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翠華集團®

TSUI WAH GROUP

Tsui Wah Holdings Limited

翠華控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1314)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE PROPOSED DISPOSAL OF PROPERTIES

THE DISPOSAL

On 14 April 2022 (after trading hours of the Stock Exchange), the Vendors, indirect wholly-owned subsidiaries of the Company, as vendors and the Purchaser as purchaser entered into the Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendors have conditionally agreed to dispose of the Properties at a total consideration of HK\$264,044,650.

Listing Rules Implications

As the highest applicable percentage ratio in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company pursuant to Rule 14.06(4) of the Listing Rules and is, therefore, subject to reporting, announcement, circular and the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

General

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, the Agreement and the transaction contemplated thereunder. To the best of the Directors' knowledge, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the EGM.

A circular containing, among other things, further information relating to the Disposal, the notice of the EGM and other information is expected to be despatched to the Shareholders on or before 11 May 2022.

Completion of the Disposal is conditional upon the satisfaction of the Condition Precedent. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

LEASEBACK ARRANGEMENT

Pursuant to the Agreement, if the Completion materialises, the Vendors (or other subsidiary(ies) of the Company) shall lease back the Properties, and the Purchaser shall grant a lease in respect of the Properties, for a term commencing on the Completion Date and ending on 31 March 2023 at a monthly rent of HK\$651,069 (exclusive of management fees, rates and government rent) for the use of workshops and ancillary accommodation for non-domestic use.

THE DISPOSAL

On 14 April 2022 (after trading hours of the Stock Exchange), the Vendors, indirect wholly-owned subsidiaries of the Company, as vendors and the Purchaser as purchaser entered into the Agreement, pursuant to which the Purchaser has agreed to purchase, and the Vendors have conditionally agreed to dispose of, the Properties at a total consideration of HK\$264,044,650.

The Agreement

Set out below are the principal terms of the Agreement:

Date: 14 April 2022

Parties:

- (1) Corporate Winner Limited (洲永有限公司) as Vendor 1;
- (2) Enrich Sources Limited (彩沃有限公司) as Vendor 2;
- (3) China Resources Purchasing Godown Company Limited (華潤採購倉儲有限公司) as Purchaser; and
- (4) Cui Fa Limited

Properties

- (1) Units Nos.1601, 1602, 1603, 1604, 1605, 1606, 1607 and 1608 on the 16th Floor of Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong; and
- (2) Units Nos.1701, 1702, 1703 and 1704 on the 17th Floor of Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong

The Properties, with a total gross floor area of approximately 72,341 sq. ft., are used as workshops and ancillary accommodation for non-domestic use as at the date of this announcement.

The sale and purchase of the Properties are inter-conditional with each other.

Consideration and Payment Terms

The consideration of HK\$264,044,650 shall be paid by the Purchaser to the Vendors or the Vendors' solicitors (as the case may be) in the following manner:

- (1) HK\$26,404,465 shall be paid by the Purchaser to the Vendors' solicitor on the date of signing the Agreement as Deposit; and
- (2) the balance in the sum of HK\$237,640,185 shall be paid by the Purchaser to the Vendors on the Completion Date.

The Deposit shall be paid to the Vendors' solicitors as stakeholders, and shall not be released to the Vendors until the Completion.

The consideration was determined after arm's length negotiations between the Vendors and the Purchaser by reference to, among other things, the valuation of the Properties at completion stage of approximately HK\$259,800,000 as at 31 March 2022 conducted by the Independent Property Valuer, using market approach.

Condition Precedent

Completion is conditional upon the Shareholders having approved the Agreement and the transaction contemplated thereunder at the EGM.

In the event that above condition shall not have been fulfilled on or before 15 August 2022, the Purchaser shall be entitled to rescind the Agreement by giving to the Vendors or the Vendors' solicitors notice in writing on 15 August 2022 (unless it is at the sole discretion of the Purchaser extended by the Purchaser) and in which case the Agreement shall be annulled and the Purchaser shall in that event be entitled to the refund of the Deposit forthwith but

without any compensation or costs (if such refund is made within 7 days without interest) and the parties thereto shall at the cost of the Vendors enter into and cause to be registered at the Land Registry of Hong Kong an Agreement for Cancellation and subject to the aforesaid, neither party shall have any claim or cause of action against the other. In the event that the condition shall have been fulfilled after the Completion Date (but before 15 August 2022), the Completion shall take place within seven (7) business days after the fulfilment date of the condition.

Undertaking

Cui Fa undertakes and covenants with the Purchaser that it shall remain as a controlling shareholder of the Company and attend the EGM to vote all its Shares for the approval of the Agreement and the transaction contemplated thereunder.

Save for the above, Cui Fa has no other rights and obligations under the Agreement.

