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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 TRANSACTIONS VOLUNTARY ANNOUNCEMENT

AGREEMENT

IN RELATION TO THE DIVESTMENT OF INTEREST,

THE SHARE SUBSCRIPTION

AND

THE LEASE IN RELATION TO THE PROPERTY

Reference is made to the joint announcement of WOG and WOP dated 1 May 2019 in relation to the provisional agreement dated 30 April 2019 entered into by the Purchaser, an indirect wholly-owned subsidiary of WOP prior to completion of the Divestment, in relation to, among other things, the Acquisition, completion of which is expected to take place on 4 July 2019 or such other date as the parties may agree in writing.

The board of directors of each of WOG and WOP is pleased to announce that on 21 June 2019, WOP and the WOP JV Partner have entered into the Share Sale Agreement with the KKR JV Partner, an Independent Third Party, in relation to the Divestment. Following completion of the Divestment on 21 June 2019, the equity interest in the JV Co is owned as to 50% by each of the KKR JV Partner and the WOP JV Partner and the JV Co will cease to be a subsidiary of WOP and is recognised as a joint venture of WOP and its account is no longer consolidated with those of the WOG Group or the WOP Group.

* *For identification purpose only*

The board of directors of each of WOG and WOP is also pleased to announce that on 21 June 2019, the WOP JV Partner, the KKR JV Partner and the JV Co have also entered into the Share Subscription Agreement in relation to the Share Subscription. Final completion of the Share Subscription shall take place on 2 July 2019. Following completion of the Share Subscription, the JV Co will continue to be owned as to 50% by each of the KKR JV Partner and the WOP JV Partner and the equity capital of the JV Co will be increased to a maximum amount of approximately HK\$337.6 million.

Pursuant to the terms of the Shareholders Agreement, the Property Holder will, upon or as soon as possible following completion of the Acquisition, grant the Lease of certain parts of the Property to an affiliate of WOP, which will cover its holding company and fellow subsidiaries.

All the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Divestment, the Share Subscription and the Lease are less than 5% for WOP.

All the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Divestment are less than 5% for WOG. However, as one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of each of the Share Subscription and the Lease is more than 5% but is less than 25% for WOG, the Share Subscription and the Lease each constitutes a discloseable transaction for WOG and is subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

Reference is made to the joint announcement of WOG and WOP dated 1 May 2019 in relation to the provisional agreement dated 30 April 2019 entered into by the Purchaser, an indirect wholly-owned subsidiary of WOP prior to completion of the Divestment, in relation to, among other things, the Acquisition for the aggregate consideration of HK\$780.0 million, completion of which is expected to take place on 4 July 2019.

DIVESTMENT

The board of directors of each of WOG and WOP is pleased to announce that on 21 June 2019, WOP and the WOP JV Partner have entered into the Share Sale Agreement with the KKR JV Partner, an Independent Third Party, in relation to the Divestment. Pursuant to the Share Sale Agreement, the KKR JV Partner will acquire and the WOP JV Partner will dispose of a 50% equity interest in the JV Co for a consideration of approximately HK\$39.0 million, which was determined with reference to 50% of all equity investment already paid by the WOP JV Partner in the JV Co.

Following completion of the Divestment on 21 June 2019, the equity interest of the JV Co is owned as to 50% by each of the KKR JV Partner and the WOP JV Partner and the JV Co will cease to be a subsidiary of WOP and is recognised as a joint venture of WOP and its account is no longer consolidated with those of the WOG Group or the WOP Group.

Following completion of the Divestment on 21 June 2019, the WOP JV Partner, the KKR JV Partner and the JV Co have entered into the Share Subscription Agreement.

SHARE SUBSCRIPTION AGREEMENT

Date : 21 June 2019

Parties : (i) the WOP JV Partner;
(ii) the KKR JV Partner, an Independent Third Party; and
(iii) the JV Co.

Subject matter

Each of the KKR JV Partner and the WOP JV Partner will subscribe for 49 new shares in the JV Co for a sum of approximately HK\$129.8 million.

