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KWAN ON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1559)

DISCLOSEABLE AND CONNECTED TRANSACTION AT SUBSIDIARY LEVEL – ACQUISITION OF THE ENTIRE ISSUED SHARES OF THE PROJECT COMPANY

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 23 September 2019 (after trading hours), the Purchaser (an indirect non wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire issued shares of the Project Company at the consideration of PHP236,300,000 (equivalent to approximately HK\$35,400,000).

Upon Completion, the Project Company will become an indirect non wholly owned subsidiary of the Company and the financial results of the Project Company will be consolidated into the Company's consolidated financial statements.

IMPLICATIONS UNDER LISTING RULES

As one or more applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but all relevant percentage ratios are less than 25%, the Acquisition constitute a disclosable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Dunfeng, one of the Vendors, held 34% shareholding interest in the Purchaser. Therefore, Dunfeng is the substantial shareholders of the Purchaser and is a connected person of the Company at the subsidiary level under the Listing Rules.

Since (a) Dunfeng is a connected person of the Company at the subsidiary level under the Listing Rules; (b) the Directors (including the independent non-executive Directors) have approved the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder; and (c) the independent non-executive Directors have confirmed that the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Sale and Purchase Agreement and the Transaction contemplated thereunder constitutes a connected transaction which is only subject to the reporting and announcement requirements, but is exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions precedent under the Sale and Purchase Agreement. The Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

INTRODUCTION

On 23 September 2019, the Purchaser (an indirect non wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendors pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the entire issued shares of the Project Company.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date: 23 September 2019

Purchaser: Anncore Properties Group Corp (an indirect non wholly owned subsidiary of the Company)

Vendors:

- (1) Dunfeng. Dunfeng is a company incorporated in The Philippines which is principally engaged in shipping and investment holding;
- (2) Rochelle Ann G. Santiago;
- (3) Anita Chan;
- (4) Carlos R. Guerrero;
- (5) Lawrence Daniel Sy; and
- (6) Herbie Maximillian C. Tan

As at the date of this announcement, Dunfeng; held 34% shareholding interest in the Purchaser. Therefore, Dunfeng is a substantial shareholder of the Purchaser and is a connected person of the Company at the subsidiary level under the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as Carlos R. Guerrero and Rochelle Ann G. Santiago holding 1% and 1% shareholding interest in the Purchaser respectively, each of (i) Rochelle Ann G. Santiago; (ii) Anita Chan; (iii) Carlos R. Guerrero; (iv) Lawrence Daniel Sy; and (v) Herbie Maximillian C. Tan is an Independent Third Party.

Assets to be taken up

Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally offered to sell and the Purchaser has conditionally agreed to purchase the entire issued shares of the Project Company. On the date of this announcement (after trading hours), the Project Company entered into the Land Acquisition Agreements with CBS Properties pursuant to which the Project Company agreed to acquire and CBS Properties agreed to sell all the interest in and the land use rights of the Target Land. Please refer to “Information of the Project Company” below for details.

Consideration

The consideration of the Acquisition was PHP236,300,000 (equivalent to approximately HK\$35,400,000). The consideration shall be settled by the Purchaser to the Vendors upon signing of the Sale and Purchase Agreement.

The consideration was determined after arm’s length negotiations between the Purchaser and the Vendors on normal commercial terms with reference to the net asset value of PHP236,300,000 (equivalent to approximately HK\$35,400,000) of the Project Company as at 30 June 2019 after taking into account of the revaluation deficit derived from the fair market value of the Target Land. The fair value of the Target Land was approximately PHP699,000,000 (equivalent to approximately HK\$104,800,000, which was appraised by an independent valuer engaged by the Company based on the direct comparison approach as at 1 July 2019.

The consideration shall be financed by the Purchaser using the internal resources of the Purchaser.

Conditions precedent

Completion of the Acquisition is conditional upon the satisfaction of the following conditions precedent on or before the Long Stop Date in accordance with the terms of the Sale and Purchase Agreement:

- (i) the Project Company having executed the Land Acquisition Agreement and the Land Acquisition Agreement having become unconditional;
- (ii) the Purchaser being reasonably satisfied with the content and conclusion of the Philippines legal opinions in respect of the Land Acquisition;
- (iii) the Purchaser having entrusted a qualified valuer to verify and appraise the fair value of the Target Land and being reasonably satisfied with the report of the valuation;
- (iv) all necessary relevant approvals and consents (including approvals of the relevant governmental and regulatory authorities) if any, in relation to the Land Acquisition Agreement and the transactions contemplated therein having been obtained by the Project Company;

- (v) there being no breach of any of the representations and warranties given under the Sale and Purchase Agreement prior to the Completion; and
- (vi) there being no material breach of any of the terms and conditions set out in the Sale and Purchase Agreement by the Vendors prior to the Completion.

All the above conditions precedent shall not be waived. In the event that all conditions precedent above are not satisfied on or before the Long Stop Date, and without affecting the liabilities for any breach of any terms of the Sale and Purchase Agreement, the Sale and Purchase Agreement and any matters contained thereof and the rights and obligations of the parties under the Sale and Purchase Agreement shall be deemed to be void. No party shall have any claim against the other in respect the obligations and liabilities or the sale and purchase of the entire issued shares of the Project Company and the transactions contemplated thereunder, provided that (i) non-fulfilment of any of the above conditions precedent is not due to the fault or default of the Purchaser or the Vendors; or (ii) there are prior breaches of the terms of the Sale and Purchase Agreement.

As at the date of the announcement, except for the condition precedent (i), all other conditions precedent have been satisfied.

