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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 FORMATION OF A JOINT VENTURE

FORMATION OF A JOINT VENTURE

The boards of directors of WOG and WOP are pleased to announce that on 28 December 2022, WOP JV Partners (two indirect wholly-owned subsidiaries of WOP) entered into the Shareholders' Agreement with the AG JV Partners and the JV Companies in respect of the JV Formation for engaging in the acquisition and operation of the Property. The total maximum capital commitment of the WOP JV Partners in the JV Companies is approximately HK\$504.0 million.

The JV Companies are and will remain owned as to 65% by the AG JV Partners and 35% by the WOP JV Partners, respectively. The JV Companies are not subsidiaries of WOP, and their accounts will not be consolidated with those of either the WOG Group or the WOP Group.

As at the date of this joint announcement, the WOP JV Partners have advanced shareholder's loans in the aggregate amount of HK\$143.6 million to the JV Companies.

Further capital commitment contemplated under the JV Formation is conditional upon each of WOG and WOP having obtained the approval of their respective shareholders in respect of the Shareholders' Agreement and the JV Formation; and the acquisition becoming unconditional in all respects.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the JV Formation exceeds 25% but is less than 100% for each of WOG and WOP, the JV Formation 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 Shareholders' Agreement and the JV Formation. A circular containing, among other things, details of the Shareholders' Agreement and the JV Formation, and a notice of special general meeting of WOG is expected to be despatched to its shareholders on or before 17 February 2023 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 Shareholders' Agreement and the JV Formation, 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 Shareholders' Agreement and the JV Formation. WOP has obtained 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 Shareholders' Agreement and the JV Formation 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 Shareholders' Agreement and the JV Formation, to its shareholders within 15 business days after the publication of this joint announcement, which is on or before 19 January 2023. 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 17 February 2023. 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.

WARNING

Shareholders and potential investors of both WOG and WOP should be aware that the Shareholders' Agreement is subject to the fulfillment of certain conditions precedent being satisfied, as set out in the section headed "The Shareholders' Agreement – Conditions precedent" of this joint announcement, and consequently may or may not proceed. Investors are advised to exercise caution when dealing in the securities of both WOG and WOP and if they are in any doubt about their position, they should consult their professional advisers.

BACKGROUND

The boards of directors of WOG and WOP are pleased to announce that on 28 December 2022, two indirect wholly-owned subsidiaries of WOP entered into the Shareholders' Agreement in respect of the JV Formation for the acquisition and operation of the Property.

THE SHAREHOLDERS' AGREEMENT

Date

28 December 2022

Parties

- (i) the WOP JV Partners (both indirect wholly-owned subsidiaries of WOP)
- (ii) the AG JV Partners (two limited partnerships, both acting by their general partners, AGR XI Asia Member GP, L.L.C.)
- (iii) the JV Companies

The JV Companies are indirectly owned as to 35% by WOP and are not subsidiaries of WOP or WOG.

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 AG JV Partners and their respective investment manager and general partner is a third party independent of, and is not connected with, each of WOG, WOP and their respective connected persons.

Business of the JV Companies

The sole business of Fortune Harbour Investments Limited shall be to purchase, hold, lease out the Property for business use approved by its board of directors and sell the Property and/or its holding company for capital gain; while the sole business of Mega Hope Global Limited shall be to renovate, rebrand, remarket, manage and operate the Property (including the hotel building erected thereon) for business use approved by its board of directors for revenue.

Capital commitment

The total capital commitment in respect of the JV Group is HK\$1,440 million, to be borne as to 65% by the AG JV Partners, and as to 35% by the WOP JV Partners.

As at the date of this joint announcement, the WOP JV Partners and the AG JV Partners have advanced shareholder's loans in the aggregate amount of approximately HK\$143.6 million and HK\$266.6 million, respectively, to the JV Companies as contribution for the payment of deposit required for the acquisition of the Property.

Subject to fulfillment of the conditions set out in the section headed "Conditions precedent" in this joint announcement, the JV Partners may be required to further inject capital or guarantee for external financing from time to time up to the aggregate total commitment on pro-rata basis, based on their equity ratio in the JV Companies of 65:35 according to the JV Companies' capital requirements.

The total capital commitment contributed and to be contributed by the WOP JV Partners (including the shareholder's loans provided by WOP JV Partners as set out above) in the aggregate amount of HK\$504.0 million has been or will be settled by cash and funded by internal resources of the WOP Group and/or external financing.

