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KWG Living Group Holdings Limited

合景悠活集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

CONTINUING CONNECTED TRANSACTIONS

(1) PUBLICITY PLANNING SERVICE FRAMEWORK AGREEMENT AND

(2) MARKETING CHANNEL SERVICE FRAMEWORK AGREEMENT

INTRODUCTION

The Board is pleased to announce that on 27 August 2021, the Company (for itself and on behalf of its subsidiaries), and KWG Holdings, (for itself and on behalf of its subsidiaries) have entered into (1) the Publicity Planning Service Framework Agreement and (2) the Marketing Channel Service Framework Agreement for a term commencing from 27 August 2021 to 31 December 2021.

LISTING RULES IMPLICATION

Pursuant to a shareholders' agreement dated 30 December 2018 entered into between Plus Earn, Right Rich and Peace Kind, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the shares and/or underlying shares in KWG Holdings held by the other parties under Section 317(1)(a) of the SFO. Thus, as at the date of this announcement, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are deemed to be interested in approximately 62.64%, 53.42% and 53.35% of the issued share capital of KWG Holdings, respectively. Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are the Controlling Shareholders. Therefore, KWG Holdings is an associate of the Controlling Shareholders and thus a connected person of the Company. Accordingly, the transactions under the Framework Agreements will constitute continuing connected transactions for the Company. Each of Mr. KONG Jianmin and Mr. KONG Jiannan has abstained from voting on the relevant resolutions of the Board in relation to the Framework Agreements and the transactions contemplated thereunder. Saved as disclosed, none of other Directors has a material interest in the Framework Agreements and the transaction contemplated thereunder.

As one or more of the applicable percentage ratios in respect of each of the Framework Agreements exceed 0.1% but all of which are less than 5%, each of the Framework Agreements and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

FRAMEWORK AGREEMENTS

The Company has entered into the Framework Agreements with KWG Holdings to govern the terms of the continuing connected transactions to be conducted between them. Details and the principal terms of each of the Framework Agreements are set out below:

(1) Publicity Planning Service Framework Agreement

Date

27 August 2021

Parties

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

Term

27 August 2021 to 31 December 2021. The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

The Group shall provide publicity planning services, such as promotion design, advertisement promotion and official account marketing for the residential properties developed by KWG Group and its associates. 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 Publicity Planning Service Framework Agreement in all material aspects.

Pricing policy

Under the Publicity Planning Service Framework Agreement, the price for services to be provided 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 price for the services to be provided 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 price charged by the Group when providing similar services to Independent Third Parties. The terms of the services offered by the Group to the KWG Group and its associates shall be no more favourable than those made available to Independent Third Parties with similar terms.

Payment arrangement

The payment mechanism for all fees and payments due to the Group pursuant to the transactions contemplated under the Publicity Planning Service Framework Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Annual cap

The annual cap to be charged by the Group to KWG Group and its associates pursuant to the Publicity Planning Service Framework Agreement for the period from 27 August 2021 to 31 December 2021 is set out below:

	For the period from 27 August 2021 to 31 December 2021 (RMB million)
Publicity planning service	
— to KWG Group	24
— to KWG Group's associates	<u>12</u>
Total:	<u><u>36</u></u>

The annual cap for the publicity planning service was determined based on (i) the expected business needs of KWG Group and/or any of its associates for the publicity planning service during the term of the Publicity Planning Service Framework Agreement including considering the quantity of residential properties developed by KWG Group and its associates for which the Group is anticipated to be engaged to

provide publicity planning service up to 31 December 2021; and (ii) a certain percentage of buffer for the increase in potential demands of KWG Group and any of its associates for the publicity planning service including considering the property development plan of KWG Group and its associates up to 31 December 2021.

(2) Marketing Channel Service Framework Agreement

Date

27 August 2021

Parties

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

Term

27 August 2021 to 31 December 2021. The term may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.

Subject matter

The Group shall provide marketing channel management service for the Universal Marketing Plan of properties developed by KWG Group and its associates. Leveraging the Group's experience on management of property agents, the Group will be asked 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. 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 Marketing Channel Service Framework Agreement in all material aspects.

Pricing policy

Under the Marketing Channel Service Framework Agreement, the price for services to be provided 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 price for the services to be provided 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 price charged by the Group when providing similar services to Independent Third Parties. The terms of the services offered by the Group to the KWG Group and its associates shall be no more favourable than those made available to Independent Third Parties with similar terms.

Payment arrangement

The payment mechanism for all fees and payments due to the Group pursuant to the transactions contemplated under the Marketing Channel Service Framework Agreement should be specified in the relevant specific agreement to be entered into by the parties.

