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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

DISCLOSEABLE TRANSACTION IN RELATION TO FORMATION OF A JOINT VENTURE INCIDENTAL TO A DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

DEEMED DISPOSAL AND FORMATION OF A JOINT VENTURE

The boards of directors of WOG and WOP are pleased to jointly announce that, on 23 September 2021, Treasure Fountain (an indirect wholly-owned subsidiary of WOP) and the JV Co (an indirect wholly-owned subsidiary of the WOP prior to the Completion and a 50% owned entity upon Completion) entered into the Subscription Agreement and the Shareholders' Agreement with the JV Partner, an Independent Third Party, pursuant to which, among others, the JV Partner agreed to subscribe for, and the JV Co agreed to allot and issue to the JV Partner, one share in the JV Co, representing 50% of the enlarged issued share capital of the JV Co, at a subscription price of US\$1.

Completion took place immediately following the signing of the Subscription Agreement, and the interest in the JV Co is now owned as to 50% by WOP and as to 50% by the JV Partner, and the JV Co has ceased to be a subsidiary of WOP, and each member of the JV Group will be recognised as a jointly owned entity of WOP and their accounts will not be consolidated with either the WOG Group or the WOP Group.

LISTING RULES IMPLICATIONS

In respect of the Subscription, the WOP Group's interest in the JV Co would decrease from 100% to 50%. As such, the Subscription will constitute a deemed disposal under Chapter 14 of the Listing Rules for both WOG and WOP. As all the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the deemed disposal are less than 5% for both WOG and WOP, the deemed disposal is exempt from reporting and announcement requirements under the Listing Rules.

In respect of the JV Formation, one or more of the applicable percentage ratio(s) calculated pursuant to Rule 14.07 of the Listing Rules on the capital commitment of the WOG Group and the WOP Group are above 5% but all applicable percentage ratios are less than 25%. Therefore, the JV Formation constitutes a discloseable transaction for each of WOG and WOP under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

The boards of directors of WOG and WOP are pleased to jointly announce that, on 23 September 2021, Treasure Fountain (an indirect wholly-owned subsidiary of WOP) and the JV Co (an indirect wholly-owned subsidiary of WOP prior to the Completion and a 50%-owned entity upon the Completion) entered into the Subscription Agreement and the Shareholders' Agreement with the JV Partner, an Independent Third Party, pursuant to which, among others, the JV Partner agreed to subscribe for, and the JV Co agreed to allot and issue to the JV Partner, one share in the JV Co, representing 50% of the enlarged issued share capital of the JV Co, at a subscription price of US\$1.

The Subscription Agreement

Date

23 September 2021

Parties

- (i) the JV Partner (a limited partnership, acting by its general partner, AGR X Asia Member GP, L.L.C.)
- (ii) the JV Co
- (iii) Treasure Fountain (an indirect wholly-owned subsidiary of WOP)
- (iv) WOP

To the best knowledge, information and belief of the directors of WOG and WOP, having made all reasonable enquiries, each of the JV Partner and its investment manager and general partner is a third party independent of and not connected with each of WOG, WOP and their respective connected persons.

Subject matter

The JV Partner shall subscribe for, and the JV Co shall allot and issue to the JV Partner, one share in the JV Co, representing 50% of the enlarged issued share capital of the JV Co, at a subscription price of US\$1 payable in cash. The subscription price was determined based on the par value of the shares of the JV Co.

Completion

The Completion took place immediately on the same day following the signing of the Subscription Agreement.

Following Completion, the interest in the JV Co is now owned as to 50% by WOP and as to 50% by the JV Partner, and the JV Co has ceased to be a subsidiary of WOP, and each member of the JV Group will be recognised as a jointly owned entity of WOP and their accounts will not be consolidated with either the WOG Group or the WOP Group.

Guarantee

WOP (as the primary obligor) guarantees to the JV Partner, among others, the due and punctual performance of the agreement, obligations, commitments, undertakings, warranties and indemnities of each of Treasure Fountain and the JV Co in accordance with the Subscription Agreement.

