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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 DISCLOSEABLE TRANSACTION
IN RELATION TO THE DISPOSAL OF
THE TARGET COMPANY HOLDING INVESTMENT PROPERTIES

THE DISPOSAL

The boards of WOG and WOP respectively announce that on 12 April 2018 (after trading hours), the Vendor entered into the Preliminary Agreement with the Purchaser, pursuant to which the Vendor conditionally agreed to sell the Sale Shares and assign the benefit of the Shareholder Loan to the Purchaser, and the Purchaser conditionally agreed to purchase the Sale Shares and take up the assignment of the Shareholder Loan from the Vendor for the Consideration representing an initial consideration of HK\$324,466,000 plus all asset value of the Target Company (excluding the Properties) and less the liabilities of the Target Company (excluding the Shareholder Loan (which will be assigned by the Vendor to the Purchaser at Completion), the existing bank loan (which will be repaid at Completion) and any deferred tax liabilities or provision) as at Completion.

The principal assets of the Target Company are the Properties comprising office units and car park units located on Levels 13 and 6, respectively of Kowloon Commerce Centre (九龍貿易中心), No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

* *For identification purpose only*

GENERAL

As some of the applicable percentage ratios as defined under the Listing Rules in respect of the Disposal exceed 5% and are below 25% for both WOG and WOP, the Disposal and the transactions contemplated thereunder constitute a discloseable transaction for each of WOG and WOP and are subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfilment of the conditions precedent set out in the Preliminary Agreement and therefore the Disposal may or may not proceed. Shareholders and potential investors of WOG and WOP are advised to exercise caution when dealing in the shares of WOG and WOP, respectively.

INTRODUCTION

The boards of WOG and WOP respectively announce that on 12 April 2018 (after trading hours), the Vendor entered into the Preliminary Agreement with the Purchaser, pursuant to which the Vendor conditionally agreed to sell the Sale Shares and assign the benefit of the Shareholder Loan to the Purchaser, and the Purchaser conditionally agreed to purchase the Sale Shares and take up the assignment of the Shareholder Loan from the Vendor for the Consideration.

THE PRELIMINARY AGREEMENT

- Date : 12 April 2018 (after trading hours)
- Vendor : Joyful Lake Limited 欣湖有限公司, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of WOP which is principally engaged in investment holding.
- Purchaser : Fong's Manufacturers Company Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of CHTC Fong's International Company Limited whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 641), is principally engaged in investment holding.

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 an Independent Third Party as at the date of this joint announcement. Save as disclosed above, there is no prior transaction entered into between the WOG Group, the WOP Group, the Purchaser and/or its ultimate beneficial owner(s) which is required to be aggregated with the Preliminary Agreement pursuant to the Listing Rules.

- Asset to be disposed of : Pursuant to the Preliminary Agreement, the Vendor conditionally agreed to sell the Sale Shares and assign the benefit of the Shareholder Loan to the Purchaser, and the Purchaser conditionally agreed to purchase the Sale Shares and take up the assignment of the Shareholder Loan from the Vendor.
- Consideration for the Sale Shares and Shareholder Loan : HK\$324,466,000 plus all asset value of the Target Company (excluding the Properties) and less the liabilities of the Target Company (excluding the Shareholder Loan (which will be assigned by the Vendor to the Purchaser at Completion), the existing bank loan (which will be repaid at Completion) and any deferred tax liabilities or provision) as at Completion.

The Consideration has been/shall be payable by the Purchaser in the following manner:

- (a) a preliminary deposit in the sum of HK\$15,000,000 (the “**Preliminary Deposit**”) has been paid to the Vendor’s solicitors as stakeholders and the Vendor acknowledged receipt of the same;
- (b) on or before 13 April 2018, a further deposit and part payment in the sum of HK\$17,446,000 (the “**Further Deposit**”) shall be paid to the Vendor’s solicitors as stakeholders;
- (c) the Preliminary Deposit and the Further Deposit shall not be released to the Vendor until Completion; and

- (d) subject to the adjustment mechanism as agreed under the Definitive Documents in respect of the sale and purchase of the Sale Shares and the Shareholder Loan, the balance of the Consideration shall be payable to the Vendor on Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the prevailing market price of similar properties at similar location as compared to the Properties held by the Target Company.

