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**WANG ON GROUP LIMITED**

**(宏安集團有限公司)\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1222)**

## **ACQUISITION OF FURTHER COMMERCIAL AND RESIDENTIAL PROPERTIES IN KENNEDY TOWN**

On 8 August 2005, Dragon Richly, a wholly-owned subsidiary of the Company, and the Vendors, entered into the respective Provisional Sale and Purchase Agreements, pursuant to which Dragon Richly has agreed to acquire the Remaining Properties from the respective Vendors.

Prior to entering into the Provisional Sale and Purchase Agreements, Dragon Richly had on 17 September 2004 entered into the Previous Acquisition Agreements for the acquisition of 29 residential and commercial units with a total floor area of approximately 23,000 square feet in the Kennedy Town Properties. (Details of the Previous Acquisition were set out in the Company's announcement dated 30 September 2004 and the Company's circular dated 5 November 2004.) (Up to the date of this announcement, completion of the purchase of 28 units has taken place and the completion of the purchase of the remaining one unit shall take place upon the issuance of the relevant letter of administration.) Given that there are 31 residential and commercial units comprised in the Kennedy Town Properties, in order for the Group to implement its proposed redevelopment plan for the Kennedy Town Properties, Dragon Richly entered into the Provisional Sale and Purchase Agreements to acquire the Remaining Properties. The Directors intend that following the completion of the acquisition of all of the Kennedy Town Properties, Dragon Richly will demolish the Kennedy Town Properties for redevelopment into new commercial and/or residential buildings.

The Directors confirm that the Acquisition was negotiated on an arm's length basis and agreed on normal commercial terms between the parties and that the terms of the Provisional Sale and Purchase Agreements are fair and reasonable so far as the Shareholders are concerned. In view of such below market price of the Acquisition and the redevelopment potential of the Kennedy Town Properties, the Directors consider that the Acquisition is in the best interests of the Company and the Shareholders as a whole.

### **INTRODUCTION**

On 17 September 2004, Dragon Richly entered into the Previous Acquisition Agreements with independent third parties to acquire 29 out of 31 residential and commercial units of the Kennedy Town Properties, details of which were set out in the Company's announcement dated 30 September 2004 and the Company's circular dated 5 November 2004. As at the date of this announcement, the purchases of 28 units have been completed and the completion of the purchase of the remaining one unit shall take place upon the issuance of the relevant letter of administration.

On 8 August 2005, Dragon Richly, a wholly-owned subsidiary of the Company, and the Vendors, entered into the respective Provisional Sale and Purchase Agreements, pursuant to which Dragon Richly has agreed to acquire the Remaining Properties from the respective Vendors.

## **THE PROVISIONAL SALE AND PURCHASE AGREEMENTS**

Date: 8 August 2005

Purchaser: Dragon Richly, a wholly-owned subsidiary of the Company

Vendors: Yu Fung Company Limited, as vendor for Property A; and  
Sunny Era Limited, as vendor for Property B

The Directors confirm that to the best knowledge, information and belief after having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

### *Assets to be acquired:*

Property A: Ground Floor, No. 22, Davis Street, Kennedy Town, Hong Kong

Property B: 4th Floor, No. 12, Davis Street, Kennedy Town, Hong Kong

### *Consideration:*

Property A: HK\$12,500,000

Property B: HK\$5,000,000

The consideration for each of the Property A and Property B was negotiated between the respective Vendors and Dragon Richly after taking into account the Group's proposed redevelopment plan for the Kennedy Town Properties. The total consideration of HK\$17,500,000 shall be financed by the Group's internal resources and bank borrowing. The average consideration of approximately HK\$9,520 per square foot for the total floor area of approximately 1,313 square feet comprised in the Property A (excluding the compensation of HK\$2.5 million to be paid to the existing tenant of Property A) represents a premium of 171.53% over the average consideration of approximately HK\$3,506 per square foot of the total floor area of approximately 6,702 square feet comprised in the 6 commercial units in the Kennedy Town Properties that Dragon Richly acquired in the Previous Acquisition. The average consideration of approximately HK\$7,278 per square foot for the total floor area of approximately 687 square feet comprised in the Property B represents a premium of 119.48% over the average consideration of approximately HK\$3,316 per square foot of the total floor area of approximately 16,298 square feet comprised in the 23 residential units in the Kennedy Town Properties that Dragon Richly acquired in the Previous Acquisition. An additional HK\$2.5 million will be paid as compensation to the existing tenant of Property A, who together with its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

The consideration for each of Property A and Property B shall be paid in the following manner:

**Property A**

- (i) a sum of HK\$750,000 was paid to Yu Fung Company Limited on the signing of the Provisional Sale and Purchase Agreement for Property A;
- (ii) an amount equivalent to 10% of the consideration of HK\$12,500,000 but deducting the deposit of HK\$750,000 already paid upon the signing of the Provisional Sale and Purchase Agreement for Property A shall be paid to Yu Fung Company Limited on or before 19 August 2005; and
- (iii) the remaining balance of HK\$11,250,000 shall be paid to Yu Fung Company Limited upon completion of the acquisition of Property A on or before 18 October 2005.