The Shareholders' Agreement

Pursuant to the Subscription Agreement, the JV Partner, the JV Co and Treasure Fountain have also entered into the Shareholders' Agreement with respect to the JV Co on the following key terms:

Date

23 September 2021

Parties

- (i) the JV Partner (a limited partnership, acting by its general partner, AGR X Asia Member GP, L.L.C.)
- (ii) the JV Co
- (iii) Treasure Fountain (an indirect wholly-owned subsidiary of WOP)

Business of the JV Co

Unless otherwise unanimously agreed between the shareholders of the JV Co, the sole business of the JV Co shall be to purchase, hold, operate, lease, manage, renovate and sell the Property and/or Nice Crown for capital gain through its holding of the Intermediate Holding Company and Nice Crown.

Initial capital injection

The shareholders of the JV Co have and shall inject capital into the JV Co by way of unsecured and non-interest bearing shareholder's loans in the following manner:

- (i) as at the date of the Shareholders' Agreement, Treasure Fountain has already advanced shareholder's loans to the JV Co in the amount of approximately HK\$58.48 million;

- (ii) on the date of, but prior to, Tender Completion:
- a) the JV Partner shall advance shareholder's loans to the JV Co in the amount of approximately HK\$119.24 million; and
 - b) Treasure Fountain shall advance additional shareholder's loans to the JV Co in the amount of approximately HK\$60.76 million,
- such that, when taking into account the Bank Loan (where it is expected that a majority part of which will be used to settle the purchase price under the Conditions of Sale), there will be sufficient funds for the JV Co to complete the acquisition of the Property pursuant to the Conditions of Sale and satisfy the initial working capital need of the JV Co;
- (iii) after Tender Completion, the JV Partner and Treasure Fountain shall advance shareholder's loans to the JV Co on a pro rata basis according to their respective shareholding interest in the JV Co to satisfy the working capital need of the JV Co from time to time, provided that such amount shall not exceed HK\$49.52 million;
- and provided that the total amount of shareholders' loans under the above paragraphs (i), (ii) and (iii) in aggregate shall not exceed HK\$288.0 million.

The total capital commitment to be contributed by WOP has been or will be settled by cash and funded by internal resources of the WOP Group and/or external financing.

The respective contribution to the total capital commitment to the JV Co by the WOP Group and the JV Partner is determined after arm's length negotiations between the parties with reference to the proposed capital requirements of the JV Co (in particular the capital required for Tender Completion) and the parties' prorated interests in the JV Co.

Future funding for the JV Co

All further capital requirements of the JV Co exceeding the JV Co's own resources from time to time shall be met first by way of external borrowings or financing to be sought from banks or financial institutions and failing which by way of further shareholders' loans as agreed by both the JV Partner and Treasure Fountain as provided under the Shareholders' Agreement.

Board composition

The board of directors of the JV Co shall comprise a maximum of four directors and each of the JV Partner and Treasure Fountain shall nominate two directors. The directors of the JV Co shall elect one of their members to be chairman of the board of the JV Co. The chairman shall not be entitled to a second or casting vote in meeting.

All board resolutions of the JV Co shall be passed by a simple majority, save for resolutions related to certain reserved matters as set out in the Shareholders' Agreement (including any change in the nature or scope of the business of the JV Group, and where any member of the JV Group proposes to enter into any transactions which are not on an arm's length basis) which shall be unanimously approved by all directors of the JV Co in writing or all directors of the JV Co who are present and voting at a meeting of the board of the JV Co.

Distribution

No distributions shall be made unless among other things, all financing and other debt obligations owing to third parties, if any, have been settled in full and the distribution is in accordance with the relevant BVI laws.

Transfer of shareholding interest

Each shareholder of the JV Co shall be subject to certain transfer restrictions (including a right of first offer, tag-along right and drag-along right) in a proposed transfer of its equity interests in the JV Co on the terms set out in the Shareholders' Agreement. In the event of the occurrence of certain events of default as set out in the Shareholders' Agreement, including a material breach by a shareholder, the non-defaulting shareholder may sell or require the defaulting party to buy its shareholder's interests in the JV Co on terms set out in the Shareholders' Agreement. In all cases, completion of this sale and purchase of shareholding interest in the JV Co shall be subject to the compliance with the Listing Rules requirements where applicable.

