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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

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE INTEREST IN TRUE PROMISE LIMITED

THE DISPOSAL

The boards of directors of WOG and WOP respectively announce that on 18 February 2022, the Seller (an indirect wholly-owned subsidiary of WOP) entered into the Sale and Purchase Agreement with the Buyer (an indirect 50%-owned joint venture of WOP), pursuant to which the Seller conditionally agreed to sell and the Buyer conditionally agreed to purchase (a) the entire issued share capital in the Target Company (i.e the Sale Share); and (b) the shareholder's loan owing by the Target Company to the Seller as at the Completion Date (i.e. the Shareholder's Loan), at the aggregate consideration of HK\$490,732,000 (subject to adjustment) subject to the terms of the Sale and Purchase Agreement.

The Target Company is an indirect wholly-owned subsidiary of WOP and the sole owner of the Seed Project, which the WOP Group has recently completed its acquisition of. Upon Completion, the Target Company will cease to be a subsidiary of each of the WOG Group and the WOP Group and its financial results will no longer be consolidated into the consolidated financial statements of each of the WOG Group and the WOP Group but WOP Group will still hold an indirect 50% interest in the Target Company through the Buyer.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal exceeds 25% but is less than 75% for each of WOG and WOP, the Disposal constitutes a major transaction for each of WOG and WOP and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A special general meeting will be convened by WOG to consider and, if thought fit, to approve the Sale and Purchase Agreement and the Disposal. A circular containing, among other things, details of the Sale and Purchase Agreement and the Disposal, and a notice of special general meeting of WOG is expected to be despatched to its shareholders on or before 28 March 2022 as additional time is required for WOG to prepare and finalise certain information to be included in its circular.

To the best of the knowledge, information and belief of the directors of WOP, after having made all reasonable enquiries, no shareholders of WOP or any of their respective associates have any material interest in the Sale and Purchase Agreement and the Disposal, thus no shareholder of WOP is required to abstain from voting if WOP were to convene a special general meeting for the approval of the Sale and Purchase Agreement and the Disposal. WOP will obtain a written shareholders' approval from Earnest Spot Limited, the controlling shareholder holding 11,400,000,000 Shares, representing 75% of the total issued Shares of WOP, as at the date of this joint announcement, in lieu of holding a special general meeting to approve the Sale and Purchase Agreement and the Disposal in accordance with Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, WOP is required to despatch a circular containing, among other information, further details of the Sale and Purchase Agreement and the Disposal, to its shareholders within 15 business days after the publication of this joint announcement, which is on or before 11 March 2022. As it is expected that additional time is required for WOP to prepare and finalise certain information to be included in its circular, WOP will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules for the circular to be despatched on or before 28 March 2022. WOP will make further announcement after the waiver from the Stock Exchange has been obtained and the expected despatch date of the circular has been confirmed.

BACKGROUND

Reference is made to the Announcement of WOG and WOP dated 8 November 2021 in relation to, among other things, the formation of the joint venture in respect of the Buyer (an indirect 50%-owned joint venture of WOP) to engage in the acquisition of residential properties in Hong Kong within certain Investment Criteria as agreed with the APG JV Partner (being the owner of the remaining 50% interest in the Buyer) for development and re-development for sale.

The Target Company is an indirect wholly-owned subsidiary of WOP and the sole owner of the Seed Project, which the WOP Group has recently completed its acquisition of. The board of WOP and the Buyer have both agreed that this project will fall within the Investment Criteria and on 18 February 2022, the Seller (an indirect wholly-owned subsidiary of WOP) entered into the Sale and Purchase Agreement with the Buyer in relation to the disposal of the Seed Project to the Buyer, pursuant to which the Seller conditionally agreed to sell and the Buyer conditionally agreed to purchase (a) the entire issued share capital of the Target Company (i.e the Sale Share); and (b) the shareholder's loan owing by the Target Company to the Seller as at the Completion Date (i.e. the Shareholder's Loan), at the aggregate consideration of HK\$490,732,000 (subject to adjustment) subject to the terms of the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

Date

18 February 2022

Parties

- (i) The Seller, an indirect wholly-owned subsidiary of WOP, as seller
- (ii) The Buyer, an indirect 50%-owned joint venture of WOP and owned as to the remaining 50% interest by the APG JV Partner, as buyer

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 APG JV Partner and its ultimate beneficial owner(s) is a third party independent of each of WOG, WOP and their respective connected persons.

