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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)



WANG ON PROPERTIES LIMITED
宏安地產有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1243)

JOINT ANNOUNCEMENT

MAJOR TRANSACTION DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE INTEREST IN PEARL LIMITED

THE ACQUISITION

The boards of directors of WOG and WOP respectively announce that on 30 April 2019, the Purchaser (an indirect wholly-owned subsidiary of WOP) entered into the Provisional Agreement with the Vendor, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase (a) the entire issued share capital in the Target Company (i.e. the Sale Shares); and (b) the shareholder loan(s) owing by the Target Company to the Vendor as at the Completion Date (i.e. the Sale Loan), at the aggregate consideration of HK\$780 million (subject to adjustment) subject to the terms of the Provisional Agreement.

Upon Completion, each member of the Target Group will become a subsidiary of each of the WOG Group and the WOP Group and their financial results will be consolidated into the financial statements of each of the WOG Group and the WOP Group.

* *For identification purpose only*

GENERAL

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition for WOP exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for WOP and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition for WOG exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for WOG and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. To the best of the knowledge, information and belief of the directors of WOG, having made all reasonable enquiries, no shareholders of WOG or any of their respective associates have any material interest in the Acquisition, thus no shareholder of WOG is required to abstain from voting if WOG were to convene a special general meeting for the approval of the Acquisition. WOG has obtained a written shareholders' approval from Mr. Tang Ching Ho and his associates, the controlling shareholder group holding 9,984,356,772 shares of WOG (representing approximately 55.88% of the total issued shares of WOG as at the date of this joint announcement), in lieu of holding a special general meeting to approve the Acquisition in accordance with Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, WOG is required to despatch a circular containing, among other information, further details of the Acquisition, to the shareholders of WOG within 15 business days after the publication of this joint announcement, which is on or before 23 May 2019. As it is expected that the parties shall enter into the Formal Agreement for the Acquisition on or before 14 June 2019, WOG will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules for the circular to be despatched on or before 14 June 2019 so as to include any additional information in relation to the Acquisition arising from the Formal Agreement. WOG will make further announcement after it has obtained the Waiver from the Stock Exchange, or has entered into the Formal Agreement, and the expected despatch date of the circular has been confirmed.

INTRODUCTION

The boards of directors of WOG and WOP respectively announce that on 30 April 2019, the Purchaser (an indirect wholly-owned subsidiary of WOP) entered into the Provisional Agreement with the Vendor, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase (a) the entire issued share capital in the Target Company (i.e. the Sale Shares); and (b) the shareholder loan(s) owing by the Target Company to the Vendor as at the Completion Date (i.e. the Sale Loan), at the aggregate consideration of HK\$780 million (subject to adjustment) subject to the terms of the Provisional Agreement.

THE PROVISIONAL AGREEMENT

The principal terms of the Provisional Agreement are summarised as follows:

Date

30 April 2019

Parties

- (i) The Purchaser as purchaser.
- (ii) The Vendor as vendor.

To the best of the knowledge, information and belief of the directors of each of WOG and WOP, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner(s) is a third party independent of each of WOG, WOP and their respective connected persons.

Subject Matter

The Sale Shares, representing the entire issued share capital of the Target Company, and the Sale Loan owing by the Target Company to the Vendor. The Target Company indirectly holds 100% legal and beneficial ownership of the Property through the Subsidiary. The Property is sold on an “as-is” basis free from encumbrances other than the existing leases, tenancies and licences in respect of the Property as at the Completion Date.

The parties shall not be obliged to complete the sale and purchase of any of the Sale Shares or the assignment of the Sale Loan unless the sale and purchase of all the Sale Shares and the assignment of the Sale Loan are completed simultaneously.