Other arrangements

Pursuant to the Shareholders' Agreement, the parties agree that Nice Crown, the wholly-owned subsidiary of the JV Co and the immediate owner of the Property on Tender Completion shall enter into the Asset Management Agreement immediately after the Tender Completion with, among others, the Asset Manager, who shall be responsible for the management, renovation, leasing, supervision, maintenance and sales of the Property pursuant to the terms of the Asset Management Agreement.

The Asset Manager shall be entitled to fixed service fees and a further fee based on its performance in accordance with the terms of the Asset Management Agreement.

INFORMATION OF THE JV CO AND THE PROPERTY

The JV Co was incorporated in August 2021 and is the holding company (through the Intermediate Holding Company) of Nice Crown, which in turn has entered into the Conditions of Sale and, on Tender Completion, will become the registered owner of the Property, and is solely engaged in acquiring and holding the Property. The Tender Completion is expected to take place on or around 30 September 2021.

The JV Co and its subsidiaries including Nice Crown are newly incorporated companies. Neither of them has commenced any operation other than the signing of the Conditions of Sale. The unaudited total assets and the unaudited net liabilities of the JV Group as at 31 August 2021 were approximately HK\$58.47 million and HK\$13,600, respectively.

The Property comprises eight stories of carpark podium which provide a total of 509 car parking spaces located in 3 Welfare Road, Wong Chuk Hang, Hong Kong. The Property was initially acquired by the WOP Group via the JV Co (subject to the Tender Completion) for possible refurbishment, renovation or other similar arrangements for eventual sale. However, as a result of the JV Formation and following discussion with the JV Partner, it is agreed that the Property will thereafter be held as investment property for lease and for capital gain.

INFORMATION OF THE WOG GROUP AND THE WOP GROUP

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, its 75%-owned listed subsidiary; (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.

WOP is an investment holding company. 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 investment return and capital appreciation. Treasure Fountain is an indirect wholly-owned subsidiary of WOP which is principally engaged in investment holding. The Asset Manager is an indirect wholly-owned subsidiary of WOP which is principally engaged in provision of asset management services.

INFORMATION OF THE JV PARTNER

The JV Partner is a limited partnership established in the BVI, acting by its general partner, AGR X Asia Member GP, L.L.C, which is principally engaged in investment management, and managed by its investment manager, AG Real Estate Manager, Inc., which is principally engaged in investment management. The JV Partner is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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 investment return and capital appreciation.

The Property is next to various major residential buildings and private club, and is about a few minutes of walking distance from the Wong Chuk Hang MTR Station. Given its proximity to major residential developments and the MTR comprehensive development above the Wong Chuk Hang MTR Station which is scheduled to provide approximately 3.9 million square feet of residential gross floor area in 5,200 units and 510,000 square feet of retail space, it is expected that the Property could meet the huge demand for parking spaces once the comprehensive development is completed in phases. In addition, it is expected that the Hong Kong government's initiative in invigorating the Island South area will also bring about extra demand for traffic and parking as the scheme aims at turning the Southern District into a place of vibrancy for people to work, live and explore.

The directors of both WOG and WOP consider that the co-operation with the JV Partner under the Subscription Agreement and the Shareholders' Agreement presents a good opportunity to leverage on the WOP Group's knowledge and expertise in property investment and management and to partner with an experienced investor to expand its business and the acquisition of the Property (upon Tender Completion) can help explore its asset management business, enhance and enlarge the investment property portfolio of, and bring additional stable asset management fee and share of operating profit of the JV Group to the WOG Group and the WOP Group.

The directors of both WOG and WOP consider that the terms of the Subscription Agreement, the Shareholders' Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of each of WOG, WOP and their respective shareholders as a whole.