Subject matter

The Sale Share, representing the entire issued share capital of the Target Company, and the Shareholder's Loan owing by the Target Company to the Seller. The Sale Share is sold free from encumbrances save for the Bank Loan Securities.

The Target Company directly holds 100% legal and beneficial ownership of the Seed Project. The Seed Project is sold on an "as-is" basis free from encumbrances save for certain existing tenancies, further details of which are set out below in this joint announcement, and the Bank Loan Securities.

Consideration

The consideration for the Target Company shall be an initial sum of approximately HK\$490,732,000 payable to the Seller on Completion. The consideration shall be adjusted such that an amount equal to the difference between the initial sum for the Target Company and the Net Asset Value shall be added to (if the Net Asset Value is higher than the initial sum) or deducted from (if the Net Asset Value is lower than the initial sum) the consideration.

The consideration for the Target Company was determined based on arm's length negotiations between the parties with reference to the WOP Group's investment cost in respect of the Seed Project. As the re-development of the Seed Project has not yet commenced, the directors of both WOG and WOP consider that it is fair and reasonable to determine the consideration for the Target Company based on the investment cost, comprising principally of the acquisition cost of the Seed Project incurred and estimated to be required for completing the acquisition of the Seed Project since November 2021, together with other stamp duty, construction and legal costs, consultancy fees and interest expenses to be incurred up to Completion, instead of the market value of the Seed Project.

Condition precedent

Completion is conditional upon the approval by the shareholders of each of WOP and WOG for the Seller to enter into the Sale and Purchase Agreement having been obtained and/or any other requirements required to be fulfilled under the Listing Rules before Completion having been fulfilled.

If the condition precedent set out above is not fulfilled on or before the date falling within 6 months from the date of the Sale and Purchase Agreement (or such later date as the parties may agree in writing), the Sale and Purchase Agreement shall terminate automatically.

Completion

Completion shall take place following the satisfaction of the condition precedent set out above or on such other date as agreed between the parties (the “**Completion Date**”).

Upon Completion, the Target Company will cease to be a subsidiary of each of the WOG Group and the WOP Group and its financial results will no longer be consolidated into the consolidated financial statements of each of the WOG Group and the WOP Group but the WOP Group will still hold an indirect 50% interest in the Target Company through the Buyer.

INFORMATION ON THE TARGET COMPANY AND THE SEED PROJECT

The Target Company is incorporated in Hong Kong with limited liability for property holding purpose with no other major assets besides its direct interests in the Seed Project. The Target Company is an indirect wholly-owned subsidiary of WOP prior to Completion.

The Seed Project comprises the residential and commercial units located at Nos. 12-16, 18-20, 22 and 24 Ting Yip Street, Ngau Tau Kok, Kowloon, Hong Kong, with a total gross floor area of approximately 46,000 square feet, part of which is subject to existing tenancies expiring in or before April 2023 with an aggregate monthly rent of approximately HK\$80,300. The WOP Group will be retained as the asset manager of the Seed Project to provide property asset management services to the Buyer and its subsidiaries from time to time for a management fee comprising a fixed fee and a performance fee determined with reference to the performance of property projects managed by the asset manager, and it is the intention of the WOP Group to re-develop the Seed Project as residential and commercial/mixed use property for sale through the Buyer.