Conditions precedent : Completion is conditional upon, among other things, the following:

- (a) satisfactory completion of legal, financial and tax and technical due diligence in respect of the Target Company and the Properties by the Purchaser;
- (b) the execution of the Definitive Documents which shall reflect the terms contained in the Preliminary Agreement for the sale and purchase of the Sale Shares and the Shareholder Loan and such other indemnities, representations and warranties of the Vendor with a scope usual for a transaction of the size and nature of the transactions contemplated under the Preliminary Agreement;
- (c) the Vendor is and as at Completion remains the sole legal and beneficial owner of the Sale Shares and the Shareholder Loan and it has the power to sell/assign the Sale Shares and Shareholder Loan to the Purchaser free from all encumbrances and third party rights upon Completion;
- (d) the Target Company has a good title to the Properties in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) free from all encumbrances of whatsoever nature as at Completion;

- (e) the Properties shall be delivered to the Purchaser on an “as-is” basis and with vacant possession at Completion;
- (f) the representations, warranties, undertaking and indemnities made or given by the Vendor as contained in the Definitive Documents; and
- (g) no breach of warranties as of Completion which might have a material adverse effect on the transactions contemplated under the Preliminary Agreement.

Due Diligence

: Upon the execution of the Preliminary Agreement, the Vendor shall co-operate with the Purchaser by providing access to the Properties and providing copies of all documents relating to the Target Company and by delivering to the Purchaser’s solicitors of title deeds in respect of the Properties so as to enable the Purchaser and its advisors to carry out legal, financial and tax due diligence investigation of the Target Company and the Properties. The Purchaser will use commercially reasonable endeavours to complete the due diligence investigation and notify the Vendor in writing of any requisitions which it may have. In the event that the Vendor is unable or unwilling to reply to any of the Purchaser’s requisitions, or that any of the conditions precedent set out in the Preliminary Agreement is/are not true, inaccurate or misleading in any material respect, either the Vendor or the Purchaser shall have the right to terminate the Preliminary Agreement on or before 5:00 p.m. on 28 May 2018 by giving a written notice to the other party and upon the termination of the Preliminary Agreement, save as the refund of the deposit(s) (without interest to the extent repaid within five business days from the date of the aforesaid notice) already paid by the Purchaser, neither the Vendor nor the Purchaser shall have the right to make any claim or take action against the other.

Exclusivity period : The Vendor shall be prohibited from carrying out activities that relate to the sale of the Sale Shares and the Shareholder Loan other than with the Purchaser until 28 June 2018.

Completion : Completion shall take place on 8 October 2018.

The terms of the Preliminary Agreement were arrived at by the Vendor and the Purchaser after arm's length negotiation. The directors of each of WOG and WOP, including their respective independent non-executive directors, consider that the terms of the Preliminary Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of each of WOG and WOP and their respective shareholders as a whole.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in holding the Properties for investment purpose.

The Properties have a gross floor area of approximately 24,959 square feet. The Properties are currently vacant, which will be delivered in vacant possession upon Completion.

Set out below is the audited financial information of the Target Company for the two financial years ended 31 March 2017 extracted from the audited financial statements of the Target Company which are prepared under generally accepted accounting principles in Hong Kong:

	For the year ended	
	31 March	
	2017	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Revenue	7.9	7.1
Net loss before taxation	0.6	0.8
Net loss after taxation	0.1	0.8
Net liabilities	(11.8)	(11.7)

According to the unaudited financial statements of the Target Company, the net liabilities of the Target Company as at 30 September 2017 are HK\$16.8 million (before any adjustment of the fair value of the Properties).

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in the business of investment holding.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The WOG Group is principally engaged in management and sub-licensing of Chinese wet markets and provision of finance in Hong Kong and the PRC and property investment and property development in Hong Kong through its non wholly-owned listed subsidiary, WOP as well as in pharmaceutical business through its non wholly-owned listed subsidiary, 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 directors of WOP undertake strategic review of WOP's assets from time to time with a view to maximise returns to its shareholders. The directors of WOP consider that the current market presents a good opportunity for WOP to realise its investment in the Target Company. Accordingly, the directors of WOP believe that the Disposal will enable WOP to reallocate its resources into future investment opportunities and pursue other growth opportunities.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Immediately after Completion, the Target Company will cease to be a subsidiary of each of WOG and WOP and the financial results of the Target Company will no longer be consolidated into the WOG Group's and the WOP Group's financial statements.

