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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 9 October 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\$8,280,000.

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: 9 October 2023

Parties:

- (a) Chemtax (Stoll) Company Limited (香港中大(斯托爾)有限公司) (i.e. the Vendor);
- (b) Wah Ah Investment Company Limited (華雅投資有限公司) (i.e. the Purchaser); and
- (c) Centaline Property Agency Limited (中原地產代理有限公司) (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 E on 4/F including Flat Roof, Kwai Shing Industrial Building (Phase II), Nos. 42–46 Tai Lin Pai Road, Kwai Chung, N.T. (i.e. the Property)

The Property has a gross floor area of approximately 3,232 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\$8,280,000, which shall be paid in the following manner:

- (a) a sum of HK\$414,000, being the initial deposit, was paid to the Vendor’s solicitor as stakeholder upon signing of the Provisional Agreement; and
- (b) a sum of HK\$414,000, being the further deposit shall be paid to the Vendor’s solicitor as stakeholder on or before 20 October 2023; and
- (c) a sum of HK\$7,452,000, 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\$340,000.

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 and the Car Parking Space 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 7 December 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:

Completion shall take place on or before 20 October 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.

Completion:

Completion shall take place on or before 8 December 2023 or such other day as all parties may agree in writing. The Vendor shall deliver vacant possession of the Property to the Purchaser upon Completion.

The Purchaser shall take the Property subject to the unauthorised building works mentioned in a notice issued by the Buildings Department dated 15 November 2006 (the “**UBW**”), and shall at its own cost to remove or cause the removal of the UBW. The Purchaser waives its right to raise requisitions on title made pursuant to the UBW.

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

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed on page 7 of the Annual Report 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 Vendor shall deliver vacant possession of the Property to the Purchaser upon Completion. The Group intends to lease it out for rental income after undergoing renovation and sub-divided them into smaller workshops or studio rooms according to approved plans and drawings.

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;
- (III) The industrial property market is considered to be more stable than the residential property market in Hong Kong;
- (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; and
- (V) The Property would create a synergic effect with the investment properties held by the Group. The Property located nearby to properties which were already been held by the Group.

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 (i) provision of design and build services for new buildings and renovation services for built premises and (ii) rental of investment properties.

The Vendor

The Vendor is carrying out trading of textile machinery in Hong Kong.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor is a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned company owned by (i) Chu Lop Fu, Raymond (朱立夫) and (ii) Chu Ho Fu, Howard (朱可夫), who are Independent Third Parties.

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 engages in property agency services in Hong Kong.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the Conditions. Therefore, the Acquisition and the Lease 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:

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| “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\$8,280,000, 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 October 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 |

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| “Property” | Factory E on 4/F including Flat Roof, Kwai Shing Industrial Building (Phase II), Nos. 42–46 Tai Lin Pai Road, Kwai Chung, N.T. |
| “Property Agent” | Centaline Property Agency Limited (中原地產代理有限公司) is a company incorporated in Hong Kong with limited liability and engages in property agency services in Hong Kong |
| “Provisional Agreement” | the provisional sale and purchase agreement dated 9 October 2023 and entered into between the Vendor, the Purchaser and the Property Agent in relation to the Acquisition |
| “Purchaser” | Wah Ah Investment Company Limited (華雅投資有限公司), 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” | Chemtax (Stoll) Company Limited (香港中大(斯托爾)有限公司) |
| “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, 9 October 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.