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WAH WO HOLDINGS GROUP LIMITED

華和控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9938)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE PROPERTY

THE ACQUISITION

The Board is pleased to announce that on 16 December 2022 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Provisional Agreement with the Vendor, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Property at the Consideration of HK\$28,880,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

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MAJOR TERMS OF THE PROVISIONAL AGREEMENT

Major terms of the Provisional Agreement are set out below:

- Date** : 16 December 2022
- Parties** : (a) Kar Fook Trading Limited (嘉福貿易有限公司) (i.e. the Vendor);
- (b) Wah Dee Investment Company Limited (華地投資有限公司) (i.e. the Purchaser); and
- (c) Midland Realty (Comm. & Ind. II) Limited (美聯物業(工商II)有限公司) (i.e. the Property Agent)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and the Property Agent are Independent Third Parties.

- Property to be acquired** : Factory G on 2/F, Kwai Shing Industrial Building (Phase II), Nos. 42–46 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong (i.e. the Property)

The Property has a gross floor area of approximately 10,000 sq. ft.. The Property shall be used for non-domestic purpose only.

The Property is sold on an “as is” basis.

- Consideration and payment terms:** : Consideration is in the sum of HK\$28,880,000, which shall be paid in the following manner:
- (a) a sum of HK\$1,440,000, being the initial deposit (the “**Initial Deposit**”), was paid to the Vendor’s solicitor as stakeholder upon signing of the Provisional Agreement;
- (b) a sum of HK\$1,448,000, being the further deposit (together with the Initial Deposit, the “**Deposits**”), shall be paid to the Vendor’s solicitor as stakeholder on or before 30 December 2022; and
- (c) a sum of HK\$25,992,000, being the balance of the Consideration, shall be paid upon Completion.

It is estimated that the transaction cost of the Acquisition including stamp duty, commission to the Property Agent and legal fees will be approximately HK\$1.6 million.

The Consideration was determined after arm's length negotiations between the parties with reference to the prevailing market value of comparable properties available in the vicinity. The Directors consider that the terms of the Provisional Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration shall be funded by the Group's internal resources.

- Formal agreement** : The Vendor and the Purchaser shall enter into the Formal Agreement on or before 30 December 2022.
- Completion** : Completion shall take place on or before 16 February 2023 or such other day as all parties may agree in writing.

The Purchaser shall take the Property subject to the warning letter dated 6 December 2016 issued by the District Lands Office/Tsuen Wan and Kwai Tsing, Lands Department (the "**Warning Letter**") and shall at its own cost to remove or cause the discharge of the Warning Letter. The expected cost to remove or cause the discharge of the Warning Letter is approximately HK\$20,000 which is considered by the Directors as negligible.

The entire Property currently has been leased. The Purchaser agreed to purchase the Property subject to 19 existing tenancies.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the tenants of these 19 existing tenancies, and their respective ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed on page 5 of the Annual Report 2021/22 of the Company dated 30 June 2022 and page 14 of the Interim Results Announcement for the six months ended 30 September 2022 of the Company dated 30 November 2022, the Group will remain focused on the long-term goals and will keep exploring business opportunities to enhance the future development of the Group and to strengthen the revenue bases of the Group.

With the aforesaid business objective, the Group has previously acquired investment properties for a reasonable and attractive rate of return for the Group. The Group may also consider to lease out the investment properties for rental income after renovation.

Regarding the Acquisition, the Property is intended to be purchased for investment and rental income.

The entire Property currently has been leased. The Purchaser agrees to purchase the Property subject to 19 existing tenancies. In order to carry out renovation on the Property, the Group will not renew the tenancies upon the expiration of these 19 existing tenancies by the end of 2023. There is no potential lease candidate being identified by the Company for the time being. The Group will start sourcing and identifying suitable lease candidates when the renovation is nearly complete.

According to the tenancy agreements provided by the Vendor, the rental incomes of these 19 existing tenancies for the year ended 31 March 2022 and the eight months ended 30 November 2022 are approximately HK\$385,000 and HK\$708,000, respectively, while for the year ended 30 November 2022 (i.e. 12 calendar months immediately before the entering of the Provisional Agreement), the rental income of these 19 existing tenancies is approximately HK\$927,000.

