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## **Tsui Wah Holdings Limited**

**翠華控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1314)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION: PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARES OF, AND SHAREHOLDERS' AND DIRECTORS' LOAN TO, THE TARGET COMPANY**

#### **THE ACQUISITION**

The Board is pleased to announce that on 26 January 2017 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company) and the Vendors entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing the entire issued shares of the Target Company, and the Sale Loan, at the Initial Consideration of HK\$255,000,000 (subject to adjustment).

#### **LISTING RULES IMPLICATIONS**

The Vendors are Mr. LEE Yuen Hong (an executive Director), Mr. HO Ting Chi (a past Director who retired on 26 August 2016), Mr. CHEUNG Yu To (an executive Director), Mr. CHEUNG Yue Pui (a past Director who retired on 26 August 2016) and Mr. CHEUNG Wai Keung (a past Director who resigned on 31 December 2015). Each of the Vendors is also a controlling shareholder of the Company. Accordingly, each of the Vendors is connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules. Accordingly, the Acquisition Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As regards the Acquisition, as the highest applicable percentage ratio under Rule 14.07 of the Listing Rules is more than 5% but less than 25% and the total consideration is more than HK\$10,000,000, the Acquisition constitutes (i) a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

An EGM will be convened and held by the Company to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder.

In view of the Vendors' material interest in the Acquisition, the Vendors and their respective associate(s) will abstain from voting on the relevant resolutions at the EGM.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders on the Acquisition Agreement and the transactions contemplated thereunder. Centurion Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

A circular containing, among others, the particulars of the Acquisition Agreement together with a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, a property valuation report, and a notice of the EGM is expected to be despatched to the Shareholders on or about 17 February 2017.

**The Acquisition is subject to the fulfilment of a number of conditions precedent which are detailed in the sections headed "The Acquisition — Conditions" in this announcement. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Board is pleased to announce that on 26 January 2017 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company) and the Vendors entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing the entire issued shares of the Target Company, and the Sale Loan, at the Initial Consideration of HK\$255,000,000 (subject to adjustment).

## **THE ACQUISITION**

Set out below are the principal terms of the Acquisition Agreement:

### **Date**

26 January 2017 (after trading hours)

### **Parties**

- (i) the Purchaser (a direct wholly-owned subsidiary of the Company), as the purchaser; and
- (ii) the Vendors.

The Vendors are Mr. LEE Yuen Hong (an executive Director), Mr. HO Ting Chi (a past Director who retired on 26 August 2016), Mr. CHEUNG Yu To (an executive Director), Mr. CHEUNG Yue Pui (a past Director who retired on 26 August 2016) and Mr. CHEUNG Wai Keung (a past Director who resigned on 31 December 2015). Each of the Vendors is also a controlling shareholder of the Company.

### **Assets to be acquired**

The Sale Shares, representing the entire issued shares of the Target Company, and the Sale Loan, free from all encumbrances together with all rights attached thereto, including the right to receive all dividends and other distributions declared, made or paid, on or after the Acquisition Completion Date. As at the date of this announcement, the Sale Shares are owned by the Vendors in the following proportion:

LEE Yuen Hong	4 Sale Shares (40% of the entire issued shares of the Target Company)
HO Ting Chi	3 Sale Shares (30% of the entire issued shares of the Target Company)
CHEUNG Yu To	1 Sale Share (10% of the entire issued shares of the Target Company)
CHEUNG Yue Pui	1 Sale Share (10% of the entire issued shares of the Target Company)
CHEUNG Wai Keung	1 Sale Share (10% of the entire issued shares of the Target Company)

As at the date of this announcement, the Property is the only major asset of the Target Company.

### **Consideration**

The Acquisition Consideration shall be an amount equal to HK\$255,000,000 (the “**Initial Consideration**”), subject to adjustment as set out in the section headed “The Acquisition — Adjustment of Acquisition Consideration” below. For the avoidance of doubt, there shall be no upward adjustment to the Initial Consideration and hence, the Final Consideration shall not exceed HK\$255,000,000 in all circumstances.

The Initial Consideration is HK\$255,000,000, which was arrived at after arm’s length negotiations between the Vendors and the Purchaser and taking into account factors including mainly, the market valuation of the Property as shown in the Draft Property Valuation Report and appraised by an independent property valuer of the Company.

