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FAIRWOOD HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 52)



CONNECTED TRANSACTION RENEWAL OF TENANCY AGREEMENT

On 8 April 2021, Fairwood, an indirect wholly-owned subsidiary of the Company, as tenant, and New Champion, as landlord, entered into the New Tenancy Agreement to renew the tenancy of the Premises for a term of three (3) years commencing on 10 April 2021 and expiring on 9 April 2024 (both days inclusive), with an option granted to Fairwood to renew the tenancy for a further term of three years.

New Champion is a connected person of the Company by virtue of being an associate of Mr Dennis Lo (an Executive Chairman and substantial Shareholder of the Company) and Mr Francis Lo (an Executive Director and Chief Executive Officer of the Company), as defined under the Listing Rules. Accordingly, the entering into of the New Tenancy Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 “Leases”, the Group is required to recognize the value of the right-of-use asset in connection with the New Tenancy Agreement and this transaction will be regarded as an acquisition of an asset by the Group pursuant to the Listing Rules. The estimated value of the right-of-use asset to be recognized by the Group under the New Tenancy Agreement is approximately HK\$13,139,000. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the estimated value of the right-of-use asset to be recognized by the Group under the New Tenancy Agreement are more than 0.1% but less than 5%, all the transactions contemplated under the New Tenancy Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the New Tenancy Agreement shall be aggregated with the transactions contemplated under the Hibony Tenancy Agreement as if they were one transaction as they are of similar nature and were all entered into within a 12-month period by Fairwood with parties who are connected with one another.

As all of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of aggregated amount of the estimated value of the right-of-use assets to be recognized by the Group under the Tenancy Agreements are more than 0.1% but below 5%, all the transactions contemplated under the Tenancy Agreements are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Background

The Expiring Tenancy Agreement will expire on 9 April 2021 and Fairwood did not exercise the option to renew within the prescribed period under the Expiring Tenancy Agreement.

After negotiation, Fairwood and New Champion agreed to enter into the New Tenancy Agreement to renew the tenancy of the Premises with principal terms being set out below.

New Tenancy Agreement

- Date : 8 April 2021
- Landlord : New Champion
- Tenant : Fairwood
- Premises : Portion Shop Unit on Ground Floor, No.140 Wan Chai Road and Portion A on First Floor, No. 136 Wan Chai Road, Ming Fung Building, Wanchai, Hong Kong.
- Term : Three (3) years commencing on 10 April 2021 and expiring on 9 April 2024 (both days inclusive).
- Rental : HK\$198,000 per month payable in cash in advance on the first day of each month from 10 April 2021. Rental payable is exclusive of management fee and government rates. An independent professional valuer has provided Fairwood with current rental opinion in respect of the Premises based on market rental information of comparable properties and the rental payable under the New Tenancy Agreement was determined in accordance with such opinion.
- Deposit : HK\$594,000, representing three months' rental payable upon the signing of the New Tenancy Agreement by Fairwood.
- Option Term : An option is granted to Fairwood to renew the tenancy of the Premises for a further term of three years at an open market rent to be mutually agreed but shall in any event not more than HK\$237,600 per month. The option to renew is exercisable by Fairwood at its sole and absolute discretion.

Historical Rentals

The historical rentals under the Expiring Tenancy Agreement, excluding management fee and government rates, for each of the financial years of the Company ended on 31 March 2019, 31 March 2020 and 31 March 2021 were HK\$2,574,000, HK\$2,596,000 and HK\$2,552,000 respectively.

Reasons for the transaction

Fairwood has been operating a fast food restaurant at the Premises since May 2003. By entering into the New Tenancy Agreement, Fairwood will maintain its business operations at the same location which will not only enable Fairwood to continue serving the customers that it has built up for nearly eighteen years, but also maintain its competitive advantage by remaining its business network in this district. Therefore, Fairwood and the Company consider it as beneficial to enter into the New Tenancy Agreement.

An independent professional valuer has provided Fairwood with the current rental opinion in respect of the Premises based on market rental information of comparable properties. The rental payable under the New Tenancy Agreement was determined in accordance with the opinion provided by that independent professional valuer.

The Directors, including the independent non-executive Directors, consider that the New Tenancy Agreement has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Mr Dennis Lo and Mr Francis Lo have abstained from voting on the board resolution for approving the transaction as detailed in this announcement.

