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(Stock Code: 00173)

## **CONTINUING CONNECTED TRANSACTIONS 2023 MASTER LEASE AGREEMENT**

### **THE 2023 MASTER LEASE AGREEMENT**

On 23 August 2023, the Company and the Lessor entered into the 2023 Master Lease Agreement, pursuant to which the Company and the Lessor agreed that any Group Company as lessee or licensee (as the case may be) may renew the Existing Leases under the 2020 Master Lease Agreement, which will expire on 31 October 2023, or enter into new Leases with any Lessor Company as lessor or licensor (as the case may be) in respect of the Lessor Properties from time to time during the Term. The terms of the Leases under the 2023 Master Lease Agreement shall be within the duration of the Term and the amount of Rent payable by the Group under the 2023 Master Lease Agreement shall be subject to the Annual Caps.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Lessor is a connected person of the Company within the meaning of the Listing Rules by virtue of its being a wholly-owned subsidiary of CWL, which is a substantial shareholder of the Company holding approximately 53.68% of the issued share capital of the Company and is the trustee of the Lui's Family Trust. Accordingly, each Lessor Company is an associate of a substantial shareholder of the Company and is regarded as a connected person of the Company within the meaning of the Listing Rules.

As all the Leases to be entered into under the 2023 Master Lease Agreement will be short-term leases, the rental payment to be made by the Group Companies under the 2023 Master Lease Agreement will be recognised as expenses in the consolidated statement of profit or loss of the Group. As such, the transactions contemplated under the 2023 Master Lease Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since more than one of the applicable percentage ratios in respect of the Annual Caps under the 2023 Master Lease Agreement are more than 0.1% but all are less than 5%, the 2023 Master Lease Agreement and the transactions contemplated thereunder are subject to the announcement, reporting and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 20 August 2020 in relation to the entering into of the 2020 Master Lease Agreement.

On 23 August 2023, the Company and the Lessor entered into the 2023 Master Lease Agreement, pursuant to which the Company and the Lessor agreed that any Group Company as lessee or licensee (as the case may be) may renew the Existing Leases under the 2020 Master Lease Agreement, which will expire on 31 October 2023, or enter into new Leases with any Lessor Company as lessor or licensor (as the case may be) in respect of the Lessor Properties from time to time during the Term. The terms of the Leases under the 2023 Master Lease Agreement shall be within the duration of the Term and the amount of Rent payable by the Group under the 2023 Master Lease Agreement shall be subject to the Annual Caps.

## **THE 2023 MASTER LEASE AGREEMENT**

Date:	23 August 2023
Parties:	(1) the Company (2) the Lessor
Term:	the three-year period commencing from 1 November 2023 to 31 October 2026 (both days inclusive)
Subject matter:	any Group Company may renew the Existing Leases or enter into new Leases in respect of the Lessor Properties from time to time during the Term so far as their respective terms are within the duration of the Term
Rental:	The Rent shall be payable by the Group to the Lessor Group in accordance with the 2023 Master Lease Agreement and the relevant Lease, subject to the Annual Caps.

### **General terms of each Lease under the 2023 Master Lease Agreement**

- (i) Should a Lease have a term expiring before the end of the Term, the relevant Group Company may request for renewal of any of such Lease by giving notice in writing of such intention to renew to the relevant Lessor Company no less than two months prior to the relevant expiration date of the Lease. Upon receipt of such renewal notice, the relevant Lessor Company and the relevant Group Company shall negotiate the terms of such renewal subject to and in compliance with the terms of the 2023 Master Lease Agreement.
- (ii) Unless otherwise agreed by the parties, the relevant Group Company will notify the relevant Lessor Company when there is a need of renting any Lessor Properties. The relevant Lessor Company shall inform the relevant Group Company in writing if there are Lessor Properties available for leasing or licensing within seven days from the day of such notification. The parties may then negotiate the terms of the Leases of such identified Lessor Properties subject to and in compliance with the terms of the 2023 Master Lease Agreement. However, the relevant Group Company has no obligation to accept leasing of such identified Lessor Properties unless and until a Lease in relation thereto is signed.

