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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 THE FORMATION OF A JOINT VENTURE

The boards of directors of WOG and WOP are pleased to jointly announce that on 30 March 2021, WOP entered into the Binding Term Sheet with the JV Partner, an Independent Third Party, whereby the parties agreed that, among other things, the JV Partner shall subscribe for one share in the JV Co, representing 50% of the equity interest in the JV Co, at a subscription price of US\$1.00.

Following completion of the Subscription on the date of this joint announcement, the interest in the JV Co is now owned as to 50% by the WOP JV Partner 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.

Following completion of the Subscription on the date of this joint announcement, the Property Purchaser, an indirect wholly-owned subsidiary of the JV Co, also entered into the Sale and Purchase Agreement to acquire the Property for a consideration of HK\$300,000,000. The JV Group will fund the Acquisition from shareholder's loans to be provided by the WOP JV Partner and the JV Partner and non-recourse borrowings to be obtained from third-party banks and financial institutions.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) for the Joint Venture exceeds 5% but all the percentage ratios are below 25% for both WOG and WOP, the entering into of the Binding Term Sheet and the transactions contemplated thereunder constitute a discloseable transaction for each of WOG and WOP, and are therefore subject to reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The boards of directors of WOG and WOP are pleased to jointly announce that on 30 March 2021, WOP entered into the Binding Term Sheet with the JV Partner, an Independent Third Party, whereby the parties agreed that, among other things, the JV Partner shall subscribe for one share in the JV Co, representing 50% of the equity interest in the JV Co, at a subscription price of US\$1.00.

THE BINDING TERM SHEET

Date : 30 March 2021

Parties : (i) WOP; and

(ii) the JV Partner, an Independent Third Party.

Subject matter

The JV Partner shall subscribe for one share in the JV Co, at a subscription price of US\$1.00 (i.e. the Subscription). The completion of the Subscription took place on the date of the Binding Term Sheet.

Following completion of the Subscription on the date of this joint announcement, interest in the JV Co is now owned as to 50% by the WOP JV Partner and as to 50% by the JV Partner. 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.

Capital injection

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

- (i) upon signing of the Binding Term Sheet, the WOP JV Partner and the JV Partner shall contribute an aggregate of HK\$10,000,000 (the "**Initial Shareholder's Loan**") on a pro-rata basis (i.e. HK\$5,000,000 each) to the JV Co to fund the amount of the initial deposit payable under the Acquisition;
- (ii) the WOP JV Partner and the JV Partner shall contribute an aggregate of HK\$20,000,000 (the "**Additional Shareholder's Loan**") on a pro-rata basis (i.e. HK\$10,000,000 each) to the JV Co on 12 April 2021 to fund the further deposit payable under the Acquisition; and
- (iii) each of the WOP JV Partner and the JV Partner shall contribute an additional sum to be mutually agreed by the parties (the "**Final Loan Injection**") on a pro-rata basis, such sum shall be sufficient to cover the balance of the funds required to complete the Acquisition after taking into account such non-recourse borrowings to be obtained from external banks and financial institutions, which in any event shall not be more than an aggregate of HK\$142,000,000 (i.e. HK\$71,000,000 each), before completion of the Acquisition.

In the event that the JV Partner fails to pay its portion (or any amount thereof) of the Initial Shareholder's Loan or the Additional Shareholder's Loan, the WOP JV Partner shall procure additional funding to fund the shortfall amount arising therefrom provided that (i) if the JV Partner fails to pay at least 33% of each of the Initial Shareholder's Loan and the Additional Shareholder's Loan by 30 April 2021, both WOP and the WOP JV Partner shall have the right (but not the obligation) to require the JV Partner to sell its interest in the JV Co to WOP, the WOP JV Partner or their designated person at cost based on the amount already paid, and (ii) at any time before the JV Partner pays its portion of the Initial Shareholder's Loan and the Additional Shareholder's Loan in full, its entitlement to dividends shall be adjusted.

The total sum of above capital injection was determined with reference to, and will be used to satisfy, among other things, the purchase price payable by the Property Purchaser to complete the Acquisition, and the funds required to support the operation of the Property Purchaser, after taking into account the third-party finance that the JV Co and the Property Purchaser expect to obtain to fund the Acquisition.

WOP is expected to fund its commitment under the Binding Term Sheet by internal resources.

Additional investor of the JV Co

The parties have expressed their intention to jointly invite a third-party investor to participate as an additional shareholder of the JV Co for such amount of interest to be agreed.

Future funding for the JV Co

Pursuant to the Binding Term Sheet, the parties have agreed to cause the JV Group to arrange for non-recourse borrowings from external banks/financial institutions to fund the operation of the JV Co and any outstanding costs of the Acquisition.

Management of the JV Co

Upon the JV Partner becoming a shareholder of the JV Co, each of the WOP JV Partner and the JV Partner will have the right to appoint two directors of the JV Co. Chairman of the board of directors of the JV Co shall be designated by the parties every 12 months and shall not have a casting vote. The WOP JV Partner will designate the first chairman.

Lock up

Save in the case of any related party transfers and a disposal of shares to the additional investor contemplated under the Binding Term Sheet, neither party may dispose of its interest in the JV Co during the term of the joint venture except (i) in a tag-along and/or drag-along sale when the parties dispose of their interest in the JV Co; and (ii) on expiration of the initial 12 months from completion of the Acquisition.

Term of the joint venture

The proposed joint venture shall have a term of 4.5 years from completion of the Acquisition by the Property Purchaser unless extended by the WOP JV Partner and the JV Partner in writing.

FURTHER INFORMATION ON THE OPERATION OF THE JV CO

Pursuant to the terms of the Binding Term Sheet, upon completion of the Acquisition, WOP's designated subsidiary will be appointed as the asset manager of the Property on terms to be agreed by the parties.

