to Shareholders on or before 18 January 2024.

DISPOSAL OF ENTIRE EQUITY INTEREST IN NINGBO WANWEI

Introduction

On 28 December 2023 (after trading hours), Ningbo Kwung's (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with Kwung's Investment, pursuant to which Ningbo Kwung's agreed to sell, and Kwung's Investment agreed to purchase, the Target Equity Interest representing 100% equity interest in and of Ningbo Wanwei at the consideration of RMB47 million.

As at the date of this announcement, Ningbo Wanwei was an indirect wholly-owned subsidiary of the Company. Upon completion of the Disposal, the Group cease to have any equity interest in and of Ningbo Wanwei, and Ningbo Wanwei will cease to be a subsidiary of the Company.

Principal Terms of the Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are summarised below:

Date:	28 December 2023 (after trading hours)
Parties:	(i) Ningbo Kwung's (as the Vendor); and (ii) Kwung's Investment (as the Purchaser).
Subject matter:	Pursuant to the Equity Transfer Agreement, Ningbo Kwung's agreed to sell, and Kwung's Investment agreed to purchase, the Target Equity Interest representing 100% equity interest in and of Ningbo Wanwei.
Consideration:	The consideration for the Disposal shall be RMB47 million.
Payment terms:	The consideration shall be paid in cash by bank transfer of immediately available funds in one lump sum within 14 days upon satisfaction or waiver of the conditions precedent of the Equity Transfer Agreement.
Conditions Precedent:	The Equity Transfer Agreement and the transactions contemplated thereunder shall become effective upon the Independent Shareholders' approval being obtained at a general meeting of the Company. Further, the completion of the Disposal is conditional upon the Purchaser or Mr. Jin obtaining satisfactory bank facilities to fund the consideration unless waived by the Purchaser in writing.
Long Stop Date:	If any of the Conditions Precedent is not fulfilled on or before 30 June 2024 (or such other date as the parties may agree), the Equity Transfer Agreement shall automatically lapse and be of no further effect and the Vendor and the Purchaser shall be released from all obligations thereunder.
Completion of the Disposal:	Subject to the payment of the first instalment of the consideration, the registration of the transfer of the Target Equity Interest shall be completed within 10 days upon the payment of the consideration by the Purchaser.

Basis of the consideration for the Disposal

The consideration for the Disposal was determined after arm's length negotiations between the parties to the Equity Transfer Agreement with reference to the paid-up capital of Ningbo Wanwei of RMB47 million and the unaudited net assets value of Ningbo Wanwei as at 30 November 2023, which was RMB47 million.

Information on Ningbo Wanwei

Ningbo Wanwei is a company established under the laws of the PRC with limited liability. It is principally engaged in property holding. As at the date of this announcement, Ningbo Wanwei is an indirect wholly owned subsidiary of the Company.

Since Ningbo Wanwei was incorporated on 4 July 2023, the financial information of Ningbo Wanwei for the past two financial years are not available. As at 30 November 2023, the total assets and net assets of Ningbo Wanwei According to the unaudited management financial statement of Ningbo Wanwei are set out as follows:

	Balance as at 30 November 2023 <i>RMB'000</i> (unaudited)
Total assets	47,000
Net assets	47,000

Other than cash of RMB1 million, the assets of Ningbo Wanwei comprise entirely of the Property. During the financial years ended 31 December 2022 and 31 December 2021, the Property has generated rental income and incurred associated expenses, details of which are set out as follows:

	For the year ended	
	31 December 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (unaudited)
Rental income	1,688	1,191
Expenses	863	675
Net rental income (after deduction of expenses)	825	516

Lease of certain part of the Property after the Disposal

It is expected that after the Disposal, the Group will continue to use certain part of the Property currently occupied by the Group as office premises by leasing from Ningbo Wanwei or its designated agent. The rent is to be negotiated on arm's length basis and determined with reference to the fair market rent. Should a tenancy agreement in respect of such premises be entered into, the Company will make an announcement in accordance with the Listing Rules, if so required, and comply with all other obligations thereunder.

Financial effects and use of proceeds of the Disposal

After completion of the Disposal, Ningbo Wanwei will cease to be a subsidiary of the Company.

As a result of the Disposal, the Group is expected to recognise a gain of approximately RMB21.7 million on completion of the Disposal, which is calculated on the basis of the difference between the total consideration of the Disposal (after deduction of the RMB1 million cash held by Ningbo Wanwei) and the initial costs of the Property (after deduction of accumulated depreciation and maintenance costs).

The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to review and final audit by the auditor of the Group. The Group expects to receive net proceeds of approximately RMB47 million from the Disposal. The Group currently intends to use the proceeds from the Disposal as general working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has set up a production plant in Yinzhou District, Ningbo City, Zhejiang Province, the PRC (the “**New Yinzhou Plant**”), which has started operating since 2020. The New Yinzhou Plant has been equipped with more advanced and automated production equipment and better logistics solution.

In addition to the New Yinzhou Plant, the Group has also taken a significant step to establish a new comprehensive production base in Wuhu City, Anhui Province, the PRC. Following the acquisition of a piece of land located at the Sanshan Economic Development Zone* (三山經濟開發區) with a total site area of approximately 96,000 sq.m. (the “**Land**”) in August 2022, the Group has also entered into a construction agreement in January 2023 for design and construction of production facilities, including warehouses, workshop buildings and staff quarters, with a construction area of approximately 87,000 sq.m. on the Land. The use of these premises is expected to commence in the first half of 2024.

