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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 IN RELATION TO THE DISPOSAL OF THE ENTIRE INTEREST IN STADIUM HOLDINGS LIMITED

THE DISPOSAL

The boards of directors of WOG and WOP respectively announce that on 30 July 2021, the Vendor (an indirect wholly-owned subsidiary of WOP) and WOP, as the Vendor's guarantor, entered into the Provisional Agreement with the Purchaser, 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 Share); and (b) the shareholder's loan(s) owing by the Target Company to the Vendor as at the Completion Date (i.e. the Shareholder's Loan), at the aggregate consideration of HK\$515 million (subject to adjustment) subject to the terms of the Provisional Agreement.

Upon Completion, each of the WOG Group and the WOP Group will cease to have any interest in the Target Company, and the Target Company will cease to become a subsidiary of each of the WOG Group and the WOP Group and its financial results will no longer be consolidated into the financial statements of each of the WOG Group and the WOP Group.

GENERAL

As the highest applicable percentage ratio in respect of the Disposal for both WOG and WOP exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for each of WOG and WOP and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

A special general meeting will be convened by WOG to consider and, if thought fit, to approve the Provisional Agreement and the Disposal. A circular containing, among other things, details of the Provisional Agreement and the Disposal, and a notice of special general meeting of WOG is expected to be despatched to its shareholders on or before 15 September 2021 so as to include any additional information in relation to the Disposal arising from the Formal Agreement, which is expected to be entered into on or before 25 August 2021.

To the best of the knowledge, information and belief of the directors of WOP, after having made all reasonable enquiries, no shareholders of WOP or any of their respective associates have any material interest in the Provisional Agreement and the Disposal, thus no shareholder of WOP is required to abstain from voting if WOP were to convene a special general meeting for the approval of the Provisional Agreement and the Disposal. WOP has obtained a written shareholders' approval from Earnest Spot Limited, the controlling shareholder holding approximately 75% of the total issued shares of WOP, as at the date of this joint announcement, in lieu of holding a special general meeting to approve the Provisional Agreement and the Disposal in accordance with Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, WOP is required to despatch a circular containing, among other information, further details of the Provisional Agreement and the Disposal, to its shareholders within 15 business days after the publication of this joint announcement, which is on or before 20 August 2021. As it is expected that the parties will enter into the Formal Agreement on or before 25 August 2021, WOP 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 15 September 2021 so as to include any additional information in relation to the Disposal arising from the Formal Agreement. WOP will make further announcement after the waiver from the Stock Exchange has been obtained or when the Formal Agreement has been entered into, 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 July 2021, the Vendor (an indirect wholly-owned subsidiary of WOP) and WOP, as the Vendor's guarantor, entered into the Provisional Agreement with the Purchaser, 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 Share); and (b) the shareholder's loan(s) owing by the Target Company to the Vendor as at the Completion Date (i.e. the Shareholder's Loan), at the aggregate consideration of HK\$515 million (subject to adjustment) subject to the terms of the Provisional Agreement.

THE PROVISIONAL AGREEMENT

Date

30 July 2021

Parties

- (i) The Purchaser as purchaser
- (ii) The Vendor, an indirect wholly-owned subsidiary of WOP, as vendor
- (iii) WOP, a listed 75%-owned subsidiary of WOG, as the Vendor's guarantor

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 Purchaser 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 Share, representing the entire issued share capital of the Target Company, and the Shareholder's Loan owing by the Target Company to the Vendor. The Target Company directly holds 100% legal and beneficial ownership of the Property. The Property is sold on an "as-is" basis free from encumbrances and indebtedness save for the existing tenancy in respect of the Property, further details of which are set out below in this joint announcement, and the existing mortgage over the Property which will be released on Completion.

Consideration

The Consideration payable under the Provisional Agreement is HK\$515 million, subject to be adjusted as described in the paragraph headed “Adjustment to the Consideration” below, has been and shall be paid by the Purchaser in the following manner:

- (a) a sum of HK\$25.75 million, being the initial deposit money (the “**Initial Deposit**”), has been paid to the Vendor’s solicitors as stakeholder on the date of the Provisional Agreement;
- (b) a sum of HK\$25.75 million, being the further deposit (the “**Further Deposit**”, together with the Initial Deposit, the “**Deposits**”), shall be paid to the Vendor’s solicitors as stakeholder on or before 25 August 2021; and
- (c) the balance of the Consideration (the “**Balance of Consideration**”), after deducting the Deposits, shall be paid on Completion in such manner as the Vendor may direct.

Adjustment to the Consideration

The Consideration shall be adjusted such that there shall be added to the Consideration the amount (if any) by which the Net Asset Value is more than zero, or there shall be deducted from the Consideration the amount of Net Liability of the Target Company.

The Consideration was arrived at following arm’s length negotiations with the Vendor having regard to the appraised value of the Property as at 31 March 2021 amounting to HK\$480.0 million as set out in the valuation report prepared by an independent valuer, the prevailing market price of similar properties at similar locations and the prevailing rental yield as compared to the Property.

