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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

VOLUNTARY ANNOUNCEMENT

TERM SHEET AND AGREEMENT IN RELATION TO THE DIVESTMENT OF INTEREST, THE FORMATION OF A JOINT VENTURE AND THE LEASE IN RELATION TO THE PROPERTY AT LAKE SILVER

Reference is made to the joint announcement of WOG and WOP dated 24 January 2019 in relation to the successful bid made by the Purchaser (as the Property Holder), an indirect wholly-owned subsidiary of WOP, to acquire the Property at a consideration of HK\$653.0 million.

The board of directors of each of WOG and WOP is pleased to announce that on 29 April 2019, WOP has entered into the Agreement with KKR, an Independent Third Party, whereby the parties agreed that, among other things, the KKR JV Partner will acquire and subscribe for new shares, and the WOP JV Partner will dispose of a 50% equity interest in the JV Co, an indirect wholly-owned subsidiary of WOP and an indirect holding company of the Property Holder. Following completion of the Divestment, the equity interest in the JV Co will be owned as to 50% by each of the KKR JV Partner and the WOP JV Partner and each member of the JV Group will cease to be subsidiaries of WOP, and will be recognised as joint ventures of WOP and their accounts will not be consolidated with those of the WOG Group or the WOP Group.

* *For identification purpose only*

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

The board of directors of each of WOG and WOP is also pleased to announce that on 29 April 2019, pursuant to the terms of the Agreement, WOP and the WOP JV Partner have entered into the Share Sale Agreement with the KKR JV Partner in relation to the Divestment.

All the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Divestment, the Lease and the Joint Venture in respect of the JV Co 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 Lease and the Joint Venture in respect of the JV Co is more than 5% but is less than 25% for WOG, the Lease and the Joint Venture in respect of the JV Co 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 24 January 2019 in relation to the successful bid made by the Purchaser (as the Property Holder), an indirect wholly-owned subsidiary of WOP, to acquire the Property at a consideration of HK\$653.0 million.

The board of directors of each of WOG and WOP is pleased to announce that on 29 April 2019, WOP has entered into the Agreement with KKR, an Independent Third Party, whereby the parties agreed that, among other things, the KKR JV Partner will acquire and subscribe for new shares, and the WOP JV Partner will dispose of a 50% equity interest in the JV Co, an indirect wholly-owned subsidiary of WOP and an indirect holding company of the Property Holder.

AGREEMENT

Date : 29 April 2019

Parties : (i) WOP; and

(ii) KKR, an Independent Third Party.

Subject matter

The KKR JV Partner will acquire and subscribe for new shares, and the WOP JV Partner will dispose of a 50% equity interest in the JV Co. The total sum payable by the KKR JV Partner for the Investment amounts to approximately HK\$180 million, of which:

- (i) approximately HK\$60.4 million equivalent to 50% of all equity investment already paid by the WOP JV Partner in the JV Co, will be paid to the WOP JV Partner for acquiring 50% of the entire issued share capital of the JV Co from the WOP JV Partner; and
- (ii) the remaining balance for an amount not exceeding HK\$122 million, will be paid to the JV Co for subscription of new shares in the JV Co at the same time the WOP JV Partner subscribes for an equal number of new shares for the same subscription monies in the JV Co.

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 definitive 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 sale and purchase agreement for the acquisition of the Property cannot or will not be satisfied or that the vendor of the Property is not ready, willing and able to proceed with completion of the acquisition of the Property.

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

The total sum of Investment was determined by arm's length negotiations between WOP and KKR 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 Property Holder to acquire the Property, and funds required to support the operation of the Property Holder after taking into account the third party finance that the JV Co and the Property Holder expect to obtain to fund the acquisition of the Property. The board of directors of both WOG and WOP consider the terms of the Divestment and the Investment to be fair and reasonable and in the interests of each of WOG and WOP and their respective shareholders as a whole.

Completion of the Divestment is expected to take place on or before 6 May 2019. Following completion of the Divestment, the equity interest of the JV Co will be owned as to 50% by each of the KKR JV Partner and the WOP JV Partner, and each member of the JV Group will cease to be subsidiaries of WOP, and will be recognised as joint ventures of WOP and their accounts will not be consolidated with those of the WOG Group or the WOP Group. Final completion of the entire Investment covering the subscription of new shares by both the WOP JV Partner and the KKR JV Partner shall take place no later than three clear business days prior to completion of the acquisition of the Property, which is expected to take place on 16 May 2019. Following completion of the Investment, the equity capital of the JV Co will be increased to a maximum amount of approximately HK\$360 million.

Funding for the JV Co

Pursuant to the Agreement, none of the partners of the JV Co has additional commitment above the sum of Investment 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 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 the indirect holding company of the Property Holder and is expected to be engaged solely in the acquisition and holding of the Property through the Property Holder.

As set out in the joint announcement of WOG and WOP dated 24 January 2019, the JV Co intends to refurbish certain parts of the Property for retail purpose. Subject to the clauses and expiry dates of certain tenancies in respect of the Property, WOG and WOP will adjust the tenant mix to meet the demands of customers pursuing high quality, healthy and stylish living for a higher rental yield, which is expected to broaden its prospect and thus, increase the future rental value, thereby enhancing the future capital appreciation of the Property.