FINANCIAL IMPACT ON THE WOG GROUP AND THE WOP GROUP

It is expected that the WOG Group and the WOP Group will recognize a loss in its consolidated profit or loss of approximately HK\$0.33 million arising from the deemed disposal (after deducting the estimated professional fee and other related expenses), which is estimated based on the unaudited net liabilities of the JV Co as at 31 August 2021. Subject to audit, the actual amount of gain or loss on the deemed disposal to be recognized by the WOG Group and the WOP Group may vary from the amount mentioned above.

LISTING RULES IMPLICATIONS

In respect of the Subscription, the WOP Group's interest in the JV Co would decrease from 100% to 50%. As such, the Subscription will constitute a deemed disposal under Chapter 14 of the Listing Rules for WOG and WOP. As all the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the deemed disposal are less than 5%, the deemed disposal is therefore exempt from the reporting and announcement requirements under the Listing Rules.

In respect of the JV Formation, one or more of the applicable percentage ratio(s) calculated pursuant to Rule 14.07 of the Listing Rules on the capital commitment made by the WOG Group and the WOP Group are above 5% but all applicable percentage ratios are less than 25%. Therefore, the JV Formation constitutes a discloseable transaction for each of WOG and WOP under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Asset Manager”	Hony Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by WOP
“Asset Management Agreement”	the asset management agreement to be entered into among the Asset Manager, Nice Crown and the JV Partner upon the Tender Completion
“Bank Loan”	such loan facilities in an aggregate amount of up to HK\$258,229,000 to be provided by a third party bank to Nice Crown prior to Tender Completion for the purposes of financing part of the payment of the purchase price under the Conditions of Sale, any replacement loans taken out for the refinancing thereof, and renovation and other expenses
“BVI”	the British Virgin Islands
“Conditions of Sale”	the relevant documents collectively constitute a binding agreement between a third party vendor and Nice Crown (as purchaser) for the sale and purchase of the Property
“Completion”	the completion of the Subscription
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with WOG, WOP and their respective connected person(s)

“Intermediate Holding Company”	Armour Hero Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by the JV Co
“JV Co”	Crystal Castle Ventures Limited, a company incorporated in the BVI with limited liability, which is an indirect wholly-owned subsidiary of WOP prior to the Completion and, upon Completion, being owned as to 50% by Treasure Fountain and 50% by the JV Partner
“JV Formation”	the formation of the joint venture contemplated under the Shareholders’ Agreement
“JV Group”	the JV Co and its subsidiaries (including Nice Crown)
“JV Partner”	Jumbo Holding (BVI) L.P., a limited partnership established in the BVI
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nice Crown”	Nice Crown Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by the JV Co
“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”	ALL THOSE 518 equal undivided 2,200th parts or shares of and in ALL THAT piece or parcel of ground registered in the Land Registry as THE REMAINING PORTION OF ABERDEEN INLAND LOT NO.368 And, among others, of and in the messuages erections and buildings thereon now known as “JUMBO COURT (珍寶閣)” No.3 Welfare Road

“Shareholders’ Agreement”	the shareholders’ agreement dated 23 September 2021 and entered into between the JV Partner, Treasure Fountain and the JV Co to govern the rights and obligations of the shareholders of the JV Co
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of one ordinary share by the JV Partner in the JV Co, representing 50% of the enlarged issued share capital of the JV Co
“Subscription Agreement”	the subscription agreement dated 23 September 2021 and entered into between the JV Partner, the JV Co, Treasure Fountain and WOP in relation to the Subscription
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Tender Completion”	the completion of the sale and purchase of the Property pursuant to and on the terms of the Conditions of Sale
“Treasure Fountain”	Treasure Fountain International Limited, a company incorporated in the BVI with limited liability, which is indirectly wholly-owned by WOP
“US\$”	U.S. dollar(s), the lawful currency of the U.S.
“U.S.”	The United States of America
“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
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
WANG ON PROPERTIES LIMITED
 宏安地產有限公司
Tang Ho Hong
Executive Director and Chief Executive Officer

Hong Kong, 23 September 2021

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

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*