The respective contribution to the total capital commitment to the JV Companies by the WOP JV Partners and the AG JV Partners is determined after arm's length negotiations among the parties with reference to the proposed capital requirements of the JV Companies (in particular, the capital required for the completion of the acquisition, the renovation and the operation of the Property and the initial working capital of the JV Companies) and the parties' prorated interests in the JV Companies.

Future funding for the JV Companies

All further capital requirements of any member of the JV Group exceeding its own resources from time to time shall be met first by way of external borrowings or financing to be sought from banks or financial institutions and, failing which, by way of further shareholder's loans as agreed by the relevant JV Partners and as provided under the Shareholders' Agreement.

Board composition

The board of directors of each JV Company shall comprise a maximum of three directors, two of which shall be appointed by the relevant AG JV Partner, and one of which shall be appointed by the relevant WOP JV Partner. The chairman of the board of each JV Company shall be elected among its directors and shall not be entitled to a second or casting vote in meetings.

Distribution

Unless otherwise required or restricted by bank(s) or financial institution(s) in connection with the JV Group's external financing, all profits of the JV Group shall be distributed to its shareholders in accordance with applicable BVI laws.

Transfer of shareholding interest

The shareholders of each JV Company shall be subject to certain transfer restrictions (including a right of first offer, tag-along right and drag-along right) in a proposed transfer of equity interests in the relevant JV Company on the terms set out in the Shareholders' Agreement. In the event of the occurrence of certain events of default as set out in the Shareholders' Agreement, including a material breach by a shareholder, the non-defaulting shareholder may sell or require the defaulting party to buy its shareholder's interests in the relevant JV Company on certain terms agreed therein. In all cases, completion of any transfer of shareholding interest in the JV Companies shall be subject to compliance with the applicable Listing Rules requirements.

Conditions precedent

A member of the JV Group had on 28 December 2022 entered into a sale and purchase agreement in relation to the acquisition of the Property at a consideration of HK\$2,000 million, subject to adjustment, the completion of which is expected to take place on or around 3 April 2023, subject to customary conditions.

As at the date of this joint announcement, the WOP JV Partners have advanced shareholder's loans in the aggregate amount of HK\$143.6 million to the JV Companies.

Further capital commitment contemplated under the JV Formation is conditional upon each of WOG and WOP having obtained the approval of their respective shareholders in respect of the Shareholders' Agreement and the JV Formation, and the acquisition of the Property becoming unconditional in all respects.

Any JV Partner will have the right to terminate the Shareholder's Agreement if the condition precedent in relation to the acquisition of Property is not satisfied by 3 April 2023. If the condition precedent set out above in relation to shareholders' approval of WOG and WOP is not fulfilled on or before 30 April 2023, the Shareholders' Agreement shall terminate automatically.

Other arrangements

It is expected that the JV Group will engage WOP Group as its asset manager in respect of the Property.

INFORMATION ON THE JV COMPANIES AND THE PROPERTY

Fortune Harbour Investments Limited was incorporated in November 2022 and, on completion of the acquisition of the Property, will indirectly own 100% interest in the registered owner of the Property. It is owned as to 65% by Penta Holding (BVI) L.P. and 35% by Wickert Investments Limited, and is solely engaged in purchasing, holding, leasing out the Property for business use approved by its board of directors and selling the Property and/or its holding company for capital gain.

Mega Hope Global Limited was incorporated in November 2022 and is solely engaged in renovating, rebranding, remarketing, managing and operating the Property for business use approved by its board of directors. It is owned as to 65% by Penta Investment (BVI) L.P. and 35% by Ever Sonic Enterprises Limited.

The WOP JV Partners (i.e. Wickert Investments Limited and Ever Sonic Enterprises Limited) are wholly-owned subsidiaries of WOP. For further information regarding the AG JV Partners (i.e. Penta Holding (BVI) L.P. and Penta Investment (BVI) L.P.), please refer to the section headed “Information on the AG JV Partners” in this joint announcement.

The JV Companies and their respective subsidiaries are newly incorporated companies and have not commenced any operation apart from the entering into of the sale and purchase agreement in relation to the acquisition of the Property. The aggregate unaudited total assets and the aggregate unaudited net liabilities of the JV Group as at 28 December 2022 were approximately HK\$410.2 million and HK\$0.1 million, respectively.