Annual cap

The annual cap to be charged by the Group to KWG Group and its associates pursuant to the Marketing Channel Service Framework Agreement for the period from 27 August 2021 to 31 December 2021 is set out below:

	For the period from 27 August 2021 to 31 December 2021 (RMB million)
Marketing channel management service	
— to KWG Group	8
— to KWG Group's associates	7
Total:	15

The annual cap for the marketing channel management service was determined based on (i) the expected business needs of KWG Group and any of its associates for the marketing channel management service during the term of the Marketing Channel Service Framework Agreement including considering the quantity of residential properties developed by KWG Group and its associates for which the Group which adopted the Universal Marketing Plan; (ii) a certain percentage of buffer for the increase in potential demands of KWG Group and any of its associates for the marketing channel management service including considering the property development plan of KWG Group and its associates up to 31 December 2021; and (iii) the expected number of participants of Universal Marketing Plan up to 31 December 2021.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORKS AGREEMENTS

The development of the property services industry is very rapid and the industry players are actively exploring new opportunities and business models. In recent years, the Group has focused on the development of diversified value-added services and achieved an extraordinary development. Since 2021, the Group has started to provide publicity planning service and related value-added services via recruiting experienced personnel from reputable marketing and public relations enterprises in the PRC, which will lead to an expected increase in capacity to provide the publicity planning service and related value-added services. Meanwhile, the demand for the publicity planning service is increasing due to the considerable demands from real estate industry in the PRC and further expansion of KWG Group and its associates. The Board believes that the Group could make use of its nation-wide platforms, expertise in industry and market information in the Group's publicity planning service and related value-added services to KWG Group and its associates.

In addition, by supplying marketing channel management service for KWG Group and its associates would (i) further strengthen the Group's capabilities in property agency services with the extended scope for provision of integrated and customised marketing solutions; and (ii) boost the sales volume and amounts for the properties developed by the KWG Group and its associates, and therefore increase the income of the Group.

In light of the above reasons, the Directors (including the independent non-executive Directors) consider that the terms of the Framework 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 its shareholders as a whole.

INTERNAL CONTROL MEASURES

Pursuant to the terms of Framework Agreements, the Group will provide to the KWG Group and its associates promotion, advertisement, marketing services and administrative management services, etc. as stipulated therein on terms which are equivalent to those the Group offers to Independent Third Parties. The prices for the transactions contemplated under the Framework Agreements are determined based on the services price list compiled by the Group for the services offered to all its customers including Independent Third Parties and the KWG Group. Such prices offered to both the KWG 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 offered by the Group to the KWG Group and its associates will be no more favourable than those made available to Independent Third Parties with similar terms.

The Company has also established procedures for monitoring its continuing connected transactions in which various departments of the Group will be responsible for the implementation, monitoring and review of such procedures. Regular checks will be conducted on a quarterly basis to review and assess whether the transactions contemplated under the 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 Framework Agreements and the auditors of the Company will also conduct an annual review on the pricing terms and annual cap of the relevant continuing connected transactions thereof.

INFORMATION ON PARTIES TO THE FRAMEWORK AGREEMENTS

The Group is a comprehensive property management service provider in the PRC, providing comprehensive property management services for both residential properties and non-residential properties.

The KWG 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 Holdings, is an exempted company incorporated in the Cayman Islands with limited liability on 28 July 2006, the shares of which are listed on the Stock Exchange (Stock Code: 1813).

LISTING RULES IMPLICATION

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DEFINITIONS

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	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)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Agreements”	the Publicity Planning Service Framework Agreement and the Marketing Channel Service Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and their respective connected persons, ultimate beneficial owner(s) or associates
“KWG Group”	KWG Holdings and its subsidiaries
“KWG Holdings”	KWG Group Holdings Limited (合景泰富集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 28 July 2006, the shares of which are listed on the Stock Exchange (stock code: 1813)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Marketing Channel Service Framework Agreement”	the marketing channel service framework agreement entered into by the Company and KWG Holdings on 27 August 2021
“Peace Kind”	Peace Kind Investments Limited (和康投資有限公司), a company incorporated in the BVI with limited liability on 10 October 2018, which is wholly owned by Mr. KONG Jiannan
“Plus Earn”	Plus Earn Consultants Limited (晉得顧問有限公司), a company incorporated in the BVI with limited liability on 18 May 2006, which is wholly owned by Mr. KONG Jianmin
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Publicity Planning Service Framework Agreement”	the publicity planning service framework agreement entered into by the Company and KWG Holdings on 27 August 2021
“Right Rich”	Right Rich Consultants Limited (正富顧問有限公司), a company incorporated in the BVI with limited liability on 21 April 2006, which is wholly owned by Mr. KONG Jiantao
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Universal Marketing Plan” (全民營銷計劃)	the Universal Marketing Plan means a marketing plan that uses all resources available to develop sales channel and facilitate transactions

By order of the Board
KWG Living Group Holdings Limited
KONG Jianmin
Chairman

Hong Kong, 27 August 2021

As at the date of this announcement, the Board of Directors of the Company comprises Mr. KONG Jianmin (chairman) as non-executive Director; Mr. KONG Jiannan (chief executive officer), Ms. YANG Jingbo and Mr. WANG Yue as executive Directors; and Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum as independent non-executive Directors.