The net proceeds (after repayment of an existing outstanding bank loan of approximately HK\$131.0 million and deducting other expenses in relation thereto) arising from the Disposal of approximately HK\$189.5 million will be used for the WOP Group's general working capital and property development purposes.

Based on, *inter alia*, the Consideration, the unaudited net liabilities as at 30 September 2017, the fair value of the Properties of HK\$278.0 million as at 30 September 2017, the principal outstanding bank loan as at 30 September 2017 of approximately HK\$134.3 million, the Shareholder Loan of approximately HK\$64.7 million owed by the Target Company to the Vendor as at 30 September 2017 and the related expenses for the Disposal, the WOP Group currently expects to record a gain on disposal of approximately HK\$42.5 million upon Completion.

Shareholders and potential investors of WOG and WOP should note that the above figures are for illustrative purpose only. The actual gain on disposal may be different from the above and will be determined based on the financial position of the Target Company on the date of Completion and the review by the WOP’s auditors.

GENERAL

As some of the applicable percentage ratios as defined under the Listing Rules in respect of the Disposal exceed 5% and are below 25% for both WOG and WOP, the Disposal and the transactions contemplated thereunder constitute a discloseable transaction for each of WOG and WOP and are subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfilment of the conditions precedent set out in the Preliminary Agreement and therefore the Disposal may or may not proceed. Shareholders and potential investors of WOG and WOP are advised to exercise caution when dealing in the shares of WOG and WOP, respectively.

DEFINITIONS

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

“Completion”	completion of the Disposal
“connected person(s)”	has the meaning given to it under the Listing Rules
“Consideration”	an initial consideration of HK\$324,466,000 plus all asset value of the Target Company (excluding the Properties) and less the liabilities of the Target Company (excluding the Shareholder Loan (which will be assigned by the Vendor to the Purchaser at Completion), the existing bank loan (which will be repaid at Completion) and any deferred tax liabilities or provision) as at Completion
“Definitive Documents”	a sale and purchase agreement in respect of the Sale Shares and, an assignment of the Shareholder Loan, and other ancillary transaction documents as may be agreed between the Vendor and the Purchaser

“Disposal”	the sale of the Sale Shares and assignment of the Shareholder Loan contemplated under the Preliminary Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of WOG and WOP and any connected person of WOG and WOP, respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement, does not include Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Preliminary Agreement”	the preliminary agreement dated 12 April 2018 entered into between the Vendor and the Purchaser in respect of the Disposal
“Properties”	all those 30,868 equal undivided 1,644,286th parts or shares of and in all that piece or parcel of ground registered in the Land Registry as the remaining portion of Kwai Chung Town Lot No. 215 and of and in the messuages erections and buildings erected thereon and now known as Kowloon Commerce Centre (九龍貿易中心), No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong (the “ Development ”) together with the exclusive right and privilege to hold use occupy and enjoy the Whole Floor of Level 13 (comprising office units nos. 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17 and 18) of Tower B and all those car park unit(s) nos. P81, P82, P83, P84, P85, P86, P87 and P88 on Level 6 of the Development

“Purchaser”	Fong’s Manufacturers Company Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of CHTC Fong’s International Company Limited whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 641)
“Sale Shares”	10,000 ordinary shares of the Target Company, representing the entire issued share capital of the Target Company beneficially held by the Vendor
“Shareholder Loan”	the loan owing by the Target Company to the Vendor (the principal amount of such loan being approximately HK\$64.7 million as at 30 September 2017 which may be varied before Completion), being an interest-free loan and repayable on demand and which, subject to and on the terms and conditions of the Definitive Documents, shall be assigned by the Vendor to the Purchaser on Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning given to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Company”	PT Harvest Holdings Limited 卓豐控股有限公司, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Vendor as at the date of this joint announcement
“Vendor”	Joyful Lake Limited 欣湖有限公司, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of WOP, which is principally engaged in investment holding
“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

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“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), a listed 75%-owned subsidiary of WOG
“WOP Group”	WOP and its subsidiaries
“%”	per cent.

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

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

Hong Kong, 12 April 2018

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

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

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