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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)**

## **DISCLOSEABLE TRANSACTION ACQUISITION OF LAND USE RIGHTS IN WUHU CITY, ANHUI PROVINCE, THE PRC AND CHANGE IN USE OF PROCEEDS**

### **ACQUISITION OF LAND USE RIGHTS**

The Board is pleased to announce that, on 1 August 2022, Anhui Fenyuan Aromatic Technology Company Limited\* (安徽芬緣芳香科技有限公司), an indirectly wholly owned subsidiary of the Company, has successfully won the bid for the land use rights of the Land in Sanshan Economic Development Zone\* (三山經濟開發區), Wuhu City, Anhui Province, the PRC for a total consideration of RMB29,251,300 and entered into the Letter of Confirmation with Wuhu City Natural Resources and Planning Bureau Sanshan Economic Development Zone Branch\* (蕪湖市自然資源和規劃局三山經濟開發區分局) as a result of the successful bidding.

The Land Use Rights Grant Contract will be entered into by Anhui Fenyuan and Wuhu City Natural Resources and Planning Bureau within 30 business days from the date of the Letter of Confirmation. The major terms of the Letter of Confirmation are set out as follows:

Date: 1 August 2022

Parties: (i) Anhui Fenyuan, an indirectly wholly owned subsidiary of the Company

(ii) WCNRPB Sanshan Branch, a branch of Wuhu City Natural Resources and Planning Bureau and is responsible for the public auction of the Land

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Wuhu City Natural Resources and Planning Bureau and WCNRPB Sanshan Branch and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected person(s).

### ***Information relating to the Land:***

The Land is located at the Sanshan Economic Development Zone\* (三山經濟開發區) of Wuhu City, Anhui Province, the PRC. The Land has a total site area of approximately 95,905.81 sq.m. The plot ratio of the Land shall be no less than 1.2. The Land is for industrial use. The term of the land use rights of the Land is 50 years.

### ***Consideration:***

Anhui Fenyuan has won the bid for the land use rights of the Land for a total consideration of RMB29,251,300 (“**Consideration**”).

Anhui Fenyuan has remitted an amount of RMB5,860,000 as deposit (“**Deposit**”) for the bid for the land use rights of the Land. The Deposit will form and be converted to part of the Consideration after Anhui Fenyuan enters into the Land Use Rights Grant Contract. The payment of the remainder of the Consideration shall be made on or before 30 August 2022.

The Consideration represents the bid price for the land use rights of the Land, which was determined by Anhui Fenyuan after taking into account the base price of the bidding, current market conditions, location of the Land, and land price(s) in the surrounding area.

The Group will finance the remainder of the Consideration by the Unutilised Net Proceeds (as explained below in this announcement) first and then by its internal resources.

### **REASONS FOR AND BENEFITS OF THE LAND ACQUISITION**

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 has a plan to construct its own production facilities for the long term business growth, which is the main reason for the Land Acquisition.

The Land is located in Wuhu City, Anhui Province, the PRC. Wuhu City is located near the Wuhu Port along the southern end of the Yangtze River, which is one of the 28 major river ports in the PRC. With advanced highway, railway and shipping networks boosting inter-city connectivity, Wuhu’s positioning as a key transportation hub in the Yangtze River Delta Economic Region and a national transportation hub in the PRC is favourable to the logistics arrangement of Group’s sales of products. In addition, the local government of Wuhu City offers support in the form of fiscal subsidies to the Group’s newly established manufacturing operation, which would bring positive effect to the Group’s financial conditions and results of operations.

Having taken into account the above factors, the Directors believe that the Land Acquisition is beneficial to the Company and the Shareholders as a whole, and the Land is considered suitable for the business development of the Group. The Directors also consider that the terms of the Land Acquisition are on normal commercial terms, and are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

## **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.

## **INFORMATION ON THE COUNTERPARTY OF THE CONFIRMATION LETTER**

Wuhu City Natural Resources and Planning Bureau is a department of Wuhu City government which is in charge of the urban renewal of Wuhu City, Anhui Province, the PRC. WCNRPB Sanshan Branch is a branch of Wuhu City Natural Resources and Planning Bureau and is responsible for the public auctions in respect of state-owned land in Wuhu City, Anhui Province, the PRC (including the Land), as well as the vetting of documentation for land purchases made via such auctions.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios for the Land Acquisition exceeds 5% but are all less than 25%, the Land Acquisition constitutes a discloseable transaction of the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

## **CHANGE IN USE OF PROCEEDS**

Reference is made to the Prospectus and 2020 Interim Report. Unless otherwise defined, capitalised terms used in this section shall have the same meanings as defined in the Prospectus.