Principal business activities of the Company, Fairwood and New Champion

The principal business activity of the Company is investment holding.

The principal business activities of Fairwood are investment holding and the operation of a chain of restaurants in Hong Kong.

New Champion is principally engaged in property investment in Hong Kong.

Details of the connected relationship and implications under the Listing Rules

As at the date of this announcement, New Champion is a company which is owned as to 50% and approximately 33.3% by Mr Dennis Lo and Mr Francis Lo respectively. Another family member, who is not a Director, owns the remaining approximately 16.7% in New Champion. Hence, New Champion is a connected person of the Company by virtue of being an associate of Mr Dennis Lo (an Executive Chairman and substantial Shareholder of the Company) and Mr Francis Lo (an Executive Director and Chief Executive Officer of the Company). Accordingly, the entering into of the New Tenancy Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 “Leases”, the Group is required to recognize the value of the right-of-use asset in connection with the New Tenancy Agreement and this transaction will be regarded as an acquisition of an asset by the Group pursuant to the Listing Rules. The estimated value of the right-of-use asset to be recognized by the Group under the New Tenancy Agreement is approximately HK\$13,139,000. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the estimated value of the right-of-use asset to be recognized by the Group under the New Tenancy Agreement are more than 0.1% but less than 5%, all the transactions contemplated under the New Tenancy Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the New Tenancy Agreement shall be aggregated with the transactions contemplated under the Hibony Tenancy Agreement as if they were one transaction as they are of similar nature and were all entered into within a 12-month period by Fairwood with parties who are connected with one another.

As all of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of aggregated amount of the estimated value of the right-of-use assets to be recognized by the Group under the Tenancy Agreements are more than 0.1% but below 5%, all the transactions contemplated under the Tenancy Agreements are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Definitions

“associate”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Company”	Fairwood Holdings Limited, an exempted company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company;
“Expiring Tenancy Agreement”	the tenancy agreement dated 9 April 2018 entered into between Fairwood and New Champion in respect of the Premises for a term of three (3) years commencing on 10 April 2018 and expiring on 9 April 2021, with an option granted to Fairwood to renew the tenancy for a further term of three years;

“Fairwood”	Fairwood Fast Food Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Hibony Tenancy Agreement”	the tenancy agreement dated 26 February 2021 entered into between Fairwood (as tenant) and Hibony Limited (as landlord) to renew the tenancy of a portion of first floor of Morning Light Building, No. 7-9 Hong Ning Road, Kwun Tong, Kowloon, Hong Kong for a term of three (3) years commencing on 1 March 2021 and expiring on 29 February 2024, details of which are set out in the announcement of the Company dated 26 February 2021;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr Dennis Lo”	Mr Dennis Lo Hoi Yeung, the Executive Chairman and substantial Shareholder of the Company;
“Mr Francis Lo”	Mr Lo Fai Shing Francis, Executive Director and Chief Executive Officer of the Company and an associate of Mr Dennis Lo;
“New Champion”	New Champion International Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 50% by Mr Dennis Lo, as to approximately 33.3% by Mr Francis Lo and as to approximately 16.7% by another family member who is not a Director;
“New Tenancy Agreement”	the tenancy agreement dated 8 April 2021 entered into between Fairwood (as tenant) and New Champion (as landlord) in respect of the Premises;
“Premises”	Portion Shop Unit on Ground Floor, No. 140 Wan Chai Road and Portion A on First Floor, No. 136 Wan Chai Road, Ming Fung Building, Wanchai, Hong Kong;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy Agreements”	collectively, the New Tenancy Agreement and the Hibony Tenancy Agreement; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

By Order of the Board
Mak Yee Mei
Company Secretary

Hong Kong, 8 April 2021

As at the date of this announcement, the Directors of the Company are:

Executive Directors: Mr Dennis Lo Hoi Yeung (Executive Chairman), Mr Lo Fai Shing Francis (Chief Executive Officer), Ms Mak Yee Mei and Ms Peggy Lee; and

Independent Non-executive Directors: Mr Ng Chi Keung, Mr Joseph Chan Kai Nin, Dr Peter Lau Kwok Kuen, Mr Tony Tsoi Tong Hoo and Mr Peter Wan Kam To.

Website: www.fairwoodholdings.com.hk