After the Completion, the rental income of these 19 existing tenancies expected to be received by the Group by the end of 2023 is approximately HK\$292,000. No rental income attributable to these 19 existing tenancies is expected to be received by the Group after 2023.

Despite the recent downturn of the property market in Hong Kong, the Directors consider that the Acquisition still constitutes a desirable long-term investment for the Company with major reasons as follows:

- (I) The Property is located at Kwai Chung district, one of the prime industrial areas in Hong Kong. The Property is within the same industrial complex of the Group's headquarter in Hong Kong. Principally engaging in provision of design and build services for new buildings and renovation services for built premises, the Acquisition will also provide the Group's room for future expansion and development in the sense that the Property can be re-designated as the Group's self-used workshop and/or warehouse if the need arises in the future;
- (II) With reference to the historical rental income information available to the Purchaser based on the tenancy agreements provided by the Vendor, the rental income of the Property after the renovation will constitute a stable and attractive rate of return for the Group especially after the interest rate hike cycle of the United States in the long-run;
- (III) The industrial property market is considered to be more stable than the residential property market in Hong Kong; and
- (IV) In view of the current market value of the Property in comparison with the prevailing market value of other industrial property of similar nature in the nearby area, the current property market conditions, and the market demand for industrial properties in Hong Kong in the near future, the Directors consider that this is a good opportunity to acquire the Property and are optimistic that there will be a good potential for capital appreciation in the long-run.

As such, in light of the commercial viability and potential investment return of the Property, the Directors consider that the Acquisition will constitute a reasonable and effective utilisation of the capital of the Company and a desirable investment opportunity that will offer a reasonable and attractive rate of return for the Company, which will enable the Company to enhance the Company's capital gain, asset base and overall financial position. The Directors have assessed the capital requirement for its daily operations and other expenditures, and are of the view that the Acquisition will not adversely affect the operation or working capital needs of the Group in any material respect.

The Directors (including the independent non-executive Directors) consider that the Acquisition and the terms of the Provisional Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

The Company

The Company is an investment holding company and its subsidiaries are principally engaged in provision of design and build services for new buildings and renovation services for built premises.

The Vendor

The Vendor is a company incorporated in Hong Kong with limited liability and is wholly-owned by TSUI Lung Shun Tony (徐隆洵). The Vendor is a trading and investment company.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor is an Independent Third Party.

The Purchaser

The Purchaser is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is a property holding company.

The Property Agent

The Property Agent is a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of Midland IC&I 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: 00459). The Property Agent is principally engaged in property agency in Hong Kong.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Property Agent is an Independent Third Party.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Acquisition”	the acquisition of the Property by the Purchaser from the Vendor pursuant to the Provisional Agreement and the transactions contemplated thereunder
“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	WAH WO HOLDINGS GROUP LIMITED (華和控股集團有限公司), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 09938)
“Completion”	completion of the Acquisition
“Consideration”	the sum of HK\$28,880,000, being the purchase price of the Property
“Director(s)”	the directors of the Company
“Formal Agreement”	the formal sale and purchase agreement to be entered into between the Purchaser and the Vendor on or before 30 December 2022 in relation to the Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party(ies)”	a third party or third parties independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executives, substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	Factory G on 2/F, Kwai Shing Industrial Building (Phase II), Nos. 42–46 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong

“Property Agent”	Midland Realty (Comm. & Ind. II) Limited (美聯物業(工商II)有限公司), a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of Midland IC&I 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: 00459)
“Provisional Agreement”	the provisional sale and purchase agreement dated 16 December 2022 and entered into between the Vendor, the Purchaser and the Property Agent in relation to the Acquisition
“Purchaser”	Wah Dee Investment Company Limited (華地投資有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Kar Fook Trading Limited (嘉福貿易有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by TSUI Lung Shun Tony (徐隆洵)
“sq. ft.”	square feet
“%”	per cent.

By order of the Board
WAH WO HOLDINGS GROUP LIMITED
CHEN Yuet Wa
Chairman and Executive Director

Hong Kong, 16 December 2022

As at the date of this announcement, the Board comprises five members, of which Mr. CHEN Yuet Wa and Mr. CHAN Fai are the executive Directors; and Mr. CHOW Chi Fai, Mr. CHAN Hon Ki and Mr. YU Chi Wing are the independent non-executive Directors.