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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)

**MAJOR TRANSACTION
IN RELATION TO LICENCE AGREEMENT**

THE LICENCE AGREEMENT

On 26 May 2020, Happy Billions (a wholly-owned subsidiary of the Company) was provided with a counterpart of the Licence Agreement signed by the Airport Authority, pursuant to which Happy Billions has been granted a licence by the Airport Authority to operate the Catering Concession located at Terminal 1 of the Hong Kong International Airport under the Trading Names for a term of 60 months from the Commencement Date.

The consideration under the Licence Agreement was determined by way of tender which was submitted to the Airport Authority in mid-2019 and had been prepared by the Group by reference to the indicators such as passenger flow of the Hong Kong International Airport of approximately 74.60 million passengers in 2018 and approximately 71.50 million passengers in 2019, and the past operating performance and customer flow of the Group's restaurant at the Catering Concession. The Board considers that bidding for this Catering Concession would at least bring stable income to the Group. Due to various factors such as the outbreak of novel coronavirus disease 2019 (COVID-19) across the world after the successful bidding by the Group, the Group has made friendly negotiations with the Airport Authority during the period, including discussion and consideration of postponing the Commencement Date, to deal with the impact of global epidemic on airport's passenger flow. The Group understands that although the Airport Authority considers that it is difficult to accurately predict the speed of air traffic recovery after the end of the epidemic at this stage, it is, however, expected that passenger traffic will gradually recover to the level before the epidemic. As a result, the Group will duly perform the Licence Agreement based on its spirit of compliance. The Group will continue to closely monitor the airport's passenger traffic situation and the global epidemic situation, and then actively communicate with the Airport Authority to make feasible plans.

IMPLICATIONS UNDER THE LISTING RULES

Upon the implementation of HKFRS 16, the entering into of the Licence Agreement will require the Group to recognise the exclusive rights as right-of-use asset in the consolidated financial statements of the Company according to HKFRS 16. As such, under the Listing Rules, the entering into of the Licence Agreement will be regarded as an acquisition of asset under Chapter 14 of the Listing Rules.

As the highest applicable Percentage Ratio of the transaction under the Licence Agreement is higher than 25% but lower than 100%, the entering into of the Licence Agreement constitutes a major transaction of the Company and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for such approval. Cui Fa, being a controlling Shareholder holding 770,092,000 Shares, representing approximately 54.57% of the issued Shares as at the date of this announcement, has given its written approval for the Licence Agreement and the transactions contemplated thereunder and such written approval can be accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. As a result, no extraordinary general meeting of the Company will be convened for the purpose of approving the Licence Agreement pursuant to Rule 14.44 of the Listing Rules.

A circular containing, amongst others, details of the Licensing Agreement and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 16 June 2020. If additional time is required for preparing the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and thereafter publish an announcement in accordance with the Listing Rules.

INTRODUCTION

On 26 May 2020, Happy Billions (a wholly-owned subsidiary of the Company) was provided with a counterpart of the Licence Agreement signed by the Airport Authority, pursuant to which Happy Billions has been granted a licence by the Airport Authority to operate the Catering Concession located at Terminal 1 of the Hong Kong International Airport under the Trading Names for a term of 60 months from the Commencement Date.

THE LICENCE AGREEMENT

A summary of the principal terms of the Licence Agreement is set out below:

Date	:	12 May 2020 (a counterpart of the Licence Agreement was provided by the Airport Authority on 26 May 2020)
Parties	:	(i) The Airport Authority; and (ii) Happy Billions as licensee
Catering Concession	:	7T102A, 8T006 and 8T007 in Terminal 1 of the Hong Kong International Airport
Licence Period	:	60 months from the Commencement Date
Aggregate value of consideration payable	:	licence fee of HK\$171,324,000 in aggregate for the term of 60 months subject to additional turnover rent which may be imposed under the Licence Agreement. The licence fee will be satisfied by internal resources of the Group on a monthly basis
Deposits	:	Happy Billions is required to pay a returnable performance deposit in the sum of HK\$9,084,000 and a returnable works deposit in the sum of HK\$10,000

THE RIGHT-OF-USE ASSET

The unaudited value of the right-of-use asset recognised by the Company under the Licence Agreement amounts to approximately HK\$164.8 million, which is the present value of the total licence fee payable during the term of the Licence Agreement plus estimated reinstatement cost with the lease at the inception of the lease term under the Licence Agreement in accordance with HKFRS 16. A discount rate of 1.78% per annum is applied to compute the present value of the total licence fee payable under the Licence Agreement.

INFORMATION OF PARTIES TO THE LICENCE AGREEMENT

The Group

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of food catering services through restaurants and bakery shops in Hong Kong, Macau, the PRC and The Republic of Singapore.

The Airport Authority

The Airport Authority is a statutory body wholly-owned by the Government of Hong Kong and is responsible for the operation and development of Hong Kong International Airport, which is governed by the Ordinance.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Airport Authority and the ultimate beneficial owner thereof are third parties independent of the Company and its connected persons.

REASONS AND BENEFITS FOR ENTERING INTO THE LICENCE AGREEMENT

The Group had been carrying on its Cha Chaan Teng business at, amongst other places, 7T102A, 8T006 and 8T007 in Terminal 1 of the Hong Kong International Airport (i.e. the Catering Concession) for more than 7 consecutive years. The previous licence agreement in respect of the Catering Concession expired on 2 March 2020.