Completion

Subject to the fulfillment of the Condition Precedent, the Completion shall take place on the Completion Date. Upon the Completion, the Purchaser will lease back the Properties to the Vendors (or other subsidiary(ies) of the Company) from the Completion Date to 31 March 2023 at HK\$651,069 per month (exclusive of management fees, rates and government rent). Further details of the Leaseback Arrangement are disclosed in the section headed “LEASEBACK ARRANGEMENT” below.

Information of the Properties

Vendor 1 and Vendor 2 hold the interest in the Property 1 and Property 2 respectively.

The Properties are subject to mortgages which will be repaid through the proceeds of the consideration on the Completion.

The Properties were valued as at 31 March 2022 at a value of approximately HK\$259,800,000 by the Independent Property Valuer.

Information of the Purchaser

The Purchaser is incorporated in Hong Kong with limited liability. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the principal business activity of the Purchaser is property investment.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, China Resources Company Limited (中國華潤有限公司), a Chinese state-owned entity supervised by the State-owned Assets Supervision and Administration Commission of the State Council, is the ultimate beneficial owner of the Purchaser, which is a third party independent of the Company and its connected persons.

Information of the Group and the Vendors

The Company acts as an investment company and its subsidiaries are principally engaged in the provision of food catering services.

The Vendors are indirect wholly-owned subsidiaries of the Company with the principal business of investment holding.

Reasons for and Benefits of the Disposal

It is expected that after repayment of the existing mortgages in respect of the Properties, the Group will receive a net consideration of approximately HK\$202,807,000 million, before deducting related transaction costs and expenses.

Taking into consideration the proceeds from the Disposal and the estimated unaudited capital gain from the Disposal, the Board considers that the Disposal provides an optimum opportunity for the Company to realise cash and unlock the value of its investment in the Properties at a fair market value. Following the Completion, the Group expects to recognise an estimated unaudited capital gain (before transaction costs and expenses) of approximately HK\$91,058,000, after deducting the carrying amount of the Properties of approximately HK\$172,987,000 as at 14 July 2022 (assuming that the Completion shall take place on 14 July 2022) from the consideration of HK\$264,044,650. Gain on rights transferred to the Purchaser of approximately HK\$86,377,000 is expected to be recorded in the Group's consolidated statement of profit or loss in accordance with HKFRS 16. The difference of approximately HK\$4,681,000 between the estimated unaudited capital gain and the gain on rights transferred comprises the financial liability of approximately HK\$5,551,000, being the present value of aggregate rent payable, after netting off the right-of-use assets of approximately HK\$870,000 (being the proportion of the previous carrying amount of the Properties that relates to the right of use retained by the Group after taking into account, including the difference between the consideration and the fair value) to be recognised under the Leaseback Arrangement for the period from 14 July 2022 to 31 March 2023

(assuming that the Completion shall take place on 14 July 2022). The net proceeds from the Disposal, after deducting the amount of approximately HK\$61,238,000 for discharging the Properties from the relevant mortgages and other estimated expenses in connection with the Disposal such as commission payable to the property agent in the sum of approximately HK\$3,423,000, is estimated to be approximately HK\$199,384,000. The Company intends to use such net proceeds from the Disposal as follows:

Use	Appropriate amount (HK\$'000)
Open new restaurants and/or renovation	80,000
General working capital	119,384

It is expected that the net proceeds of approximately HK\$199,384,000 would be fully utilised by the end of 2023.

The Directors consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Listing Rules Implications

As the highest applicable percentage ratio in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company pursuant to Rule 14.06(4) of the Listing Rules and is, therefore, subject to reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

General

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transaction contemplated thereunder. To the best of the Directors' knowledge, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the EGM.

A circular containing, among other things, further information relating to the Disposal, the notice of the EGM and other information is expected to be despatched to the Shareholders on or before 11 May 2022.

Completion is conditional upon the satisfaction of the Condition Precedent. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

LEASEBACK ARRANGEMENT

Pursuant to the Agreement, if the Completion materialises, the Vendors (or other company(ies) within the same group) shall lease back the Properties, and the Purchaser shall grant a lease in respect of the Properties for the use of workshops and ancillary accommodation for non-domestic use. On the Completion, the Vendors (or such other subsidiary(ies) of the Company) shall execute and deliver to the Purchaser a tenancy agreement together with a corporate guarantee to be given by the Company for the due observance and performance of all the terms and conditions of the tenant under the tenancy agreement. It is expected that the tenancy agreement shall contain the following material terms:

- Rent: HK\$651,069 (exclusive of government rent, management fees, rates, air-conditioning charges, water, gas and electricity charges and all other outgoings) payable monthly in advance.
- Term: Commencing on the Completion Date and ending on 31 March 2023 (both days inclusive). Under the tenancy, vacant possession of the Properties will be delivered to the landlord upon the expiration or sooner determination of the Term.
- Deposit: HK\$2,446,020 (being the sum of HK\$1,953,207 in respect of three (3) months' rent, HK\$325,413 in respect of three (3) months' management fees and HK\$167,400 in respect of three (3) months' government rent and rates).
- Corporate guarantee: The Company shall as guarantor execute a corporate guarantee in favour of the Purchaser (i.e. the landlord after the Completion) for securing all the obligations and liabilities of the tenant under the relevant tenancy agreement, including punctual payment of rent.
- Condition precedent: There will not be any condition precedent to the entering into of the Leaseback Arrangement. However, the Agreement and the Leaseback Arrangement are inter-conditional with each other.