Consideration

The Consideration payable under the Provisional Agreement is HK\$780 million, subject to be adjusted as described in the paragraph headed “Adjustment to the Consideration” below, shall be apportioned as follows:

- (i) the consideration for the Sale Loan shall be an amount equal to the Sale Loan as at the Completion Date; and
- (ii) the consideration for the transfer of the Sale Shares shall be an amount equal to the Consideration less the consideration for the Sale Loan set out in paragraph (i) above.

The Consideration has been paid and shall be paid in the following manner:

- (a) a sum of HK\$30 million, being the initial deposit money (the “**Initial Deposit**”), was paid by the Purchaser to the Vendor’s solicitors as stakeholders on the date of the Provisional Agreement;
- (b) a sum of HK\$48 million, being the further deposit (the “**Further Deposit**”, **together with the Initial Deposit, the “Deposits”**), shall be paid by the Purchaser to the Vendor’s solicitors as stakeholders on the date of the Formal Agreement or 14 June 2019, whichever is the earlier; and
- (c) the balance of the Consideration after deducting the Deposits shall be paid by the Purchaser in the following manner:
 - (i) a sum equal to the amount (if any) owing in respect of the Bank Loan and the amount payable to fully release and discharge all the existing security documents in relation to the Bank Loan (including, among others, a mortgage by the Target Company in favour of the bank (as facility agent and security agent)) shall be paid directly to the relevant bank; and
 - (ii) the remainder of the balance of the Consideration shall be paid to the Vendor’s solicitors as stakeholders.

Adjustment to the Consideration

The Consideration shall be adjusted in the following manner:

- (a) an amount in respect of the final adjustment of the Consideration as determined according to the following formula shall be paid by the Purchaser or the Vendor (as the case may be) within five (5) business days after agreement or determination of the Completion Accounts:
 - (i) there shall be added to the Consideration the amount (if any) by which the Net Asset Value (determined by reference to the Completion Accounts) is more than the Net Asset Value (determined by reference to the unaudited proforma completion accounts); or
 - (ii) there shall be deducted from the Consideration the amount (if any) by which the Net Asset Value (determined by reference to the Completion Accounts) is less than the Net Asset Value (determined by reference to the unaudited proforma completion accounts).

The unaudited net asset value (determined by reference to the latest management accounts) as at 28 February 2019 is approximately HK\$209.4 million.

The Consideration was arrived at following arm's length negotiations with the Vendor having regard to the prevailing market price of similar properties at similar locations and the prevailing rental yield as compared to the properties held by the Target Group and will be financed by the WOP Group's banking facilities and/or internal resources.

The directors of both WOG and WOP consider that the terms of the Acquisition are on normal commercial terms and fair and reasonable and in the interests of each of WOG, WOP and their respective shareholders as a whole.

Conditions precedent

Completion is conditional upon the following Conditions being satisfied (or waived by the Purchaser) on or before the Completion Date:

- (a) certain warranties given by the Vendor remaining true, accurate and not misleading in all respects on the Completion Date; and
- (b) there being no material damage to the Property up to Completion.

If any of the Conditions has not been fulfilled (or waived by the Purchaser in writing) on or before the Completion Date, the Provisional Agreement shall terminate in accordance with the terms of the Provisional Agreement.

Completion

Completion shall take place on 4 July 2019 or such other date as the Vendor and the Purchaser may agree in writing.

The Formal Agreement

Pursuant to the terms of the Provisional Agreement, the parties shall enter into the Formal Agreement for the Acquisition on or before 14 June 2019. In the event the parties fail to agree on the terms of the Formal Agreement, the Provisional Agreement shall remain valid and in full force and effect.

Costs

All stamp duty (if any) payable in relation to the Acquisition shall be borne by the Purchaser.

INFORMATION ON THE TARGET GROUP AND THE PROPERTY

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Vendor engaged in holding the Subsidiary.

The Subsidiary is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Target Company engaged in property investment. The Subsidiary is the sole legal and beneficial owner of the Property.