**Property B**

- (i) a sum of HK\$250,000 was paid to Sunny Era Limited on the signing of the Provisional Sale and Purchase Agreement for Property B;
- (ii) an amount equivalent to 10% of the consideration of HK\$5,000,000 but deducting the deposit of HK\$250,000 already paid upon the signing of the Provisional Sale and Purchase Agreement for Property B shall be paid to Sunny Era Limited on or before 19 August 2005; and
- (iii) the remaining balance of HK\$4,500,000 shall be paid to Sunny Era Limited upon completion of the acquisition of Property B on or before 18 October 2005.

**REASONS FOR THE ACQUISITION**

Prior to entering into the Provisional Sale and Purchase Agreements, Dragon Richly had on 17 September 2004 entered into the Previous Acquisition Agreements for the acquisition of 29 residential and commercial units with a total floor area of approximately 23,000 square feet in the Kennedy Town Properties. (Details of the Previous Acquisition were set out in the Company's announcement dated 30 September 2004 and the Company's circular dated 5 November 2004.) (Up to the date of this announcement, completion of the purchase of 28 units has taken place and the completion of the purchase of the remaining one unit shall take place upon the issuance of the relevant letter of administration.) Given that there are 31 residential and commercial units comprised in the Kennedy Town Properties, in order for the Group to implement its proposed redevelopment plan for the Kennedy Town Properties, Dragon Richly entered into the Provisional Sale and Purchase Agreements to acquire the Remaining Properties. The Directors intend that following the completion of the acquisition of all of the Kennedy Town Properties, Dragon Richly will demolish the Kennedy Town Properties for redevelopment into new commercial and/or residential buildings. In view of the upturning of the real estate in Hong Kong, the Directors are optimistic generally about the property market in Hong Kong and specifically the redevelopment potential of the Kennedy Town Properties.

The Directors are of the view that the acquisition of the Remaining Properties will facilitate the implementation of the Group's proposed redevelopment plan for the Kennedy Town Properties. The acquisition of the Kennedy Town Properties is in substance an acquisition of the land. Based on the valuation made by an independent valuer, Chesterton Petty Limited, in June 2005, the value of the vacant site of the Kennedy Town Properties which are currently used for residential and commercial purposes is approximately HK\$131.8 million. Based on the above, the total consideration of the Kennedy Town Properties of HK\$97.55 million, being HK\$77.5 million for the consideration of the Previous Acquisition and HK\$20 million for the consideration of the Acquisition (including the compensation of HK\$2.5 million to be paid to the existing tenant of Property A), represents a discount of approximately 26% to such valuation.

The Directors confirm that the Acquisition was negotiated on an arm's length basis and agreed on normal commercial terms between the parties and that the terms of the Provisional Sale and Purchase Agreements are fair and reasonable so far as the Shareholders are concerned. In view of such below market price of the Acquisition and the redevelopment potential of the Kennedy Town Properties, the Directors consider that the Acquisition is in the best interests of the Company and the Shareholders as a whole.

## **RECOMMENDATIONS**

Regarding the acquisition of Dragon Richly by the Group for the purposes of Previous Acquisition, it was set out in the Company's circular dated 5 November 2004 that the Company would issue an announcement regarding the acquisition of Remaining Properties and that such announcement should include the view of the independent non-executive Directors and an independent financial adviser on the fairness of such acquisition.

### **Recommendation from Independent Board Committee**

The Independent Board Committee, which was established to advise the Shareholders in relation to the Acquisition, has reviewed the terms of the Provisional Sale and Purchase Agreements and has taken into account the advice of Baron on the Acquisition. It concludes that the terms of the Provisional Sale and Purchase Agreements are fair and reasonable so far as the Shareholders are concerned and that the Acquisition is in the interests of the Company and its shareholders as a whole.