Completion of the subscription of shares by the WOP JV Partner and the KKR JV Partner shall be conditional upon:-

- (i) no breach of representations and warranties given by the WOP JV Partner under the Share Sale Agreement and no breach of representations and warranties by the parties under the Share Subscription Agreement (excluding self-inflicted breach);
- (ii) no law or order prohibiting the transaction; and
- (iii) neither party has notice that the conditions under the provisional agreement dated 30 April 2019 in relation to, among other things, the Acquisition cannot or will not be satisfied or that the vendor of the Project Company is not ready, willing and able to proceed with completion of the Acquisition.

Proceeds from the Divestment will be used for working capital of the WOP Group. Payment for the Share Subscription by the WOP JV Partner in the JV Co is expected to be funded out of internal resources.

The consideration for each of the Divestment and the Share Subscription was determined by arm's length negotiations between the WOP JV Partner and the KKR JV Partner with reference to the sum of equity investment already made by the WOP JV Partner in the JV Co, the outstanding purchase consideration payable by the JV Co to acquire the Project Company, and funds required to support the operation of the JV Group after taking into account the third party finance that the JV Co expects to obtain to fund the Acquisition.

Final completion of the Share Subscription shall take place on 2 July 2019. Following completion of the Share Subscription, the JV Co will continue to be owned as to 50% by each of the KKR JV Partner and the WOP JV Partner and the equity capital of the JV Co will be increased to a maximum amount of approximately HK\$337.6 million.

Following completion of the Divestment, the WOP JV Partner, the KKR JV Partner and the JV Co have also entered into the Shareholders Agreement with respect to the JV Co:

Funding for the JV Co

None of the partners of the JV Co has additional commitment above the sum of the Share Subscription and any further needs will come from external banks/financial institutions.

Management of the JV Co

The WOP JV Partner will have no less than half of the board seats of the JV Co.

Business of the JV Co

The JV Co is a newly established company with no operation or assets other than its interest as an indirect holding company of the Property Holder and is expected to be engaged solely in the holding of the Property through the Property Holder.

Lock Up

Save in the case of any related party transfers, (i) the WOP JV Partner may not dispose of its interest in the JV Co during the term of the joint venture except in a tag-along sale when the KKR JV Partner disposes of its interest in the JV Co; and (ii) the KKR JV Partner shall not dispose of its interest in the JV Co during the initial 12 months from completion of the Acquisition.

Asset management

The Property Holder will, upon completion of the Acquisition, appoint a designated subsidiary of WOP to act as the asset manager of the Property for a management fee comprising a fixed based fee and an incentive fee determined with reference to, among other things, the rental return of the Property subject to the terms of the asset management agreement to be entered into by the Property Holder and the designated subsidiary of WOP.

Term of the joint venture

The joint venture has no definite term, except that each of the WOP JV Partner and/or the KKR JV Partner may elect to pursue an exit on or after the fifth anniversary of the Acquisition.

LEASE

Pursuant to the terms of the Shareholders Agreement, the Property Holder will, upon or as soon as possible following completion of the Acquisition, grant the Lease of certain parts of the Property to an affiliate of WOP, which will cover its holding company and fellow subsidiaries, on the following terms:

Lease area:

A total gross floor area of approximately 39,000 sq. ft. to be designated as a retail area operated by the lessee and part of which is currently still subject to existing tenancies and licence(s) which will expire on 30 November 2019 and 4 April 2020 respectively with an aggregate monthly rent of approximately HK\$330,040. The net rental income for the parts of the Property subject to the Lease were approximately HK\$4.7 million and HK\$14.5 million for the two financial years ended 31 December 2017 and 2018 respectively. The management fees are apportioned among and borne by the tenants.

Term and rent:

The Lease will be for a term commencing from the time vacant possession of the relevant lease areas is delivered to the Property Holder, tentatively on 5 July 2019 and 1 December 2019, respectively, and expiring on 30 June 2030 at a rent which will increase progressively over the lease term aggregating to an amount of approximately HK\$402.7 million for the full lease term (assuming that vacant possession will be delivered on or before the tentative commencement dates such that the lease term will commence on the tentative commencement dates), with a four-months' rent free period. The lessee will be responsible for direct expenses such as rate, taxes and other outgoings but shall not be liable for the management fee. It is estimated that the Lease will, when taken up by an affiliate of WOP, which will cover its holding company and fellow subsidiaries, be recognised as a right of

use at a value of HK\$311.4 million in the accounts (assuming that vacant possession will be delivered on or before the tentative commencement dates such that the lease term will commence on the tentative commencement dates), such value which is solely based on a preliminary assessment by the management of WOP based on the available information relating to the Property, which has not been audited or reviewed by the auditor of WOP, and is therefore subject to change.