The Property comprises the commercial accommodation of the complex named “The Parkside” located at No.18 Tong Chun Street, Tseung Kwan O, New Territories, Hong Kong together with 49 car parking spaces and 5 motor cycle parking spaces on the basement floor, with a total lettable area of approximately 32,564 square feet. The Existing Tenancies are all under a fixed term with the earliest and latest end date falling on 2019 and 2021, respectively.

Financial information of the Target Group

Set out below is a summary of the audited consolidated financial information for the years ended 31 December 2017 and 2018 extracted from the audited consolidated financial statements of the Target Group:

	For the year ended	
	31 December	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	21,492	11,514
Net profit before taxation and extraordinary items	70,740	63,756
Net profit after taxation and extraordinary items	70,674	63,742

The audited consolidated net asset value of the Target Group as at 31 December 2018 was approximately HK\$208.9 million.

Upon Completion, each member of the Target Group will become a subsidiary of each of the WOG Group and the WOP Group and their financial results will be consolidated into the financial statements of each of the WOG Group and the WOP Group.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability and principally engaged in property investment.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of WOP principally engaged in property investment.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The WOG Group is principally engaged in the businesses of (i) management and sub-licensing of fresh markets and treasury management in Hong Kong and the PRC; (ii) property investment and property development in Hong Kong through WOP, its 75%-owned listed subsidiary; and (iii) manufacturing and/or retailing of pharmaceutical and health food products through Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), its 58.08%-owned listed subsidiary. The WOP Group is principally engaged in the businesses of developing residential and commercial properties for sale and investing in commercial and industrial properties for capital appreciation.

The boards of directors of WOG and WOP consider that the Acquisition can help explore its asset management business, enhance and enlarge the investment property portfolio of, and bring additional stable rental income to, the WOG Group and the WOP Group. The directors of both WOG and WOP may also consider partnering with suitable strategic investors to invest in the Property if suitable opportunity arises.

The directors of both WOG and WOP consider that the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interests of each of WOG, WOP and their respective shareholders as a whole.

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GENERAL

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition for WOP exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for WOP and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition for WOG exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for WOG and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. To the best of the knowledge, information and belief of the directors of WOG, having made all reasonable enquiries, no shareholders of WOG or any of their respective associates have any material interest in the Acquisition, thus no shareholder of WOG is required to abstain from voting if WOG were to convene a special general meeting for the approval of the Acquisition. WOG has obtained a written shareholders' approval from Mr. Tang Ching Ho and his associates, the controlling shareholder group holding 9,984,356,772 shares of WOG (representing approximately 55.88% of the total issued shares of WOG as at the date of this joint announcement), in lieu of holding a special general meeting to approve the Acquisition in accordance with Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, WOG is required to despatch a circular containing, among other information, further details of the Acquisition, to the shareholders of WOG within 15 business days after the publication of this joint announcement, which is on or before 23 May 2019. As it is expected that the parties shall enter into the Formal Agreement for the Acquisition on or before 14 June 2019, WOG will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules for the circular to be despatched on or before 14 June 2019 (the "**Waiver**") so as to include any additional information in relation to the Acquisition arising from the Formal Agreement. WOG will make further announcement after it has obtained the Waiver from the Stock Exchange, or has entered into the Formal Agreement, and the expected despatch date of the circular has been confirmed.