As disclosed in the 2020 Interim Report, aggregate net proceeds raised by the Company from Global Offering were approximately RMB84.1 million (“**Net Proceeds**”). As at 31 July 2022, being the latest practicable date for the purpose of this announcement, the unutilised Net Proceeds amounted to approximately RMB18.8 million (the “**Unutilised Net Proceeds**”). The Board has resolved to change the use of the Unutilised Net Proceeds as follows:

	<b>Original allocation of approximate amount of Net Proceeds RMB'000</b>	<b>Approximate actual amount of utilised Net Proceeds up to 31 July 2022 RMB'000</b>	<b>Approximate amount of Unutilised Net Proceeds as at 31 July 2022 RMB'000</b>	<b>Revised allocation of the Unutilised Net Proceeds RMB'000</b>
Increasing production lines for candles and expanding production capability in home fragrance	39,963	39,963	–	–
Establishing two regional sales offices in Europe	18,846	–	18,846	–
Strengthening research and development capabilities	10,348	10,348	–	–
Upgrading information system and logistics capacities	7,067	7,067	–	–
General working capital purpose	7,908	7,908	–	–
Acquisition of the Land for expansion of production capacity	–	–	–	18,846
	<u>84,132</u>	<u>65,286</u>	<u>18,846</u>	<u>18,846</u>

For the reasons set out below, expected timeline for using all the Unutilised Net Proceeds as set out above are on or before 31 August 2022.

Save for the aforesaid changes, there are no other changes in the use of the Net Proceeds from the Global Offering.

## **REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS**

The Group has decided to acquire the Land and construct a new production facilities in Wuhu City, Anhui Province, the PRC. Please refer to the section headed “*REASONS FOR AND BENEFITS OF THE LAND ACQUISITION*” above in this announcement for the details.

It is the Group’s original plan to establish two regional sales offices in Europe to drive our growth and capture market share. The outbreak of novel coronavirus disease (“**COVID-19**”) pandemic and its consequential travel restrictions around the globe and corresponding lockdown measures which have been strictly enforced in many countries, have all affected the global social and economic environments. Accordingly, the Group has launched an online showroom during the year ended 31 December 2020 displaying various products for customers’ selection and purchase where the Group’s sales team introduces the details of the product sizes and prices of the products on the online showroom. The Board is of the view that the online showroom has been very helpful for the Group’s business in the midst of restrictions on social activities such as trade fair and exhibition events. In addition, given the outbreak of COVID-19 brings uncertainty to the global economy, the Board has decided to put more emphasis on strengthening the business relationship with the existing European customers instead of exploring new customers in Europe. Therefore, the setup of two regional sales offices in Europe is no longer considered necessary and to the best interest of the Group and the Shareholders as a whole.

The Board confirms that there are no material changes in the principal business of the Group as set out in the Prospectus and considers that the aforesaid change in the use of the net proceeds from the Global Offering will facilitate an effective use of the financial resources of the Group, strengthen the future development of the Group and is in the best interest of the Company and the Shareholders as a whole.

## **DEFINITIONS**

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

“Anhui Fenyuan”	Anhui Fenyuan Aromatic Technology Company Limited* (安徽芬緣芳香科技有限公司), a company established in the PRC 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”	has the meaning ascribed to it under the section headed “Acquisition of land use rights – Consideration” in this announcement;
“Deposit”	has the meaning ascribed to it under the section headed “Acquisition of land use rights – Consideration” in this announcement;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Land”	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.;
“Land Acquisition”	the acquisition of land use rights of the Land through public bidding process;
“Land Use Rights Grant Contract”	the State-owned Construction Land Use Rights Grant Contracts (國有建設用地使用權出讓合同) to be entered into by Anhui Fenyuan and Wuhu City Natural Resources and Planning Bureau in respect of the Land Acquisition;
“Letter of Confirmation”	the confirmation letter (成交確認書) entered into between Anhui Fenyuan and the Wuhu City Resources Centre Sanshan Branch on 1 August 2022 as a result of the successful bidding of the Land;
“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 announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“Prospectus”	prospectus of the Company dated 30 December 2019 in relation to the listing of the Company’s shares on the Main Board of the Stock Exchange;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the shareholders of the Company;

“sq.m.”	square metre(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“WCNRPB Sanshan Branch”	Wuhu City Natural Resources and Planning Bureau Sanshan Economic Development Zone Branch* (蕪湖市自然資源和規劃局三山經濟開發區分局), a branch of Wuhu City Natural Resources and Planning Bureau;
“Wuhu City Natural Resources and Planning Bureau”	Wuhu City Natural Resources and Planning Bureau* (蕪湖市自然資源和規劃局), a department of the government of Wuhu City, Anhui Province, the PRC;
“2020 Interim Report”	the interim report of the Group for the six months ended 30 June 2020
“%”	per cent.

\* The English translation of the Chinese name of the relevant parties included in this announcement is prepared for identification purpose only. In the event of any inconsistency, the Chinese name shall prevail.

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

Hong Kong, 2 August 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.*