The proposed terms of the Lease were determined based on arm's length negotiations between WOG, WOP and the KKR JV Partner with reference to market rent of comparable properties of similar nature. The board of directors of each of WOG and WOP considers such terms to be fair and reasonable and in the interests of each of WOG and WOP and their respective shareholders as a whole.

Payment for the rent of the Lease is expected to be funded out of internal resources of the lessee.

REASONS FOR AND BENEFITS OF THE DIVESTMENT, THE SHARE SUBSCRIPTION AND THE LEASE

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; 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 directors of both WOG and WOP consider that the co-operation with the KKR JV Partner presents a good opportunity to leverage on the WOG Group and the WOP Group's knowledge and expertise in property investment and management and to partner with a renowned institution to expand its business.

The directors of both WOG and WOP consider that the terms of the Divestment, the Share Subscription and the Lease 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

All the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Divestment, the Share Subscription and the Lease are less than 5% for WOP.

All the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Divestment are less than 5% for WOG. However, as one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of each of the Share Subscription and the Lease is more than 5% but is less than 25% for WOG, the Share Subscription and the Lease each constitutes a discloseable transaction for WOG and is 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:

“Acquisition”	the conditional acquisition of, among other things, the entire issued share capital in, and assignment of a shareholder loan of, the Project Company by the Purchaser for the aggregate consideration of HK\$780.0 million pursuant to the provisional agreement dated 30 April 2019 entered into between the Purchaser and the vendor of the Project Company
“affiliate”	in relation to a company, its subsidiary, fellow subsidiary or holding company
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Divestment”	disposal by the WOP JV Partner of 50% of the equity interest in the JV Co to the KKR JV Partner at cost
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party who together with its ultimate beneficial owner(s) are, to the best of the knowledge, information and belief of the directors of WOG and WOP, having made all reasonable enquiries, third party independent of each of WOG, WOP and their respective connected persons

“JV Co” or “Purchaser”	Milesville Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of WOP prior to completion of the Divestment and an indirect holding company of the Property Holder upon completion of the Acquisition, principally engaged in investment holding
“JV Group”	the JV Co and its subsidiaries
“KKR JV Partner”	Caesar Holding II Limited, being an affiliate of funds and/or investment vehicles managed and/or advised by Kohlberg Kravis Roberts & Co. L.P. as an investment advisor for the private markets business of KKR & Co. Inc. and an Independent Third Party. KKR & Co. Inc., an Independent Third Party, is a leading global investment firm that manages multiple alternative asset classes, including private equity, with strategic partners that manage hedge funds
“Lease”	lease of certain parts of the Property to be designated as a retail area operated by the Property Holder to an affiliate of WOP, which will cover its holding company and fellow subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Project Company”	Pearl Limited (carrying on business in Hong Kong as Pearl Park Limited), a company incorporated in the British Virgin Islands with limited liability

“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
“Property Holder”	Hermitage Investments Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Project Company and the sole registered and beneficial owner of the Property
“Shareholders Agreement”	the shareholders agreement to be entered into among the WOP JV Partner, the KKR JV Partner and the JV Co in respect of the JV Co upon completion of the Share Subscription
“Share Sale Agreement”	the share sale agreement entered into between the KKR JV Partner, WOP and the WOP JV Partner on 21 June 2019 in relation to the Divestment
“Share Subscription”	the subscription of 49 new shares in the JV Co by each of the WOP JV Partner and the KKR JV Partner pursuant to the Share Subscription Agreement
“Share Subscription Agreement”	the conditional share subscription agreement dated 21 June 2019 entered into between the WOP JV Partner, the KKR JV Partner and the JV Co in relation to the Share Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“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
“WOP JV Partner”	Bancroft Ville Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of WOP
“sq. ft.”	square feet
“%”	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, 21 June 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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