### **Recommendation from Baron**

Baron has been appointed by the Company to advise the Independent Board Committee in respect of the terms and conditions of the Acquisition. Baron has reviewed the facts and circumstances of the Acquisition. Having taken into account of the merits of the Acquisition, including in particular, (i) the Acquisition, together with the Previous Acquisition, will facilitate the redevelopment project of the Kennedy Town Properties; (ii) the investment potentials of the redevelopment of the Kennedy Town Properties, considering the rebound of the property market and the confirmation of the development of the MTR West Island Line by the MTR Corporation Limited; (iii) the Consideration was negotiated on an arm's length basis; (iv) the Vendors and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules); and (v) the total consideration of the Kennedy Town Properties of HK\$97.55 million represents a discount of approximately 26% to the valuation of the vacant site of the Kennedy Town Properties, prepared by Chesterton Petty Limited, an independent valuer, Baron concludes that the terms of the Provisional Sale and Purchase Agreements are fair and reasonable so far as the Shareholders are concerned and that the Acquisition is in the interests of the Company and its Shareholders as a whole.

A full version of the recommendation of Baron has been submitted to the Independent Board Committee and a copy of which will be available for the Shareholders' inspection during normal business hours on any weekday (except Saturdays and public holidays) at the principal place of business of the Company in Hong Kong for 14 days from the date of this announcement.

## **GENERAL**

The Group is principally engaged in property development, property investment, management and sub-licensing of Chinese wet markets, shopping centres and car parks and retail business. It also has interests in the pharmaceutical business through its investment in Wai Yuen Tong Medicine Holdings Limited, a company listed on the Stock Exchange.

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Mr. Chan Chun Hong, Thomas, and four independent non-executive Directors, namely Dr. Lee Peng Fei, Allen, Mr. Wong Chun, Justein, Dr. Siu Yim Kwan, Sidney and Mr. Siu Kam Chau.

## **DEFINITIONS**

In this announcement, the following terms have the following meanings:

“Acquisition”	the acquisition of the Remaining Properties pursuant to the Provisional Sale and Purchase Agreements
“Baron”	Baron Capital Limited, which is a licensed corporation under the SFO permitted to carry out types 1 and 6 regulated activities (as defined in the SFO) and the independent financial adviser to the Independent Board Committee
“Board”	the board of Directors
“Company”	Wang On Group Limited, a company incorporated in Bermuda and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Provisional Sale and Purchase Agreements
“Consideration”	the consideration for the Acquisition to be paid in the manner set out under the section headed “The Provisional Sale and Purchase Agreements” in the main context of this announcement
“Directors”	the directors of the Company
“Dragon Richly”	Dragon Richly Investment Limited, a subsidiary of the Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors, namely Dr. Lee Peng Fei, Allen, Mr. Wong Chun, Justein, Dr. Siu Yim Kwan, Sidney, and Siu Kam Chau

“Kennedy Town Properties”	the properties comprising a total of 31 units and representing the entirety of six blocks of 5-storey old residential buildings situated at Nos. 12, 14, 16, 18, 20 and 22, Davis Street, Kennedy Town, Hong Kong and occupying an aggregate site area of approximately 4,965 square feet and a total floor area of approximately 25,000 square feet
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tang”	Mr. Tang Ching Ho, being the chairman and the managing director of the Company
“Previous Acquisition”	the acquisition of the 29 residential and commercial units in the Kennedy Town Properties pursuant to the Previous Acquisition Agreements
“Previous Acquisition Agreement(s)”	the 29 provisional sale and purchase agreements entered into by Dragon Richly with independent third parties on 17 September 2004 in respect of the 29 residential and commercial units in the Kennedy Town Properties
“Provisional Sale and Purchase Agreements”	the agreement dated 8 August 2005 entered into between Dragon Richly and Yu Fung Company Limited in relation to the acquisition of Property A and the agreement dated 8 August 2005 entered into between Dragon Richly and Sunny Era Limited in relation to the acquisition of Property B
“Remaining Properties”	the properties comprising both Ground Floor, No. 22, and 4th Floor, No. 12 Davis Street, Kennedy Town, Hong Kong and occupying a total floor area of approximately 2,000 square feet
“SFO”	the Securities of Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Yu Fung Company Limited, as vendor for the property located at Ground Floor of No. 22, Davis Street, Hong Kong and Sunny Era Limited, as vendor for the property located at 4th Floor, No. 12, Davis Street, Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board  
**Wang On Group Limited**  
**Tang Ching Ho**  
*Chairman and Managing Director*

Hong Kong, 12 August 2005

\* *For identification purpose only*

“Please also refer to the published version of this announcement in The Standard”