Currently, the Group is using a portion of the Property as office premises. After the completion of the Disposal, it is expected that the Group will continue to use such portion of the Property currently occupied by the Group as office premises by leasing from Ningbo Wanwei or its designated agent at fair market price. Therefore, there is no material adverse impact on the Group's daily operation as a result of the Disposal.

As a result of the expansion of the self-owned properties of the Group, the Company considers that it is no longer necessary for the Company to continue to own the Property and it is in the interest of the Group to sell the Property in exchange of liquidity to support the daily operation of the Group.

Further, it is expected that the Group would recognise a gain of approximately RMB21 million and receive net proceeds of approximately RMB47 million from the Disposal, as well as enhancing the overall quality and efficiency of the operating assets of the Group.

In light of the above reasons, the Directors (other than the independent non-executive Directors whose view will be given in the Circular after reviewing the advice of the Independent Financial Adviser) are of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder, although not in the ordinary and usual course of business of the Group, are fair and reasonable, on normal commercial terms or better, and in the interest of the Company and the Shareholders as a whole.

INFORMATION ABOUT 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.

Kwung's Investment

Kwung's Investment is a company established under the laws of the PRC with limited liability and is principally engaged in investment holdings.

As at the date of this announcement, the equity interest of Kwung's Investment is owned as to 98.81% by Mr. Jin and 1.19% by Ms. Chen Jiangyan, the spouse of Mr. Jin.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 239,766,000 Shares of the Company, representing approximately 59.20% of the total number of issued Shares, were held by Golden Element Investment Limited which in turn was held as to 99.99% by Golden Existence Investment Limited. Golden Existence Investment Limited was held as to 100% by Equiom Fiduciary Services (Hong Kong) Limited which is the trustee of a family trust set up by Mr. Jin who can influence how the trustee exercises its discretion in the trust. As a result, in addition to being an executive Director and the chairman of the Board, Mr. Jin is a substantial Shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules.

As Kwung's Investment is owned as to 98.81% by Mr. Jin, it is an associate of Mr. Jin and also a connected person of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the Disposal contemplated under the Equity Transfer Agreement exceed 5%, the Disposal constitutes a connected transaction of the Company and is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. Furthermore, as one or more of the applicable percentage ratios in relation to the Disposal is 5% or more, but less than 25%, the Disposal constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Jin and his associates will abstain from voting in respect of ordinary resolutions to be put forward at the EGM for approving the Equity Transfer Agreement and the transactions contemplated thereunder.

Save as aforesaid, the Directors are not aware of any other Shareholders who are required to abstain from voting on the ordinary resolutions in respect of the Equity Transfer Agreement and the transactions contemplated thereunder to be put forward at the EGM.

GENERAL

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors of has been formed to advise the Independent Shareholders in respect of the Equity Transfer Agreement and as to how to vote at the EGM. Goldlink Capital (Corporate Finance) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection. Voting at the EGM will be conducted by poll, and Mr. Jin and his associates will abstain from voting at the EGM.

A circular containing, among others, details on the Equity Transfer Agreement, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be dispatched to Shareholders on or before 18 January 2024.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings when used herein:

“associate(s)” has the meaning ascribed to it under the Listing Rules;

“Board” the board of directors of the Company;

“Circular”	the circular to be despatched in respect of the Equity Transfer Agreement and the transactions contemplated thereunder;
“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 (stock code: 01925);
“Conditions Precedent”	the conditions precedent as set out in “Conditions Precedent” in the section headed “Principal Terms of the Equity Transfer Agreement” of this announcement;
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Target Equity Interest pursuant to the terms and conditions of the Equity Transfer Agreement;
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purposes of considering, and if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder;
“Equity Transfer Agreement”	the equity transfer agreement dated 28 December 2023 entered into between Ningbo Kwung’s and Kwung’s Investment;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, established for the purpose of reviewing the terms of the Equity Transfer Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser”	Goldlink Capital (Corporate Finance) Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder;

“Independent Shareholders”	Shareholders of the Company (other than Mr. Jin and his associates, and any Shareholders who are involved in, or interested in the Disposal);
“Kwung’s Investment” or “Purchaser”	Ningbo Kwung’s Investment Holding Co., Ltd. (寧波曠世投資控股有限公司), a company established under the laws of the PRC with limited liability;
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange;
“Mr. Jin”	Mr. Jin Jianxin, an executive Director and the chairman of the Board;
“Ningbo Kwung’s” or “Vendor”	Ningbo Kwung’s Wisdom Art & Design Co., Ltd.* (寧波曠世智源工藝設計有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Ningbo Wanwei” or “Target”	Ningbo Wanwei Crafts Manufacturing Co., Ltd* (寧波萬維工藝品製造有限公司), a company established under the laws of the PRC with limited liability and, immediately prior to the entering into of the Equity Transfer Agreement, a wholly subsidiary of Ningbo Kwung’s;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement;
“Property”	the industrial land and industrial buildings located in Xuejia Village, Gulin Town, Haishu District, Ningbo City (covering a land use area of 11,743.6 square meters and a building area of 13,689.54 square meters);
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	share(s) of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly;
“Target Equity Interest”	the 100% equity interest in and of the Ningbo Wanwei held by Ningbo Kwung’s immediately prior to the entering into of the Equity Transfer Agreement;
“%”	per cent.

On behalf of the Board
Kwung’s Holdings Limited
JIN Jianxin
Chairman

Hong Kong, 28 December 2023

The English translation of Chinese names or words in this announcement, where indicated by “”, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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.