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 of the Property by the Property Holder.

Term of the joint venture

The proposed joint venture shall have a term of five years from completion of the acquisition of the Property by the Property Holder unless extended by the WOP JV Partner and the KKR JV Partner in writing.

LEASE

Pursuant to the terms of the Agreement, the Property Holder will, upon or as soon as possible following completion of the acquisition of the Property, 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 28,200 sq. ft. to be designated as a retail area operated by the lessee which is currently subject to existing tenancies and licence(s) expiring in the period between 2019 to 2023 with an aggregate monthly rent of approximately HK\$602,000. The management fees are apportioned among and borne by the tenants.

Term and rent:

The Lease will be for a term of 10 years commencing from the time vacant possession is delivered at a rent which will increase progressively over the lease term aggregating to an amount of approximately HK\$270.1 million for the full lease term, with a 3-month 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\$213.4 million in the accounts, 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 KKR 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.

FURTHER INFORMATION ON THE OPERATION OF THE JV CO

Pursuant to the terms of the Agreement, the Property Holder will, upon completion of the acquisition of the Property, also 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.

TERMINATION

The Agreement shall be terminated if:

- (i) the sale and purchase agreement entered into by the Property Holder in relation to the acquisition of the Property is terminated; and
- (ii) either party exercises its right to terminate the Agreement for breach by the other party for any breach of any representations or warranties set out in the Share Sale Agreement or in the definitive subscription agreement for the additional subscription of shares in the JV Co by each of the WOP JV Partner and the KKR JV Partner or failure to consummate the acquisition by the KKR JV Partner or disposal by the WOP JV Partner of 50% the equity interest in the JV Co on or before 6 May 2019.

SHARE SALE AGREEMENT

The board of directors of each of WOG and WOP is also pleased to announce that on 29 April 2019, pursuant to the terms of the Agreement, WOP and the WOP JV Partner have entered into the Share Sale Agreement with the KKR JV Partner in relation to the Divestment. Completion of the Divestment shall be conditional upon:-

- (i) each of the representations and warranties of WOP and the WOP JV Partner under the Share Sale Agreement shall be true and correct;
- (ii) no law or order prohibiting the transaction; and
- (iii) neither party has notice that the conditions under the sale and purchase agreement for the acquisition of the Property cannot or will not be satisfied or that the vendor of the Property is not ready, willing and able to proceed with completion of the acquisition of the Property.

REASONS FOR AND BENEFITS OF THE DIVESTMENT, THE FORMATION OF THE JOINT VENTURE 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 KKR under the Agreement 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 Agreement, the Lease and the Joint Venture 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

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

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DEFINITIONS

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

“affiliate”	in relation to a company, its subsidiary, fellow subsidiary or holding company
“Agreement”	the binding term sheet executed by WOP and KKR on 29 April 2019 in relation to, among other things, the Investment and the Joint Venture in respect of the JV Co
“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 PRC
“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
“Investment”	acquisition of and investment by the KKR JV Partner for a 50% equity interest in the JV Co for a total consideration and investment sum of up to approximately HK\$180 million pursuant to the Agreement
“Joint Venture”	the formation of the joint venture in respect of the JV Co, including the subscription by the WOP JV Partner of additional shares in the JV Co for the same number and the same subscription monies as the KKR JV Partner of not more than HK\$122 million under the Investment

“JV Co”	Oriental Sunlight Limited 東曉有限公司, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of WOP and the indirect holding company of the Property Holder, principally engaged in investment holding
“JV Group”	the JV Co and its subsidiaries
“KKR”	Metal Jacket Holding III 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
“KKR JV Partner”	KKR or an affiliate of KKR which is directly or indirectly controlled by 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.
“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, for a term of 10 years
“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

“Property”	ALL THOSE 2,115 equal undivided 95,844th parts or shares of and in ALL THAT piece or parcel of ground registered in the Land Registry as Sha Tin Town Lot No. 530 (the “ Land ”) And of and in the development constructed on the Land (the “ Development ”) and is, as far as the residential accommodation is concerned, known as “Lake Silver (銀湖 • 天峰)” located at No. 599 Sai Sha Road, Ma On Shan, Sha Tin, New Territories, Hong Kong TOGETHER with the exclusive right and privilege to hold use occupy and enjoy ALL THAT the Commercial Accommodation (as defined in the Deed of Mutual Covenant and Management Agreement dated the 25 November 2009 and registered in the Land Registry by Memorial No. 09121602100078) including but not limited to the Commercial Areas (including the Commercial Parking Areas), the Commercial Common Areas and Facilities and the Kindergarten (all as defined in the aforementioned Deed of Mutual Covenant and Management Agreement) of the Development
“Purchaser” or “Property Holder”	Wellion Limited 偉愉有限公司, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the JV Co principally engaged in property investment, as the purchaser of the Property under the successful tender, and the owner of the Property upon completion of the acquisition which is expected to take place on 16 May 2019
“Share Sale Agreement”	the share sale agreement entered into between the KKR JV Partner, WOP and the WOP JV Partner on 29 April 2019 in relation to the Divestment
“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”	WOP or a direct or indirect wholly-owned subsidiary
“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, 29 April 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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