The directors of both WOG and WOP consider that the terms of the Disposal 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:

- (a) the Purchaser having completed its due diligence investigation on the Target Company and being satisfied with the due diligence results that the warranties and representations in the Provisional Agreement are true, accurate and not misleading in all material respects;
- (b) the Vendor having procured the Target Company to prove and give good title to the Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);
- (c) all representations, undertakings and warranties given by the Vendor in the Provisional Agreement and the Formal Agreement being true, accurate and correct and not misleading in all material respects as at the date of the Provisional Agreement and as at the Completion Date; and
- (d) the Provisional Agreement and the Disposal having been approved by the shareholders of each of WOG and WOP in the manner as required under the Listing Rules.

If any of the Conditions has not been satisfied, or waived by the Purchaser (as the case may be), on the Completion Date, the Purchaser shall be entitled to cancel the transaction under the Provisional Agreement and the Vendor shall return all Deposits to the extent already paid by the Purchaser.

Completion

Completion shall take place on 26 October 2021 (i.e. the Completion Date). Upon Completion, each of the WOG Group and the WOP Group will cease to have any interest in the Target Company, and the Target Company will cease to become a subsidiary of each of the WOG Group and the WOP Group and its financial results will no longer be consolidated into the financial statements of each of the WOG Group and the WOP Group.

Release of mortgage over the Property

The Vendor shall procure repayment of all amounts owing by the Target Company under the existing mortgage over the Property to the relevant bank, currently at approximately HK\$198.4 million as at the date of this joint announcement, on or before the Completion Date.

Guarantee

Pursuant to the Provisional Agreement, WOP, as the Vendor's guarantor, guarantees to the Purchaser and shall, on the Completion Date, guarantee to the Purchaser and the Target Company, the due observance and performance by the Vendor of all its agreements, obligations, commitments and undertakings pursuant to the Provisional Agreement.

Formal Agreement

Pursuant to the terms of the Provisional Agreement, the parties shall use all reasonable endeavours to enter into the Formal Agreement for the Disposal on or before 25 August 2021. 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 Disposal shall be borne by the Purchaser.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

The Target Company is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Vendor solely engaged in holding the Property. The Property comprises the office on 30th Floor, United Centre, No. 95 Queensway, Hong Kong, with a total saleable area of approximately 17,745 square feet. The Property is subject to an existing tenancy which will expire on 31 March 2023, with an option to renew for 3 years, and which has a monthly rental of HK\$1,147,384 (excluding rates, air-conditioning charges and management fees), of which an aggregate amount of HK\$3,814,423 has been paid as rental deposit.

Financial information of the Target Company

Set out below is a summary of the audited financial information for the years ended 31 March 2020 and 2021 extracted from the audited financial statements of the Target Company:

	For the year ended 31 March	
	2021	2020
	<i>Approximately</i>	<i>Approximately</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	11,856	—
Loss before taxation	(45,675)	(89,355)
Loss after taxation	(45,675)	(89,355)

The unaudited net asset value of the Target Company as at 30 June 2021 was approximately HK\$303.0 million.

It is estimated that both the WOG Group and WOP Group will record a gain on the Disposal in the amount of approximately HK\$25.6 million, which is based on the Consideration adjusted by the Net Liabilities as at 30 June 2021, less the unaudited net asset value of the Target Company as at 30 June 2021, the Shareholder's Loan owing by the Target Company after repayment of the principal outstanding bank loans as at 30 June 2021 and related expenses for the Disposal. The actual gain will be subject to review by the auditors of WOP and WOG. The net proceeds after deducting such sum as may be required to repay the existing mortgage over the Property will be used as general working capital of the WOP Group.

INFORMATION ON THE VENDOR

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

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability and principally engaged in property holding. It is ultimately beneficially owned by Hui Tai Shun, Anthony as to 50% and Leung Sin Kit, Bonnie as to 50%.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The WOG Group is principally engaged in (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; (iii) manufacturing and/or retailing of pharmaceutical and health food products through Wai Yuen Tong Medicine Holdings Limited (Stock Code: 897), its 65.79%-owned listed subsidiary; and (iv) management and sale of properties in agricultural produce exchange markets in the PRC through China Agri-Products Exchange Limited (Stock Code: 149), a 53.37%-owned listed subsidiary of Wai Yuen Tong Medicine Holdings Limited.

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 undertake strategic review of WOG and WOP's respective assets from time to time with a view to maximise returns to their respective shareholders. The directors of both WOG and WOP consider that the current market presents a good opportunity for WOG and WOP to realise its investment in the Target Company, respectively. Accordingly, the directors of WOG and WOP believe that the Disposal will enable WOG and WOP to reallocate its resources into future investment opportunities and pursue other growth opportunities, respectively.

