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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)**

### **CONNECTED TRANSACTION IN RELATION TO THE NEW LEASE AGREEMENT**

#### **THE NEW LEASE AGREEMENT**

The Board announces that Wah Kee (R&M) Limited, an indirect wholly-owned subsidiary of the Company, as Lessee, entered into the New Lease Agreement on 1 August 2020 and supplemented on 10 December 2020 with Ms. Wong Chun Siu, spouse of the Controlling Shareholder, as Lessor, in respect of the leasing of the Premises.

#### **LISTING RULES IMPLICATIONS**

Ms. Wong Chun Siu is the spouse of the Controlling Shareholder, therefore, Ms. Wong Chun Siu is a connected person of the Company under the Listing Rules. Accordingly, under Chapter 14A of the Listing Rules, the transactions contemplated under the New Lease Agreement constitute a connected transaction of the Company.

In accordance with HKFRS 16, the Company has recognised the value of the right-of-use asset on its consolidated statement of financial position in connection with the lease of premise under the New Lease Agreement. Accordingly, the transactions contemplated thereunder is regarded as an acquisition of right-of-use asset by the Company which will constitute a one-off connected transaction under the Listing Rules.

As the highest applicable percentage ratio in respect of the New Lease Agreement calculated based on the value of the right-of-use asset recognised by the Group pursuant to HKFRS 16 exceeds 0.1% but is less than 5%, the transactions contemplated under the New Lease Agreement are subject to the reporting and announcement requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Board announces that Wah Kee (R&M) Limited, as Lessee, entered into the New Lease Agreement on 1 August 2020 and supplemented on 10 December 2020 with Ms. Wong Chun Siu, as Lessor, in respect of the lease of the Premises, the principal terms of which are as follows:

### **THE NEW LEASE AGREEMENT**

Date	1 August 2020 and supplemented on 10 December 2020
Lessee	Wah Kee (R&M) Limited
Lessor	Ms. Wong Chun Siu
Premise	Flat A & D, 4/F, Phase 1, Kwai Shing Industrial Building, 36–40 Tai Lin Pai Road, Kwai Chung, New Territories
Lease term	Fixed term of three years commencing from 1 August 2020
Usage	Warehouse and office premises
Monthly rent	HK\$110,000.00 (exclusive of management and air-conditioning charges, tax, water, electricity, gas, telephone and other utility charges and rates)
Security deposit	HK\$220,000.00 (equivalent to the aggregate of two months' monthly rent)
Payment term	Lessee shall pay the monthly rent in advance on the first day of each calendar month
Termination	Either party to the New Lease Agreement may terminate the agreement by giving one month of prior written notice to the other party in advance upon the completion of three years' fixed lease term
Other terms	Upon the expiration of the term, the lease agreement shall be renewable for an additional three years subject to agreement of terms by both parties

The terms of the New Lease Agreement were determined after arm's length negotiations between the Lessor and Lessee and with reference to the prevailing market rental for properties of similar type, age and location. The rent and the deposit have been and will be principally funded by the internal resources of the Group.

### **THE RIGHT-OF-USE ASSET**

The unaudited value of the right-of-use asset to be recognise by the Company under the New Lease Agreement amounts to approximately HK\$7,206,000 on 1 August 2020.

## **REASONS FOR AND BENEFITS OF THE NEW LEASE AGREEMENT**

The Group is an established contractor engaged in facade works with a focus on window in Hong Kong. In order to cope with the increasing needs of the business operation of the Group and increase in staff numbers, the Premise would be used as warehouse and office. In addition, the terms of the New Lease Agreement were determined after arm's length negotiations between the Lessor and Lessee and with reference to the prevailing market rental for properties of similar type, age and location. The Board (including the independent non-executive directors) is of the view that the transaction under the New Lease Agreement is conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the New Lease Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION OF THE COMPANY AND THE LESSOR**

The Company was incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange. Wah Kee (R&M) Limited, as Lessee, principally act as a contractor engaged in facade works with a focus on window in Hong Kong and is an indirect wholly-owned subsidiary of the Company. The Lessor, Ms. Wong Chun Siu, is the spouse of the Controlling Shareholder.

## **LISTING RULES IMPLICATIONS**

Ms. Wong Chun Siu is the spouse of the Controlling Shareholder, therefore Ms. Wong Chun Siu is a connected person of the Company under the Listing Rules. Accordingly, under Chapter 14A of the Listing Rules, the transactions contemplated under the New Lease Agreement constitute a connected transaction of the Company.

Pursuant to HKFRS 16, as a result of the entering into the New Lease Agreement, the Group shall recognise an additional asset representing its right to use the Premise. As such, the transaction will be regarded as an acquisition of asset by the Group in accordance with Rule 14.04(1)(a) of the Listing Rules. The unaudited value of the right-of-use asset to be recognised by the Company under the New Lease Agreement shall amounts to approximately HK\$7,206,000.

Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future. The right-of-use asset represents its right to use the underlying leased asset over the lease term and the lease liability represents its obligation to make lease payments (i.e. the rent). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the lease payments under the New Lease Agreement, using the incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use asset; and (ii) interest expenses amortised from the lease liability over the lease term.

As the highest applicable percentage ratio in respect of the New Lease Agreement based on the value of the right-of-use asset recognised by the Company exceeds 0.1% but is less than 5%, the transactions contemplated under the New Lease Agreement are subject to the reporting, and announcement requirements but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Chen Yuet Wa is deemed to have material interest in the New Lease Agreement and had abstained from voting at the Board meeting resolution approving the transaction contemplated under the New Lease Agreement.

## DEFINITIONS

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

“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, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Controlling Shareholder”	Mr. Chen Yuet Wa, controlling shareholder of the Group
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Lessee”	Wah Kee (R&M) Limited, an indirect wholly owned subsidiary of the Company
“Lessor”	Ms. Wong Chun Siu, spouse of the Controlling Shareholder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the option market) and which stock market continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange (for avoidance of doubt, the Main Board excludes the Growth Enterprise Market)
“New Lease Agreement”	the lease agreement in relation to the Premises entered into on 1 August 2020 and supplemented on 10 December 2020, the principal terms of which are set out in this announcement

“Premise”	the premise situated at Flat A & D, 4/F, Phase 1, Kwai Shing Industrial Building, 36–40 Tai Lin Pai Road, Kwai Chung, New Territories
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wah Kee (R&M) Limited”	Wah Kee (R&M) Limited (華記維修有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board  
**Wah Wo Holdings Group Limited**  
**Mr. Chen Yuet Wa**  
*Chairman and Executive Director*

Hong Kong, 10 December 2020

*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 of the Company; and the Mr. CHOW Chi Fai, Mr. CHAN Hon Ki and Mr. YU Chi Wing are the independent non-executive directors of the Company.*