### **Payment of Acquisition Consideration**

The Initial Consideration shall be paid by the Purchaser to the Vendors upon the Acquisition Completion. The Acquisition Consideration will be settled in HK\$ and be made by (a) cashier order(s) issued by a licensed bank in Hong Kong, or (b) by telegraphic transfer to the account(s) notified by or on behalf of the Vendors to the Purchaser, or (c) such other method as the Purchaser and Vendors may agree in writing.

For the purposes of apportionment, the consideration to be paid by the Purchaser to the Vendors for the benefit of the Sale Loan shall be an amount equal to the amount of the Sale Loan, and the consideration to be paid by the Purchaser to the Vendors for the Sale Shares shall be an amount equal to the balance of the Acquisition Consideration after deducting the amount of such consideration in respect of the benefit of the Sale Loan.

### **Adjustment of Acquisition Consideration**

The Vendors shall procure the preparation and delivery of the Completion Accounts and shall calculate the final Consideration adjusted in accordance with the formula below based on the Completion Accounts (the “**Final Consideration**”) in accordance with the terms of the Acquisition Agreement.

The adjustment shall be made in accordance with the following formula:

$$A = B - C - D$$

where:

“A” means the Final Consideration;

“B” means HK\$255,000,000;

“C” means the amount of all liabilities of the Target Company, including actual or contingent, accrued or deferred liabilities, but excluding the Sale Loan, as at the last day of the calendar month immediately preceding the Acquisition Completion Date as shown in the Completion Accounts; and

“D” means the difference, if any, between the market value of the Property as shown in the Final Property Valuation Report and such value as shown in the Draft Property Valuation Report. For the avoidance of doubt, where the market value of the Property as shown in the Final Property Valuation Report is lower than the market value as shown in the Draft Property Valuation Report such difference in amount shall always be limited to the maximum amount of HK\$5,000,000 for the purpose of this formula; and if it is higher than the market value as shown in the Draft Property Valuation Report, such difference amount shall always be deemed to be zero for the purpose of this formula.

In the event that the amount of the Final Consideration calculated with reference to the Final Property Valuation Report and the agreed Completion Accounts in accordance with the terms of the Acquisition Agreement is less than the Initial Consideration paid by the Purchaser thereunder, each of the Vendors shall, in accordance with their entitlement portion in the Final Consideration, pay the Purchaser a sum representing the difference between (a) the amount of the Final Consideration calculated with reference to the Final Property Valuation Report and the agreed Completion Accounts, and (b) the Initial Consideration paid by the Purchaser hereunder within 60 Business Days after the date on which the Final Consideration becomes final in accordance with the terms of the Acquisition Agreement.

For as long as the Final Consideration is HK\$250,000,000 or more, the Vendors shall be obliged to sell to the Purchaser the Sale Shares and the Sale Loan, subject to the fulfilment of all the conditions set out in the section headed “The Acquisition — Conditions” below.

### **Conditions**

Completion of the Acquisition is conditional on the satisfaction and/or waiver of the following conditions on or before the Long Stop Date:

- (a) the Purchaser has been satisfied with the results of the due diligence review of the Target Company;
- (b) all approvals, consents and acts required under the Listing Rules or other applicable laws and regulations in connection with the Acquisition Agreement and the transactions contemplated hereunder having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such laws, rules, regulations and requirements having been obtained from the Stock Exchange, the Securities and Futures Commission of Hong Kong or other relevant regulatory authorities;
- (c) all approvals and consents required from any third parties (including but without limitation the mortgage bank) in connection with the Acquisition Agreement and the transactions contemplated hereunder having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such requirements having been obtained from the relevant third parties;
- (d) the Vendors having shown and proved that the Target Company has a good title to the Property and can give a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong to the satisfaction of the Purchaser);
- (e) save and except an order issued by the Building Authority on 13 June 2012 and a notice relating to mandatory window inspection issued on 8 March 2013, there having been no outstanding notices, orders, complaints or requirements issued by any governmental body, authority or department or the owners’ committee of the building to the Target Company in respect of the Property or any part thereof or requiring compliance with the terms of the government lease in respect of the Property;
- (f) there having been no breach of any terms or conditions in the relevant mortgage and loan documents on the part of the Target Company as a result of the transactions contemplated under the Acquisition Agreement;
- (g) there having been no objection or demand for repayment of the relevant mortgage amount by the mortgagee bank upon the Acquisition Completion;
- (h) the Vendors’ warranties having remained true and accurate in all material respects; and
- (i) no material adverse change or prospective material adverse change in the Target Company’s business, operations, financial conditions or prospects having occurred since the date of signing of the Acquisition Agreement.