DEFINITIONS

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

“Acquisition”	the conditional acquisition of the Sale Shares and the assignment of the Sale Loan by the Purchaser from the Vendor pursuant to the Provisional Agreement
“associate(s)”; “connected person(s)” or “controlling shareholder(s)”	each has the meaning as ascribed thereto under the Listing Rules
“Bank Loan”	the loan owing by the Target Company to a bank
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Provisional Agreement
“Completion Accounts”	the unaudited consolidated financial statements of the Target Group as at the Completion Date prepared in accordance with the terms of the Provisional Agreement
“Completion Date”	4 July 2019 or such other date as the Vendor and the Purchaser may agree in writing on which Completion takes place
“Condition(s)”	the conditions precedent to Completion
“Consideration”	the consideration of HK\$780 million subject to adjustment payable by the Purchaser in respect of the Acquisition
“Existing Tenancies”	the leases, tenancy agreements or licence agreements in respect of the Property as at the date of the Formal Agreement
“Formal Agreement”	the formal agreement in relation to the Acquisition to be entered into between the Vendor and the Purchaser on 14 June 2019 or such other date as the Vendor and the Purchaser may agree in writing
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Asset Value”	the total consolidated assets of the Target Group (other than the value of the Property and any plant and equipment, financial derivative assets (if any), accounts receivable and any amortised rentals on account of rent free periods granted to tenants/licensees) minus total consolidated liabilities of the Target Group (other than the liability in respect of the Sale Loan and the Bank Loan) as at Completion as shown in the unaudited proforma completion accounts or the Completion Accounts (as the case may be)
“PRC”	the People’s Republic of China, for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	the Commercial Accommodation of The Parkside, No.18 Tong Chun Street, Tseung Kwan O, New Territories and the Commercial Car Parking Space Nos. R001, R002, R003, R004, R005, R006, R007, R008, R009, R010, R011, R012, R013, R014, R015, R016, R017, R018, R019, R020, R021, R022, R023, R024, R025, R026, R027, R028, R029, R030, R031, R032, R033, R034, R035, R036, R037, R038, R039, R040, R041, R042, R043, R044, R045, R046, R047 and R048, Commercial Disabled Car Parking Space No.R049 and Commercial Motor Cycle Parking Space Nos. M12, M13, M14, M15 and M16 on the Basement Floor of The Parkside, No.18 Tong Chun Street, Tseung Kwan O, New Territories
“Provisional Agreement”	the provisional agreement dated 30 April 2019 entered into between the Purchaser and the Vendor in respect of the Acquisition

“Purchaser”	Milesville Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of WOP
“Sale Loan”	the interest free unsecured loan(s) owing by the Target Company to the Vendor in the aggregate amount of approximately HK\$204.3 million as at 31 December 2018
“Sale Shares”	two (2) ordinary shares in the Target Company representing the entire issued share capital in the Target Company held by the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Hermitage Investments Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Target Company and the sole legal and beneficial owner of the Property
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Company”	Pearl Limited (carrying on business in Hong Kong as Pearl Park Limited), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Vendor
“Target Group”	collectively the Target Company and the Subsidiary
“Vendor”	Topaz Limited, a company incorporated in the British Virgin Islands with limited liability

“WOG”	Wang On Group Limited (宏安集團有限公司)*, an exempted company incorporated in Bermuda with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1222)
“WOG Group”	WOG and its subsidiaries
“WOP”	Wang On Properties Limited 宏安地產有限公司, an exempted company incorporated in Bermuda with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1243) and a 75%-owned listed subsidiary of WOG
“WOP Group”	WOP and its subsidiaries
“%”	per cent.

By Order of the board of
WANG ON GROUP LIMITED
 (宏安集團有限公司)*
Chan Chun Hong, Thomas
Managing Director

By Order of the board of
WANG ON PROPERTIES LIMITED
 宏安地產有限公司
Wong Yiu Hung Gary
Chief Executive Officer

Hong Kong, 1 May 2019

As at the date of this joint announcement, the board of WOG comprises three executive directors, namely Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Mr. Chan Chun Hong, Thomas; and three independent non-executive directors, namely Dr. Lee Peng Fei, Allen, Mr. Wong Chun, Justein and Mr. Siu Kam Chau.

As at the date of this joint announcement, the board of WOP comprises two executive directors, namely Mr. Wong Yiu Hung Gary and Mr. Tang Ho Hong; one non-executive director, namely Mr. Chan Chun Hong; and three independent non-executive directors, namely Mr. Li Wing Sum Steven, Mr. Sung Tze Wah and Sr Dr. Leung Tony Ka Tung.

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