- (iii) The Rent payable by the relevant Group Company to the relevant Lessor Company as lessor or licensor (as the case may be) under the Leases shall not exceed the market rent, and will be determined with reference to the prevailing market conditions and the rental level of properties with similar sizes in the vicinity of the Lessor Properties to be leased or licensed. In the event that the relevant parties agree that the Rent payable during the term of a Lease by the relevant Group Company to the relevant Lessor Company in respect of a Lease exceeds HK\$3,000,000, such Rent payable shall be confirmed by an independent professional valuer at the costs of the Group Company as not exceeding the market rent.
- (iv) In the event that the annual aggregate Rent under all the Leases exceeds the Annual Caps, the Lessor and the Company shall enter into a supplemental agreement to the 2023 Master Lease Agreement for the purpose of amending the terms and conditions therein, in particular, the Annual Caps and the Lessor agrees to provide assistance to the Company in complying with the applicable requirements under the Listing Rules.
- (v) The terms and conditions of the Leases shall be negotiated based on normal commercial terms and shall be fair and reasonable.
- (vi) The terms of the Leases (including options to renew thereof, if any) shall expire on or before the expiry date of the Term.

#### **ANNUAL CAPS**

The historical rental amounts paid or payable by the Group to the Lessor Group under the 2020 Master Lease Agreement during the relevant term are set out as follows:

<b>For the 2 months ended 31 December 2020</b>	<b>For the years ended 31 December</b>		<b>For the 10 months ending 31 October 2023</b>
	<b>2021</b>	<b>2022</b>	
HK\$1,689,000	HK\$11,388,000	HK\$5,883,000	HK\$4,800,000

The proposed Annual Caps, being the annual aggregate maximum Rent payable by the Group to the Lessor Group, for the transactions contemplated under the 2023 Master Lease Agreement during the Term are set out below:

<b>For the 2 months ending 31 December 2023</b>	<b>For the years ending 31 December</b>		<b>For the 10 months ending 31 October 2026</b>
	<b>2024</b>	<b>2025</b>	
HK\$1,200,000	HK\$7,500,000	HK\$15,000,000	HK\$15,000,000

The Annual Caps are calculated with reference to the estimated aggregate annual rent payable by the Group to the Lessor Group under:

- (i) the historical rental paid by the Group to the Lessor Group under the 2020 Master Lease Agreement;
- (ii) the projected annual transaction amounts in respect of the rental payable by the Group under the Existing Leases with reference to their respective expiration dates entered into between the Group and the Lessor Group;
- (iii) the projected annual transaction amounts in respect of the rental payable by the Group under the Leases that may be entered into between the Group and the Lessor Group during the Term (including the renewal of the Existing Leases) taking into account the anticipated additional space needed for the Group's operations from time to time; and
- (iv) the possible adjustment in the rental of properties with similar sizes in the vicinity of the Lessor Properties to be leased or licensed.

The Annual Caps are determined based on the principal assumption that there will not be any adverse change or disruption in market conditions, operations and business environment or government policies which may materially affect the business and affairs of the Group and/or the Lessor Group.

#### **REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 MASTER LEASE AGREEMENT**

The entering into of the 2023 Master Lease Agreement is for the continuing administrative, operational, marketing, promotional and sales needs of the Group. Following the expiry of the 2020 Master Lease Agreement, the Group may have to renew some of the Existing Leases when their respective terms expire, and may further enter into new Leases to satisfy the future business needs of the Group from time to time.

In view of the above and that (i) compared with leasing from independent third parties, the Lessor has a better understanding of the Group's requirements in terms of premises required for its usual course of business; (ii) the amount of rent payable by the relevant Group Companies pursuant to the Existing Leases and the other expired leases entered into under the 2020 Master Lease Agreement were not above the market rent; and (iii) the Lessor agreed that the amount of rent payable under the Leases to be entered into pursuant to the 2023 Master Lease Agreement will be determined based on and will not be exceeding the market rent, the Directors (including the independent non-executive Directors) considered that the Leases contemplated under the 2023 Master Lease Agreement would be entered into in the ordinary and usual course of business of the Group and that the 2023 Master Lease Agreement (together with the Annual Caps) was entered into on normal commercial terms (or better to the Group) after arm's length negotiations between the parties, and the terms of the Leases contemplated under the 2023 Master Lease Agreement (together with the Annual Caps) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, being all the executive Directors of the Company, are the discretionary beneficiaries of the Lui's Family Trust which has 100% indirect shareholding interest in the Lessor, each of them is considered to have material interests in the 2023 Master Lease Agreement and has abstained from voting on the resolutions of the Board approving the 2023 Master Lease Agreement, the Annual Caps and the transactions contemplated thereunder.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Lessor is a connected person of the Company within the meaning of the Listing Rules by virtue of its being a wholly-owned subsidiary of CWL, which is a substantial shareholder of the Company holding approximately 53.68% of the issued share capital of the Company and is the trustee of the Lui's Family Trust. Accordingly, each Lessor Company is an associate of a substantial shareholder of the Company and is regarded as a connected person of the Company within the meaning of the Listing Rules.