The Purchaser may in its absolute discretion at any time waive in writing any of the conditions above (other than condition (b) above which cannot be waived).

### **Acquisition Completion**

The Acquisition Completion shall take place on the Acquisition Completion Date.

### **Termination**

If the Acquisition Agreement is terminated in accordance with its terms, all rights and obligations of the parties to the Acquisition Agreement will cease immediately upon termination except that:

- (a) termination will not affect the then accrued rights and obligations of the parties (including the right to damages for the breach, if any, giving rise to the termination and any other pre-termination breach by any of the parties); and
- (b) termination will be without prejudice to the continued application of the confidentiality provision (and all provisions relevant to the interpretation and enforcement thereof), which will remain in full force and effect.

### **INFORMATION OF THE TARGET COMPANY AND THE PROPERTY**

The Target Company is a company incorporated in Hong Kong with limited liability and its principal business activity is investment holding. As at the date of this announcement, the Target Company owns the Property.

The Property is situated in Kwun Tong in Hong Kong. The Property comprises the entire building known as Tsui Wah Group Centre with a total gross floor area of approximately 18,658 sq. ft. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Target Company does not have any business other than the holding of the Property and leasing of certain floors of the Property to a member company of the Group.

The market value of the Property as at 18 January 2017 appraised by the Company's independent property valuer was HK\$255,000,000.

The audited net liabilities of the Target Company (including the amounts due to its shareholders and directors, which are to be assigned to the Purchaser as part of the Acquisition) as at 31 March 2016 was HK\$14,259,422.

Set out below is a summary of the net profits (both before and after taxation) of the Target Company for the two years ended 31 March 2016:

	<b>For the years ended</b>	
	<b>31 March</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$</i>	<i>HK\$</i>
Net profit before taxation	2,724,007	1,316,609
Net profit after taxation	2,724,007	1,316,609

The original acquisition cost of the Property by the Target Company in 2004 was HK\$28,000,000.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is primarily engaged in the provision of food catering services through a chain of Hong Kong-style restaurants in Hong Kong and the PRC.

Located in the prime location of Kwun Tong, the Property is a building where the Group (1) is currently using for its restaurant operation under the name of “Tsui Wah Restaurant (翠華餐廳)” and a food preparation facility and (2) had previously used as an office of the Group. The Directors believe that the Acquisition will enable the Company to enhance the development of the business of the Group, ensure the smooth operation of its restaurant, strengthen its brand name and give a positive corporate image to the Shareholders, customers and other stakeholders of the Group by owning the entire building. The Directors also believe that the Group is able to benefit from the further value appreciation of the Property along with the development of Grade A office buildings in the peripheral area in Kwun Tong.

The Directors (excluding (1) the independent non-executive Directors whose opinions will be rendered after having obtained the advice from the Independent Financial Adviser and (2) each of Mr. LEE Yuen Hong and Mr. CHEUNG Yu To who has material interests in the Acquisition) are of the view that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

The Vendors are Mr. LEE Yuen Hong (an executive Director), Mr. HO Ting Chi (a past Director who retired on 26 August 2016), Mr. CHEUNG Yu To (an executive Director), Mr. CHEUNG Yue Pui (a past Director who retired on 26 August 2016) and Mr. CHEUNG Wai Keung (a past Director who resigned on 31 December 2015). Each of the Vendors is also a controlling shareholder of the Company. Accordingly, each of the Vendors is connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules. Accordingly, the Acquisition Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As regards the Acquisition, as the highest applicable percentage ratio under Rule 14.07 of the Listing Rules is more than 5% but less than 25% and the total consideration is more than HK\$10,000,000, the Acquisition constitutes (i) a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

An EGM will be convened and held by the Company to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder. The voting of the Independent Shareholders at the EGM will be taken by poll.