On 26 May 2020, Happy Billions (a wholly-owned subsidiary of the Company) was provided with a counterpart of the Licence Agreement signed by the Airport Authority, pursuant to which Happy Billions has been granted a licence by the Airport Authority to operate the Catering Concession located at Terminal 1 of the Hong Kong International Airport under the Trading Names for a term of 60 months from the Commencement Date.

The consideration under the Licence Agreement was determined by way of tender which was submitted to the Airport Authority in mid-2019 and had been prepared by the Group by reference to the indicators such as passenger flow of the Hong Kong International Airport of approximately 74.60 million passengers in 2018 and approximately 71.50 million passengers in 2019, and the past operating performance and customer flow of the Group's restaurant at the Catering Concession. The Board considers that bidding for this Catering Concession would at least bring stable income to the Group. Due to various factors such as the outbreak of novel coronavirus disease 2019 (COVID-19) across the world after the successful bidding by the Group, the Group has made friendly negotiations with the Airport Authority during the period, including discussion and consideration of postponing the Commencement Date, to deal with the impact of global epidemic on airport's passenger flow. The Group understands that although the Airport Authority considers that it is difficult to accurately predict the speed of air traffic recovery after the end of the epidemic at this stage, it is, however, expected that passenger traffic will gradually recover to the level before the epidemic. As a result, the Group will duly perform the Licence Agreement based on its spirit of compliance.

The Directors (including the independent non-executive Directors) consider that the Licence Agreement has been entered into in the ordinary and usual course of business of the Group and believe that the terms of the Licence Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and its shareholders as a whole. However, the Group will continue to closely monitor the airport's passenger traffic situation and the global epidemic situation, and then actively communicate with the Airport Authority to make feasible plans.

IMPLICATIONS UNDER THE LISTING RULES

Upon the implementation of HKFRS 16, the entering into of the Licence Agreement will require the Group to recognise the exclusive rights as right-of-use asset in the consolidated financial statements of the Company according to HKFRS 16. As such, under the Listing Rules, the entering into of the Licence Agreement will be regarded as an acquisition of asset under Chapter 14 of the Listing Rules.

As the highest applicable Percentage Ratio of the transaction under the Licence Agreement is higher than 25% but lower than 100%, the entering into of the Licence Agreement constitutes a major transaction of the Company and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for such approval. Cui Fa, being a controlling Shareholder holding 770,092,000 Shares, representing approximately 54.57% of the issued Shares as at the date of this announcement, has given its written approval for the Licence Agreement and the transactions contemplated thereunder and such written approval can be accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. As a result, no extraordinary general meeting of the Company will be convened for the purpose of approving the Licence Agreement pursuant to Rule 14.44 of the Listing Rules.

A circular containing, amongst others, details of the Licensing Agreement and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 16 June 2020. If additional time is required for preparing the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and thereafter publish an announcement in accordance with the Listing Rules.

DEFINITION

“Airport Authority”	the Airport Authority, a statutory body responsible for the operation and development of Hong Kong International Airport, which is governed by the Ordinance
“Board”	the board of Directors
“Catering Concession”	the catering concession as more particularly set out under the sub-heading “Catering Concession” in the section headed “The Licence Agreement” in this announcement
“Commencement Date”	the date immediately following the expiration of the fitting out period (which means an overall period of 150 days commencing on (and including) the date of handover of the Catering Concession to Happy Billions) or the date on which the Catering Concession is open for business, whichever is earlier
“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)
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Cui Fa”	Cui Fa Limited, a controlling Shareholder holding 770,092,000 Shares as at the date of this announcement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Happy Billions”	Happy Billions Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong Dollars, the lawful currency in Hong Kong

“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKFRS 16”	HKFRS 16 <i>Leases</i>
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Licence Agreement”	the licence agreement dated 12 May 2020 entered into between Happy Billions and the Airport Authority
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Ordinance”	the Airport Authority Ordinance (Chapter 483 of the Laws of Hong Kong)
“Percentage Ratio(s)”	the percentage ratio(s) as defined under Rule 14.07 of the Listing Rules applied for determining the classification of notifiable transactions under the Listing Rules
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Shares”	the ordinary shares of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholders”	the holders of the Shares in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Trading Names”	“Tsui Wah Restaurant”, “Nijuuichi Don by Tsui Wah” and “Ging Sun Ho King of Bun by Tsui Wah”, etc.
“%”	per cent

For and on behalf of
Tsui Wah Holdings Limited
Kwok Siu Man
Company Secretary

Hong Kong, 26 May 2020

As at the date of this announcement, the Board comprises the following members: (a) Mr. LEE Yuen Hong (Chairman), Mr. LEE Kun Lun Kenji (formerly known as LEE Tsz Kin Kenji) (Group Chief Executive Officer) and Ms. LEE Yi Fang (formerly known as LEE Sin Ying) as Executive Directors; (b) Mr. CHENG Chung Fan, Mr. WONG Chi Kin and Mr. YANG Dong John as Non-executive Directors; and (c) Mr. GOH Choo Hwee, Mr. TANG Man Tsz and Mr. YIM Kwok Man as Independent Non-executive Directors.