Financial information of the Target Company

Set out below is a summary of the unaudited financial information of the Target Company for the period from 18 March 2021 (i.e. the date of incorporation of the Target Company) to 31 January 2022:

**For the period from 18 March 2021
(date of incorporation)
to 31 January 2022**
Approximately
HK\$'000
(unaudited)

Net loss before taxation	936
Net loss after taxation	936

The unaudited net liabilities of the Target Company as at 31 January 2022 was approximately HK\$936,000.

FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

It is estimated that both the WOG Group and WOP Group will record a loss on the Disposal in the amount of approximately HK\$3,000,000, which is calculated based on the initial consideration for the Disposal and taking into account the net liabilities of, and the outstanding loans remaining after repayments made by the Target Company up to and as at 31 January 2022. The actual loss will be subject to review by the auditors of WOP and WOG.

The net proceeds arising from the Disposal will be used in part for repayment of the bank loan(s) of the WOP Group and in part to fund the WOP Group's share of the consideration payable by the Buyer in relation to the Disposal by way of providing its pro rata share of the shareholders' loan to the Buyer in accordance with the terms of the subscription and shareholders' agreement dated 8 November 2021 entered into among an indirect wholly-owned subsidiary of WOP, WOP, the APG JV Partner and the Buyer in respect of the formation of joint venture in respect of the Buyer, further details of which are set out in the Announcement. The total commitment paid by the WOP Group to the Buyer following Completion will increase from approximately HK\$639,371,000 to HK\$780,587,000.

INFORMATION ON THE SELLER

The Seller is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of WOP principally engaged in investment holding.

INFORMATION ON THE BUYER

The Buyer is a company established in Hong Kong with limited liability and a joint venture of WOP owned as to 50% by an indirect wholly-owned subsidiary of WOP and 50% by the APG JV Partner, which is established in the Netherlands and is the depositary of APG Strategic Real Estate Pool (the “**Pool**”), with an agreed maximum capital commitment of up to HK\$2,334,000,000 from each of the WOP Group and the APG JV Partner. The Pool is a fund formed for the purpose of collective investments by its participants, all being Dutch pension funds. The Pool is established as a fund for joint account (fonds voor gemene rekening) under Dutch laws. It is not a legal entity but a contractual arrangement between the APG JV Partner, APG Asset Management N.V., a licensed investment manager in the Netherlands as its manager, and its participants which invest in it through subscribing an interest in it.

The Buyer is principally engaged in the acquisition for development and re-development of residential properties in Hong Kong which satisfies certain Investment Criteria for sale.

INFORMATION ON THE WOG GROUP, WOP 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; (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.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The directors of both WOG and WOP consider that the Disposal will allow WOG and WOP to operate the Seed Project through the Buyer, which is expected to improve the liquidity of each of WOG and WOP. Accordingly, the Disposal will enable WOP to reallocate its resources into future investment opportunities and pursue other growth opportunities, respectively. The Disposal will also help the WOP Group to expand its property asset management business for additional stable property asset management fee.

The directors of both WOG and WOP consider that the Disposal and the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of each of WOG, WOP and their respective shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal exceeds 25% but is less than 75% for each of WOG and WOP, the Disposal constitutes a major transaction for each of WOG and WOP and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A special general meeting will be convened by WOG to consider and, if thought fit, to approve the Sale and Purchase Agreement and the Disposal. A circular containing, among other things, details of the Sale and Purchase Agreement and the Disposal, and a notice of special general meeting of WOG is expected to be despatched to its shareholders on or before 28 March 2022 as additional time is required for WOG to prepare and finalise certain information to be included in its circular.