Completion

Completion shall take place no later than the Long Stop Date after all of the conditions precedent to the Sale and Purchase Agreement having been fulfilled, or such other day as the parties to the Sale and Purchase Agreement may mutually agree in writing.

Upon Completion, the Project Company will become an indirect non wholly owned subsidiary of the Company and the financial results of the Project Company will be consolidated into the Company's consolidated financial statements.

INFORMATION OF THE PROJECT COMPANY AND THE TARGET LAND

The Project Company

The Project Company is a company incorporated in the Philippines on 13 July 2018 and is owned as to (i) 75.0% by Dunfeng Shipping Phils. Corp; (ii) 14.0% by Rochelle Ann G. Santiago, (iii) 10.0% by Anita Chan; (iv) 0.8% by Carlos R. Guerrero; (v) 0.1% by Lawrence Daniel Sy; and (vi) 0.1% by Herbie Maximillian C. Tan as at the date of this announcement.

As at the date of this announcement, the Project Company is an investment holding company and the purpose of it is to hold the entire interest of the Target Land upon completion of the Land Acquisition.

On the date of this announcement (after trading hours), the Project Company entered into the Land Acquisition Agreements with CBS Properties pursuant to which the Project Company agreed to acquire and CBS Properties agreed to sell all the interest in and the land use rights of the Target Land. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of CBS Properties and its ultimate beneficial owner is an Independent Third Party.

The aggregate consideration of the Land Acquisition was approximately PHP760,300,000 (equivalent to approximately HK\$114,000,000 (inclusive of the value-added tax and other land related tax payable by the Project Company)). It shall be settled by the Project Company to CBS Properties upon signing of the Land Acquisition Agreements partly by the paid-up capital and partly by the financing obtained by the Project Company from financial institutions.

As stated in the certificate of title of the Target Land, the Target Land comprises of two contiguous parcels of land with an aggregate area of approximately 3,312 square meters together with all the improvements existing thereon. Each of the two parcels of land is located at Padre Faura Street, Brgy.669, Zone 072, Ermita, City of Manila, the Republic of the Philippines. The Target Land is freehold land and for commercial and residential development use.

Set out below is the unaudited financial information of the Project Company as extracted from its unaudited financial statements for the year ended 31 December 2018.

	From the incorporation date to 31 December 2018 PHP (unaudited)
Revenue	–
Loss before tax	628,120
Loss after tax	628,120

As at 30 June 2019, the unaudited total asset value and the net asset value of the Project Company was approximately PHP45,100,000 and PHP16,600,000 respectively. On 9 September 2019, the paid up capital of the Project Company was increased from PHP18,750,000 to PHP300,000,000 and the net asset value is also increased by such amount accordingly.

REASONS AND BENEFITS FOR ENTERING INTO THE SALE AND PURCHASE AGREEMENT

The Company is an investment holding company. The Group’s core business in Hong Kong is the undertaking of Hong Kong Government public infrastructure projects. As disclosed by the Company in its Annual Report 2019, The Group has committed in seizing development opportunities under the Belt and Road Initiative in recent years. The execution of both the Sale and Purchase Agreement and the Land Acquisition Agreement will be a positive step for the Group to expand the business in foreign construction market.

Accordingly, the Board is of the view that the terms of the Sale and Purchase Agreement and the Land Acquisition Agreement, are all on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

“Board”	board of directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Kwan On Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board (Stock Code: 1559)
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“CBS Properties”	CBS Properties & Management Corporation, a company incorporated in the Philippines
“Director(s)”	the director(s) of the Company
“Dunfeng”	Dunfeng Shipping Phils. Corp, a company incorporated in the Philippines and is one of the Vendors
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Land Acquisition”	the acquisition of the entire interest and right of the Target Land by the Project Company from CBS Properties pursuant to the Land Acquisition Agreements

“Land Acquisition Agreements”	the memorandum of agreement and two deeds of absolute sale dated 23 September 2019 entered into between the Project Company and CBS Properties in respect of the Land Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2019
“Main Board”	Main Board of the Stock Exchange
“the Philippines”	The Republic of the Philippines
“PHP”	Philippines Pesos, the lawful currency of the Philippines
“Project Company”	Metrocity Properties Group Inc., a company incorporated in the Philippines
“Purchaser”	Anncore Properties Group Corp., a company incorporated in the Philippines and is owned as to (i) 75.0% by Dunfeng; (ii) 14.0% by Rochelle Ann G. Santiago, (iii) 10.0% by Anita Chan; (iv) 0.8% by Carlos R. Guerrero; (v) 0.1% by Lawrence Daniel Sy; and (vi) 0.1% by Herbie Maximillian C. Tan as at the date of this announcement
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 23 September 2019 entered into between the Purchaser and the Vendors in respect of the Acquisition
“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Land”	Two parcels of land located at Padre Faura Street, Brgy.669, Zone 072, Ermita, City of Manila, the Philippines.

“Vendors” (i) Dunfeng; (ii) Rochelle Ann G. Santiago; (iii) Anita Chan; (iv) Carlos R. Guerrero; (v) Lawrence Daniel Sy; and (vi) Herbie Maximillian C. Tan

“%” per cent

By order of the Board
Kwan On Holdings Limited
Chen Zhenghua
Chairman

Hong Kong, 23 September 2019

For the purposes of illustration only, any amount denominated in PHP in this announcement was translated into HK\$ at the rate of PHP 1 = HK\$6.67. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

As at the date of this announcement, the Executive Directors are Mr. Chen Zhenghua, Mr. Zhang Fangbing, Mr. Wong Wa, and Mr. Cao Lei; and the Independent Non-Executive Directors are Professor Lam Sing Kwong, Simon, Mr. Lum Pak Sum and Mr. Gong Zhenzhi.

If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.

* *For identification purpose only*