As all the Leases to be entered into under the 2023 Master Lease Agreement will be short-term leases, the rental payment to be made by the Group Companies under the 2023 Master Lease Agreement will be recognised as expenses in the consolidated statement of profit or loss of the Group. As such, the transactions contemplated under the 2023 Master Lease Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since more than one of the applicable percentage ratios in respect of the Annual Caps under the 2023 Master Lease Agreement are more than 0.1% but all are less than 5%, the 2023 Master Lease Agreement and the transactions contemplated thereunder are subject to the announcement, reporting and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INFORMATION ABOUT THE COMPANY AND THE LESSOR**

### **The Company**

The Company is an investment holding company. Its principal subsidiaries are mainly engaged in property development and property investment in Hong Kong and the Mainland.

### **The Lessor**

The Lessor, a wholly-owned subsidiary of CWL, is an investment holding company and its ultimate beneficial owner is the Lui's Family Trust, the current trustee of which is CWL.

## **DEFINITIONS**

“2020 Master Lease Agreement”	the master lease agreement dated 20 August 2020 entered into between the Company and the Lessor in respect of the leasing and/or licensing of the Lessor Properties from time to time during the period from 1 November 2020 to 31 October 2023 (both days inclusive)
“2023 Master Lease Agreement”	the master lease agreement dated 23 August 2023 entered into between the Company and the Lessor in respect of the leasing and/or licensing of the Lessor Properties from time to time during the Term

“Annual Caps”	the annual aggregate maximum Rent payable by the Group to the Lessor Group under the Leases entered into within the duration of the Term pursuant to the 2023 Master Lease Agreement
“associate”	having the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“connected person”	having the meaning ascribed to it under the Listing Rules
“Company”	K. Wah International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00173)
“CWL”	CWL Assets (PTC) Limited, a company incorporated in the British Virgin Islands with limited liability, which is the trustee of the Lui’s Family Trust
“Directors”	the directors of the Company
“Existing Leases”	collectively (or individually) the existing leases entered into between certain Group Companies (as lessee or licensee) and certain Lessor Companies (as lessor or licensor) in respect of the lease or license of certain Lessor Properties under the 2020 Master Lease Agreement
“Group” or “Group Companies”	the Company and its subsidiaries from time to time, and each of them a “Group Company”
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Leases”	any renewal leases of the Existing Leases and other leases, subleases or licences to be entered into pursuant to the 2023 Master Lease Agreement and the renewal thereof, each of which shall be a short-term lease having the meaning ascribed to it under HKFRS 16, and each of them a “Lease”
“Lessor”	Polymate Co., Ltd., a company incorporated in the British Virgin Islands with limited liability
“Lessor Group” or “Lessor Companies”	the Lessor and its subsidiaries from time to time, and each of them, a “Lessor Company”

“Lessor Properties”	the properties and car-parking spaces beneficially owned by the Lessor Group from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lui’s Family Trust”	a discretionary family trust which is established by Dr. Lui Che-woo as settlor, of which members of Lui’s family (including Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah) are the discretionary beneficiaries
“Main Board”	Main Board of the Stock Exchange (excluding the option market) operated by the Stock Exchange
“percentage ratios”	percentage ratios set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“Rent”	the amount payable by the Group to the Lessor Group pursuant to the Leases which comprises rental, management fees and/or air-conditioning charges (as the case may be)
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	having the meaning ascribed to it under the Listing Rules
“Term”	three-year period commencing from 1 November 2023 to 31 October 2026 (both days inclusive)
“%”	per cent

By Order of the Board of  
**K. Wah International Holdings Limited**  
**Miranda Tse**  
*Company Secretary*

Hong Kong, 23 August 2023

*As at the date of this announcement, the Executive Directors are Dr. Lui Che-woo (Chairman & Managing Director), Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah; the Non-executive Director is Dr. Moses Cheng Mo Chi; and the Independent Non-executive Directors are Mr. Wong Kwai Lam, Mr. Nip Yun Wing and Mr. Cheung Kin Sang.*

Website: <http://www.kwih.com>