To the best of the knowledge, information and belief of the directors of WOP, after having made all reasonable enquiries, no shareholders of WOP or any of their respective associates have any material interest in the Sale and Purchase Agreement and the Disposal, thus no shareholder of WOP is required to abstain from voting if WOP were to convene a special general meeting for the approval of the Sale and Purchase Agreement and the Disposal. WOP will obtain a written shareholders' approval from Earnest Spot Limited, the controlling shareholder holding 11,400,000,000 Shares, representing 75% of the total issued Shares of WOP, as at the date of this joint announcement, in lieu of holding a special general meeting to approve the Sale and Purchase Agreement and the Disposal in accordance with Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, WOP is required to despatch a circular containing, among other information, further details of the Sale and Purchase Agreement and the Disposal, to its shareholders within 15 business days after the publication of this joint announcement, which is on or before 11 March 2022. As it is expected that additional time is required for WOP to prepare and finalise certain information to be included in its circular, WOP will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules for the circular to be despatched on or before 28 March 2022. WOP will make further announcement after the waiver from the Stock Exchange has been obtained and the expected despatch date of the circular has been confirmed.

DEFINITIONS

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

“Announcement”	the joint announcement dated 8 November 2021 jointly issued by WOG and WOP in relation to, among other things, the formation of the joint venture in respect of the Buyer to engage in the acquisition of residential properties in Hong Kong within certain Investment Criteria as agreed with the APG JV Partner for development and re-development for sale
“APG JV Partner”	Stichting Depository APG Strategic Real Estate Pool, the depository of the Pool
“associates”, “connected persons” and “percentage ratio”	each has the meaning as ascribed to it under the Listing Rules
“Bank Loan Securities”	the security documents in relation to the New Bank Loan to be entered into by the Target Company in favour of the relevant bank (including, among others, a mortgage over the Seed Project) at the same time as Completion
“Buyer”	Giant Harmony Limited, a company incorporated in Hong Kong with limited liability and an indirect 50%-owned joint venture of WOP
“Completion”	completion of the Disposal pursuant to the Sale and Purchase Agreement

“Completion Date”	the date of completion of the Disposal as referred to in the section headed “The Sale and Purchase Agreement – Completion”
“Disposal”	the disposal of the Sale Share and the assignment of the Shareholder’s Loan by the Seller to the Buyer pursuant to the Sale and Purchase Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Criteria”	the investment criteria as the WOP Group and the APG JV Partner may from time to time agree with reference to the size and projected return of the projects for sale, which currently includes residential properties in urban locations in Hong Kong with a project site and gross floor area of at least 3,500 square feet and at least 30,000 square feet, respectively, but excluding properties acquired from certain sources or obtained through certain procedures, including through government tender, further details of which are set out in the Announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Net Asset Value”	the total assets of the Target Company minus total consolidated liabilities of the Target Company (other than the liability in respect of the Shareholder’s Loan and the New Bank Loan) as at Completion
“New Bank Loan”	a loan to be granted in favour of the Target Company by a third-party bank in Hong Kong, which shall be used to refinance the existing bank loan owing by the Target Company to a third-party bank in Hong Kong at the same time as Completion
“Pool”	has the meaning as defined in the section headed “Information on the Buyer”

“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
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18 February 2022 entered into between the Seller and the Buyer in relation to the Disposal
“Sale Share”	one issued ordinary share of the Target Company, representing the entire issued share capital of the Target Company legally and beneficially owned by the Seller prior to Completion
“Seed Project”	the residential and commercial units located at Nos. 12-16, 18-20, 22 and 24 Ting Yip Street, Ngau Tau Kok, Kowloon, Hong Kong
“Seller”	City Arise Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of WOP
“Share(s)”	ordinary share(s) in the share capital of WOP
“Shareholder’s Loan”	the shareholder’s loan(s) owing by the Target Company to the Seller as at the Completion Date, being unsecured, interest-free shareholder’s loan(s) repayable on demand, amounting to approximately HK\$282,433,000 as at the date of this joint announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Company”	True Promise Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Seller prior to Completion and the sole legal and beneficial owner of the Seed Project

“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 of
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 of
WANG ON PROPERTIES LIMITED
宏安地產有限公司
Tang Ho Hong
Executive Director and Chief Executive Officer

Hong Kong, 18 February 2022

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*