TERMINATION

The Binding Term Sheet shall be terminated if, among other things:

- (i) the Sale and Purchase Agreement is terminated; and
- (ii) either party exercises its right to terminate the Binding Term Sheet for breach by the other party for any breach of any representations or warranties set out in the Binding Term Sheet.

INFORMATION ON THE JV CO AND THE PROPERTY PURCHASER

The JV Co is a newly established company for investment holding purpose with no operation or assets other than its interest as the indirect holding company of the Property Purchaser, which has, on 30 March 2021 and following the completion of the Subscription, entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with the Vendor, an Independent Third Party, in relation to the acquisition of the Property for a consideration of HK\$300,000,000. As at the date of this joint announcement, a deposit of HK\$10,000,000 has been paid and the balance of the consideration payable by the Property Purchaser will be financed by the Total Injection provided by the WOP JV Partner and the JV Partner in the manner as detailed in the section headed “The Binding Term Sheet — Capital injection” in this joint announcement and the non-recourse borrowings to be obtained from external banks/financial institutions.

Completion of the Acquisition is expected to take place on or before 25 June 2021. Upon the completion of the Acquisition, the Property Purchaser will directly hold the Property.

Terms of the Acquisition (including the consideration thereof) were determined based on arm’s length negotiations between the Property Purchaser and the Vendor on normal commercial terms with reference to, among other things, the current market value of comparable properties in the proximity of the Property.

INFORMATION ON THE PROPERTY

The Property consists of 11 shop units and certain lift, lift lobby(ies) and staircase(s) on the ground floor and the first floor of THE PARKVILLE (天生樓), which is located at No. 88, Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories, Hong Kong. The Property has a total gross floor area of 13,858 square feet and as at the date of this joint announcement, some of the shop units comprising the Property have been leased out.

REASONS FOR AND BENEFITS OF ENTERING INTO THE BINDING TERM SHEET

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.

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.

Prominently situated at Tuen Mun Heung Sze Hui Road intersecting Luk Yuen Road, the Property enjoys excellent traffic from one of the busiest roads with well-developed neighborhood. The only 3-minute walk from Tuen Mun MTR Station, Tuen Mun Light Rail Station, Tuen Mun commercial centre, transportation hub with cross border coach terminal and the affiliated large scale shopping mall via footbridge further brings vibrancy and creates a more dynamic prosperity.

The directors of both WOG and WOP consider that the co-operation with the JV Partner under the Binding Term Sheet presents a good opportunity to leverage on the WOG Group's and 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 can help explore its asset management business, enhance and enlarge the investment property portfolio of, and bring additional stable rental income to, the WOG Group. The Property will be further refurbished to optimise the tenant mix and rental income and is expected to broaden its prospect and thus, increase the future rental value, thereby enhancing the future capital appreciation of the Property.

The directors of both WOG and WOP consider that the terms of the Binding Term Sheet 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.

GENERAL

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) for the Joint Venture exceeds 5% but all the percentage ratios are below 25% for both WOG and WOP, the entering into of the Binding Term Sheet and the transactions contemplated thereunder constitute a discloseable transaction for each of WOG and WOP and are therefore subject to reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Property pursuant to the terms of the Sale and Purchase Agreement
“Additional Shareholder’s Loan”	has the meaning ascribed to it under the section headed “The Binding Term Sheet — Capital injection” in this joint announcement
“Binding Term Sheet”	the binding term sheet executed by WOP and the JV Partner on 30 March 2021 in relation to, among other things, the Joint Venture
“Final Loan Injection”	has the meaning ascribed to it under the section headed “The Binding Term Sheet — Capital injection” in this joint announcement
“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)) is, to the best of the knowledge, information and belief of the directors of WOG and WOP, having made all reasonable enquiries, independent of each of WOG, WOP and their respective connected persons within the meaning of the Listing Rules

“Initial Shareholder’s Loan”	has the meaning ascribed to it under the section headed “The Binding Term Sheet — Capital injection” in this joint announcement
“Joint Venture”	the formation of the joint venture in respect of the JV Co on a 50:50 basis upon the completion of the Subscription
“JV Co”	Merry Cottage Ltd., a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the WOP JV Partner prior to the date of this joint announcement and a jointly owned entity of WOP following the JV Partner’s subscription as at the date of this joint announcement, and the indirect holding company of the Property Purchaser, principally engaged in investment holding
“JV Group”	the JV Co and its subsidiaries
“JV Partner”	Turbo Holdings Ltd, a company incorporated in Cayman Islands with limited liability and principally engaged in investment holding, which is ultimately wholly-owned by Mr. Chiu Lon Ronald, who is an experienced property investor and operator in high-end food and beverage outlets
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“Property”	11 shop units and certain lift, lift lobby(ies) and staircase(s) on the ground floor and first floor of THE PARKVILLE (天生樓), which is located at No. 88, Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories, Hong Kong

“Property Purchaser”	Star Loyal Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the JV Co, which is principally engaged in property investment, the purchaser of the Property under the Sale and Purchase Agreement
“Sale and Purchase Agreement”	has the meaning ascribed to it under the section headed “Information on the JV Co and the Property Purchaser” in this joint announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of one share in the JV Co by the JV Partner at a subscription price of US\$1.00
“Total Injection”	collectively, the Initial Shareholder’s Loan, the Additional Shareholder’s Loan and the Final Loan Injection
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Vendor”	Million World Development Limited, a company incorporated in Hong Kong and principally engaged in property investment and beneficially owned by New World Development Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0017), the vendor of the Property under the Sale and Purchase Agreement, and the owner of the Property
“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 an indirect wholly-owned subsidiary of WOP
“%”	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, 30 March 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*