In view of the Vendors' material interest in the Acquisition, the Vendors and their respective associate(s) will abstain from voting on the relevant resolutions at the EGM.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders on the Acquisition Agreement and the transactions contemplated thereunder. Centurion Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect. All the independent non-executive Directors of the Independent Board Committee have abstained from voting at the Board meeting approving the Acquisition, pending their receipt of the letter of independent advice from the Independent Financial Adviser.

A circular containing, among others, the particulars of the Acquisition Agreement together with a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, a property valuation report, and a notice of the EGM is expected to be despatched to the Shareholders on or about 17 February 2017.

**The Acquisition is subject to the fulfilment of a number of conditions precedent which are detailed in the sections headed "The Acquisition — Conditions" in this announcement. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Loan by the Purchaser pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 26 January 2017 and entered into between the Purchaser and the Vendors in relation to the Acquisition
“Acquisition Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Completion Date”	the 5th Business Day immediately following the day on which all the conditions precedent have been satisfied and/or waived (or such other date the parties to the Acquisition Agreement may agree in writing), the date on which the Acquisition Completion takes place
“Acquisition Consideration”	the aggregate consideration payable by the Purchaser for the Sale Shares and the Sale Loan under the Acquisition Agreement (as adjusted in accordance with the terms and conditions of the Acquisition Agreement)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (or days) (other than Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open to conduct business generally
“BVI”	the British Virgin Islands
“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 Accounts”	an unaudited statement of financial position of the Target Company as at the last day of the calendar month immediately preceding the Acquisition Completion Date and an unaudited statement of comprehensive income of the Target Company for the period from 1 April 2016 to the last day of the calendar month immediately preceding the Acquisition Completion Date and as agreed or determined by the Purchaser and the Vendors in accordance with the terms of the Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Draft Property Valuation Report”	the draft property valuation report prepared by an independent property valuer and dated 18 January 2017
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve, the Acquisition Agreement and the transactions contemplated thereunder
“Final Consideration”	has the meaning ascribed to it under the section headed “The Acquisition — Adjustment of Acquisition Consideration”
“Final Property Valuation Report”	the final property valuation report to be issued by an independent property valuer prior to the Acquisition Completion
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company established by all the independent non-executive Directors to advise the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder

“Independent Financial Adviser”	Centurion Corporate Finance Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder
“Initial Consideration”	has the meaning ascribed to it under the section headed “The Acquisition — Consideration”
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2017 or such later date as may be respectively agreed between the relevant parties to the Acquisition Agreement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Property”	all that piece or parcel of ground registered in the Land Registry as KWUN TONG INLAND LOT NO. 416 TOGETHER with all the messuages erections and buildings thereon now known as NO. 50 LAI YIP STREET, Kowloon
“Purchaser”	Kang Wang Holdings Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Sale Loan”	the aggregate amount of the loans and net amounts due and owing by the Target Company to the Vendors (in their capacity as shareholders and directors of the Target Company) as at the date of the Acquisition Agreement; and (if any) together with all further advances or loans made by the Vendors to the Target Company and further amounts due and owing by the Target Company to the Vendors up to the Acquisition Completion
“Sale Shares”	10 ordinary shares of the Target Company, representing the total issued shares of the Target Company

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary 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
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Success Path Limited, a company incorporated in Hong Kong with limited liability
“Vendors”	Mr. LEE Yuen Hong (an executive Director), Mr. HO Ting Chi (a past Director who retired on 26 August 2016), Mr. CHEUNG Yu To (an executive Director), Mr. CHEUNG Yue Pui (a past Director who retired on 26 August 2016) and Mr. CHEUNG Wai Keung (a past Director who resigned on 31 December 2015)
“%”	per cent.

By Order of the Board  
**TSUI WAH HOLDINGS LIMITED**  
**Kwok Siu Man**  
*Company Secretary*

Hong Kong, 26 January 2017

*As at the date of this announcement, the Board comprises the following members: (a) as executive directors, Mr. LEE Yuen Hong, Mr. CHEUNG Yu To and Mr. LEE Tsz Kin Kenji; (b) as non-executive directors, Mr. WONG Chi Kin, Mr. CHENG Chung Fan and Mr. CHENG Yu Sang; and (c) as independent non-executive directors, Mr. GOH Choo Hwee, Mr. YIM Kwok Man and Mr. TANG Man Tsz.*