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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 6 July 2023 (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\$8,450,000.

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.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the Conditions. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

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MAJOR TERMS OF THE PROVISIONAL AGREEMENT

Major terms of the Provisional Agreement are set out below:

Date: 6 July 2023

Parties: (a) Mr. Kwok Chun Cheung Daniel (郭俊翔) (i.e. the Vendor);
and
(b) Wah Lam Investment Company Limited (華藍投資有限公司)
(i.e. the Purchaser)

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

Property to be acquired: Factory D on 13/F, Kwai Shing Industrial Building (Phase I), Nos. 36–40 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong (i.e. the “**Property**”)

The Property has a gross floor area of approximately 3,048 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\$8,450,000, which shall be paid in the following manner:

- (a) a sum of HK\$845,000, being the initial deposit (the “**Initial Deposit**”), was paid to the Vendor upon signing of the Provisional Agreement; and
- (b) a sum of HK\$7,605,000, being the balance of the Consideration, shall be paid upon Completion.

It is estimated that the transaction cost of the Acquisition including stamp duty and legal fees will be approximately HK\$264,000.

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.

Conditions:

Completion is subject to the satisfactory fulfillment and/or waiver of the following Conditions:

- (a) all necessary approvals by the government and regulatory authorities (including but not limited to the Stock Exchange), corporate approvals and consents for the Acquisition and the transactions contemplated thereunder being obtained;
- (b) in relation to the Acquisition and the transactions contemplated thereunder, all relevant regulatory requirements (including but not limited to those under the Listing Rules) having been complied with and satisfied;
- (c) the Vendor shall prove its title to the Premises in accordance with Section 13 of the Conveyancing and Property Ordinance (Chapter 219) and the mechanisms under the Provisional Agreement (and the Formal Agreement, if applicable);
- (d) the Company having issued and/or despatched the announcement and the circular (if applicable) in relation to the Acquisition and the transactions contemplated thereunder in accordance with the Listing Rules;
- (e) the resolutions to approve the Acquisition and the transactions contemplated thereunder having been obtained from the Shareholders (if applicable);
- (f) all representations, warranties and undertakings given by each of the Vendor and the Purchaser under the Provisional Agreement (and the Formal Agreement, if applicable) having remained true and accurate in all material respects; and
- (g) there not having been, at any time before the Completion Date (to be defined below):
 - (I) any adverse change or any prospective adverse change in the conditions (financial, business, operations, prospects or otherwise) of the Group which is material in the context of the Acquisition, the transactions contemplated thereunder;

- (II) the occurrence of any event or the existence of any circumstance which would render any of the representations, warranties and undertakings given by each of the Vendor and the Purchaser under the Provisional Agreement (and the Formal Agreement, if applicable) untrue or inaccurate in any material respect; and
- (III) the occurrence of any breach of the terms of the Provisional Agreement (and the Formal Agreement, if applicable) or any undertakings given by each of the Vendor and the Purchaser as set out in the Provisional Agreement (and the Formal Agreement, if applicable).

The Purchaser may at any time waive in writing any Conditions (other than Conditions (a), (b), (c), (d) and (e) above) and such waiver(s) may be made subject to such terms and conditions as may be determined by the Purchaser. Conditions (a), (b), (c), (d) and (e) above are not capable of being waived by the Purchaser. If the Conditions have not been fulfilled or waived by the Purchaser (as the case may be) at or before 12:00 noon on 14 August 2023 (or such later date as all parties may agree in writing) (the “**Long Stop Date**”), the Provisional Agreement (and the Formal Agreement, if applicable) shall lapse, whereupon all rights and obligations of the parties shall cease to have effect except in respect of any accrued rights and obligations of the parties.

Formal agreement: The Vendor and the Purchaser shall enter into the Formal Agreement on or before 20 July 2023.

The Formal Agreement shall contain the above terms of the Provisional Agreement.

Completion: Completion shall take place on or before 15 August 2023 or such other day as all parties may agree in writing (the “**Completion Date**”) which shall not be later than the Long Stop Date.

The entire Property currently has been leased. The Purchaser agreed to purchase the Property subject to an existing tenancy to Ka Ho Educational Paper Company Limited (嘉豪文教紙業有限公司), with monthly rental at HK\$26,000 and expiry date on 31 August 2023 (subject to further extension to 31 October 2023).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the tenant of the existing tenancy, and his ultimate beneficial owner is Independent Third Party.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed on page 23 of the Annual Results Announcement for the year ended 31 March 2023 of the Company dated 28 June 2023, the Group have acquired investment properties and considered they constituted a good investment opportunity that will offer a stable and attractive rate of return for the Group. Following the acquisition of these investment properties, the Group intends to lease them out for rental income after undergoing renovation and sub-divided them into smaller workshops or studio rooms according to approved plans and drawings.

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 an existing tenancy. In order to carry out renovation on the Property, the Group will not renew the tenancy upon the expiration of the existing tenancy by the end of October 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 agreement provided by the Vendor, the rental income of the existing tenancy for the year ended 31 March 2023 and the three months ended 30 June 2023 are approximately HK\$312,000 and HK\$78,000, respectively, while for the year ended 30 June 2023 (i.e. 12 calendar months immediately before the entering of the Provisional Agreement), the rental income of the existing tenancy is approximately HK\$312,000.

After the Completion, the rental income of the existing tenancy expected to be received by the Group by the end of 2023 is approximately HK\$65,000. No rental income attributable to the existing tenancy 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 agreement 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 property investor.

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.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the Conditions. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

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\$8,450,000, 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 20 July 2023 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 D on 13/F, Kwai Shing Industrial Building (Phase I), Nos. 36–40 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong
“Provisional Agreement”	the provisional sale and purchase agreement dated 6 July 2023 and entered into between the Vendor, and the Purchaser in relation to the Acquisition
“Purchaser”	Wah Lam Investment Company Limited (華藍投資有限公司), 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”	Mr. Kwok Chun Cheung Daniel (郭俊翔)
“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, 6 July 2023

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.