Termination: The Purchaser as landlord shall be entitled to terminate the tenancy and forfeit absolutely the deposit paid as and for liquidated damages (and not as penalty) or at the option of the landlord to deduct from the deposit the amount of any monetary loss to be incurred by the Purchaser as landlord in consequence of the breach, non-observance or non-performance by the tenant of the terms and conditions of the tenancy agreement.

Right-of-use assets under the Leaseback Arrangement

The total aggregate value of consideration payable under the Leaseback Arrangement will be approximately HK\$5,587,000, being the aggregate rental payments for the period from 14 July 2022 to 31 March 2023 (assuming that the Completion shall take place on 14 July 2022). Subject to audit by the independent auditors of the Company, the value of the right-of-use assets to be recognised by the Group under the Leaseback Arrangement is estimated to be approximately HK\$870,000, being the proportion of the previous carrying amount of the Properties that relates to the right of use retained by the Group, in accordance with HKFRS 16.

Reasons for and Benefits of the Leaseback Arrangement

The Properties have since 2014 been using by the Group as its workshops and ancillary accommodation for non-domestic use. While the Company is looking for premises in other locations suitable for the said purposes in running the Company more efficiently and effectively, the Leaseback Arrangement would provide a time buffer before the Company could find one and move in.

The terms of the Leaseback Arrangement were arrived after arm's length negotiations and the rental was determined after taking into consideration the prevailing market price for comparable premises in the vicinity of the Properties.

The Directors consider that the transaction contemplated under the Agreement in respect of the Leaseback Arrangement is on normal commercial terms after arm's length negotiations between the parties thereto, and the terms of the transaction contemplated under the Agreement in respect of the Leaseback Arrangement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 14 April 2022 entered into between the Vendors and the Purchaser relating to the sale and purchase of the Properties
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for business
“Company”	Tsui Wah Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose issued Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 1314)
“Completion”	completion of the Disposal
“Completion Date”	on or before 14 July 2022
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Condition Precedent”	the condition precedent to the Completion set out in the section headed “The Agreement” above
“Cui Fa”	Cui Fa Limited, a company incorporated in the British Virgin Islands with limited liability, holding 770,092,000 Shares, representing approximately 54.57% of the entire issued share capital of the Company
“Deposit”	the deposit paid by the Purchaser to the Vendors’ solicitors as stakeholders on the date of signing of the Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the sale and purchase of the Properties under the Agreement
“EGM”	an extraordinary general meeting of the Company to be convened and held, at which resolutions will be proposed to consider, and, if thought fit, to approve the Agreement and the transaction contemplated thereunder

“Group”	the Company and its subsidiaries
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 Leases issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Property Valuer”	Flagship Appraisals and Consulting Limited
“Leaseback Arrangement”	the lease of the Properties by the Purchaser, as landlord, to the Vendors (or other subsidiary(ies) of the Company), as tenant, for a term commencing on the Completion Date and ending on 31 March 2023
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the meaning as ascribed to it under Rule 14.07 of the Listing Rules
“Properties”	Property 1 and Property 2
“Property 1”	Units Nos.1601, 1602, 1603, 1604, 1605, 1606, 1607 and 1608 on the 16th Floor of Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong
“Property 2”	Units Nos.1701, 1702, 1703 and 1704 on the 17th Floor of Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong
“Purchaser”	China Resources Purchasing Godown Company Limited (華潤採購倉儲有限公司)
“Shares”	the ordinary shares of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed to it under the Listing Rules
“Vendors”	Vendor 1 and Vendor 2
“Vendor 1”	Corporate Winner Limited (洲永有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“Vendor 2”	Enrich Sources Limited (彩沃有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong Dollars, the lawful currency in Hong Kong
“sq. ft.”	square feet
“%”	per cent.

By Order of the Board
Tsui Wah Holdings Limited
LEE Yuen Hong
Chairman and Executive Director

Hong Kong, 14 April 2022

As at the date of this announcement, the Board comprises the following members: (a) Mr. LEE Yuen Hong (Chairman), Mr. LEE Kun Lun Kenji (Group Chief Executive Officer) and Ms. LEE Yi Fang as executive Directors; (b) Mr. CHENG Chung Fan, Mr. WONG Chi Kin and Mr. YANG Dong John as non-executive Directors; and (c) Mr. GOH Choo Hwee, Mr. TANG Man Tsz and Mr. YIM Kwok Man as independent non-executive Directors.