The Property is situated at No. 19 Luk Hop Street, Kowloon, Hong Kong, together with the hotel erected thereon currently known as “Pentahotel Hong Kong, Kowloon” (as may be rebranded and remarketed from time to time). The hotel building on the Property has 695 rooms with a total gross floor area of approximately 285,000 square feet. Situated between San Po Kong and Kai Tak in East Kowloon, the Property is positioned at a convenient location where both Diamond Hill MTR station and Kai Tak MTR station are within walking distance.

INFORMATION ON THE WOG GROUP 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, property development and asset management 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 67.26%-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 and asset management.

INFORMATION ON THE AG JV PARTNERS

Each of the AG JV Partners is a limited partnership established in the BVI, acting by its general partner, AGR XI Asia Member GP, L.L.C., being managed by Angelo, Gordon & Co, L.P., a well-known U.S. licensed investment manager. The limited partners of each AG JV Partner are investment funds managed by Angelo, Gordon & Co, L.P. with wide investor bases, and all eligible investors are “qualified purchasers” under the U.S. Investment Company Act of 1940. Such investment funds are not single purpose funds. Each AG JV Partner is principally engaged in real estate management business.

REASONS FOR AND BENEFITS OF THE JV FORMATION

The boards of directors of both WOG and WOP consider that the co-operation with the AG JV Partners under the Shareholders’ Agreement presents a good opportunity to capitalize on the WOP Group’s knowledge and expertise in property investment and asset management and to partner with an experienced investor to enhance and enlarge the investment property portfolio of, while bringing additional asset management fee and share of operating profit of the JV Group to the WOG Group and the WOP Group.

The directors of both WOG and WOP consider that the terms of the Shareholders’ Agreement and the transactions contemplated thereunder (including the JV Formation) 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 JV Formation exceeds 25% but is less than 100% for each of WOG and WOP, the JV Formation 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 Shareholders’ Agreement and the JV Formation. A circular containing, among other things, details of the Shareholders’ Agreement and the JV Formation, and a notice of special general meeting of WOG is expected to be despatched to its shareholders on or before 17 February 2023 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 Shareholders' Agreement and the JV Formation, 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 Shareholders' Agreement and the JV Formation. WOP has obtained 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 Shareholders' Agreement and the JV Formation 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 Shareholders' Agreement and the JV Formation, to its shareholders within 15 business days after the publication of this joint announcement, which is on or before 19 January 2023. 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 17 February 2023. 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:

“AG JV Partners”	Penta Holding (BVI) L.P. and Penta Investment (BVI) L.P., both are limited partnerships established in the BVI, acting by their general partner, AGR XI Asia Member GP, L.L.C., and “AG JV Partner” shall mean any or each of them, as the context requires
“associates”, “connected persons” and “percentage ratio”	each has the meaning as ascribed to it under the Listing Rules
“Business Day”	a day, other than a Saturday or Sunday, on which banks are generally open in Hong Kong and New York, the U.S. to the general public for business
“BVI”	the British Virgin Islands

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Companies”	Fortune Harbour Investments Limited and Mega Hope Global Limited, both are companies incorporated in the BVI with limited liability and are owned as to 65% by AG JV Partners and 35% by WOP JV Partners and “JV Company” shall mean any or each of them, as the context requires
“JV Formation”	the formation of joint venture contemplated under the Shareholders’ Agreement
“JV Group”	the JV Companies and their subsidiaries from time to time
“JV Partners”	collectively, AG JV Partners and WOP JV Partners, and “JV Partner” shall mean any or each of them, as the context requires
“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 Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	ALL THAT piece or parcel of ground registered in the Land Registry as NEW KOWLOON INLAND LOT NO.6473 TOGETHER WITH the messuages erections and buildings thereon now known as No.19 Luk Hop Street, Kowloon, Hong Kong, including the hotel building currently erected thereon and known as “Pentahotel Hong Kong, Kowloon”
“Share(s)”	ordinary share(s) in the share capital of WOP
“Shareholders’ Agreement”	the shareholders’ agreement dated 28 December 2022 and entered into among WOP JV Partners, AG JV Partners and JV Companies to govern the rights and obligations of the shareholders of the JV Companies
“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)
“U.S.”	The United States of America
“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 Partners”	Wickert Investments Limited and Ever Sonic Enterprises Limited, both are companies incorporated in the BVI with limited liability, and are indirect wholly-owned subsidiaries of WOP
“%”	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, 28 December 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, Justin, 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, Sr Dr. Leung Tony Ka Tung and Dr. Chan Ho Wah Terence as independent non-executive directors.

** For identification purpose only*