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

GENERAL

As the highest applicable percentage ratio in respect of the Disposal for both WOG and WOP exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for each of WOG and WOP and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

A special general meeting will be convened by WOG to consider and, if thought fit, to approve the Provisional Agreement and the Disposal. A circular containing, among other things, details of the Provisional Agreement and the Disposal, and a notice of special general meeting of WOG is expected to be despatched to its shareholders on or before 15 September 2021 so as to include any additional information in relation to the Disposal arising from the Formal Agreement, which is expected to be entered into on or before 25 August 2021.

To the best of the knowledge, information and belief of the directors of WOP, after having made all reasonable enquiries, no shareholders of WOP or any of their respective associates have any material interest in the Provisional Agreement and the Disposal, thus no shareholder of WOP is required to abstain from voting if WOP were to convene a special general meeting for the approval of the Provisional Agreement and the Disposal. WOP has obtained a written shareholders' approval from Earnest Spot Limited, the controlling shareholder holding approximately 75% of the total issued shares of WOP, as at the date of this joint announcement, in lieu of holding a special general meeting to approve the Provisional Agreement and the Disposal in accordance with Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, WOP is required to despatch a circular containing, among other information, further details of the Provisional Agreement and the Disposal, to its shareholders within 15 business days after the publication of this joint announcement, which is on or before 20 August 2021. As it is expected that the parties will enter into the Formal Agreement on or before 25 August 2021, WOP 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 15 September 2021 so as to include any additional information in relation to the Disposal arising from the Formal Agreement. WOP will make further announcement after the waiver from the Stock Exchange has been obtained or when the Formal Agreement has been entered into, and the expected despatch date of the circular has been confirmed.

DEFINITIONS

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

“associates”, “connected person” and “percentage ratio”	each has the meaning as ascribed to it under the Listing Rules
“Balance of Consideration”	has the meaning as defined in the section headed “The Provisional Agreement — Consideration”
“Completion”	completion of the Disposal pursuant to the Provisional Agreement
“Completion Date”	the date of Completion, being 26 October 2021
“Conditions”	the conditions precedent to Completion

“Consideration”	the consideration for the Disposal, being HK\$515 million (subject to adjustment)
“Deposits”	has the meaning as defined in the section headed “The Provisional Agreement — Consideration”
“Disposal”	the disposal of the Sale Share and the assignment of the Shareholder’s Loan by the Vendor to the Purchaser pursuant to the Provisional Agreement
“Formal Agreement”	the formal agreement in relation to the Disposal to be entered into between the Vendor and the Purchaser on or before 25 August 2021
“Further Deposit”	has the meaning as defined in the section headed “The Provisional Agreement — Consideration”
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Deposit”	has the meaning as defined in the section headed “The Provisional Agreement — Consideration”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Asset Value” and “Net Liabilities”	the total assets of the Target Company (other than the Property) minus total liabilities of the Target Company (other than the Shareholder’s Loan, the existing mortgage over the Property, and deferred tax liabilities) as at the Completion Date; it being referred to as “Net Asset Value” if it is a positive figure, and “Net Liabilities” if it is a negative figure
“PRC”	the People’s Republic of China, for the purpose of this joint announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan

“Proforma Accounts”	the unaudited proforma completion accounts of the Target Company as at the Completion Date prepared in accordance with the terms of the Provisional Agreement
“Property”	the office on 30th Floor, United Centre, No. 95 Queensway, Hong Kong
“Purchaser”	O.M. Management Limited, a company incorporated in Hong Kong with limited liability
“Provisional Agreement”	the provisional agreement dated 30 July 2021 entered into among the Purchaser, the Vendor and WOP as the Vendor’s guarantor in relation to the Disposal
“Sale Share”	one issued ordinary share of the Target Company, representing the entire issued share capital of the Target Company legally and beneficially held by the Vendor prior to Completion
“Shareholder’s Loan”	the shareholder’s loan(s) owing by the Target Company to the Vendor as at the Completion Date, being unsecured, interest-free shareholder’s loan(s) and repayable on demand
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Company”	Stadium Holdings Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Vendor prior to Completion and the sole legal and beneficial owner of the Property
“Vendor”	Fession Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of WOP

“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 directors of
WANG ON GROUP LIMITED
(宏安集團有限公司)*
Tang Ching Ho
Chairman and Executive Director

By order of the board of directors of
WANG ON PROPERTIES LIMITED
宏安地產有限公司
Tang Ho Hong
Executive Director and Chief Executive Officer

Hong Kong, 30 July 2021

As at the date of this joint announcement, the board of directors of WOG comprises three executive directors, namely Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Ms. Stephanie, and three independent non-executive directors, namely Mr. Wong Chun, Justein, Mr. Siu Kam Chau and Mr. Chan Yung.

As at the date of this joint announcement, the board of directors of WOP comprises Mr. Tang Ho Hong, Ms. Wong Chin Han and Ms. Ching Tak Won Teresa as executive directors; and Mr. Li Wing Sum Steven, Mr. Sung Tze Wah and Sr Dr. Leung Tony Ka Tung as independent non-executive directors.

** For identification purpose only*