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KWAN ON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1559)

FURTHER INFORMATION IN RELATION TO DISCLOSEABLE TRANSACTION ACQUISITION OF APPROXIMATELY 13.3% EQUITY INTEREST IN A LISTED COMPANY IN THE PHILIPPINES

Reference is made to the announcement of the Company dated 10 May 2018 (the “**Announcement**”) regarding the acquisition of approximately 13.3% equity interest in IRC Properties, Inc, (the “**IRC**”) a listed company in the Philippines (the “**Acquisition**”). Capitalised terms used herein shall bear the same meanings as those defined in the Announcement unless the context requires otherwise.

BASIS IN DETERMINING THE CONSIDERATION OF THE ACQUISITION

In the Acquisition, the Company has taken into consideration the following factors in determining the Consideration which is PHP1.4 per Sale Share:

- (a) Based on the historical operating results and the audited financial statements of IRC for the year ended 31 December 2017, the book value per Sale Share is PHP1.24, based on the net assets value as at 31 December 2017 of PHP1,867,357,906 and the total issued shares of 1,499,913,964 shares as at 9 May 2018. However, as the development of the undeveloped lots of land of IRC (the “**Development**”) has not yet commenced, hence, the value of the Development has not been fully reflected in the financial statements of IRC.
- (b) Based on the valuation report (the “**Valuation**”) dated 11 September 2017 obtained from IRC and prepared by an independent licensed real estate appraiser in the Philippines appointed by IRC, the market value of the undeveloped lots of land with area of 21,372,679 square meters (the “**Undeveloped Land**”) appraised as at 30 June 2017 is approximately PHP23,509,946,900. The valuation methodology adopted for the Valuation is the sales comparison approach.

Consequently, the adjusted value per Sale Share is PHP10.2, computation of which is shown below:

	PHP
Land value per Valuation	23,509,946,900
Less: Total liabilities per audited financial statements for the year ended 31 December 2017	(1,786,327,428)
Less: Provision for clearing costs for the Undeveloped Land at PHP 300 per square meter (i.e. 21,372,679 x 300)	<u>(6,411,803,700)</u>
Adjusted value of IRC	15,311,815,772
Number of issued shares	<u>1,499,913,964</u>
Adjusted value per Sale Share	<u><u>10.2</u></u>

The Consideration of the Acquisition was determined after arm’s length negotiation between the Purchaser and the Seller on normal commercial terms after taking into account the abovementioned factors and the business prospect of IRC.

As explained above, the book value of PHP1.24 per Sale Share does not fully reflect the value of the Development. Moreover, after taking into account the Valuation of the Undeveloped Land, the adjusted value per Sale Share is PHP10.2 which is much higher than the value of the Sale Share at PHP1.4 per share.

Comparing the amount of Consideration, the book value of the Sale Shares, the adjusted value per Sale Share and the market share price of IRC (PHP1.04 per share as at 9 May 2018), the Directors are of the opinion that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of civil engineering and building services. The Acquisition will enable the Group to obtain contracts for the construction and infrastructural works for the Development.

The Company has invested in IRC in conjunction with Aggregate Business Group, Inc. (“**ABG**”), an independent third party, which holds approximately 26.9% interests in IRC. Accordingly, the Company and ABG jointly hold approximately 40.2% interests in the issued capital of IRC.

ABG has on 28 April 2018 entered into a Memorandum of Agreement with the Pasig River Rehabilitation Commission of the Philippines for the modernization, rehabilitation and maintenance of the Pasig River, Manila, Philippines. The Company and ABG plan to develop the land along the riverbank of the Pasig River and the Undeveloped Land jointly.

ABG has appointed 2 directors to the Board of Directors of IRC and one of them has been appointed as the chairman of the Board of Directors. The Company has also appointed one director to the Board of Directors of IRC on 17 May 2018. Based on the discussion and negotiation with ABG and IRC, the Group will most likely be awarded contracts for the construction and infrastructural works for the Development.

As at the date of this announcement, no documents, including but not limited to, memoranda of understanding or legally binding agreements have been executed by the Company with ABG and/or IRC. The Company will make further announcement(s) as and when appropriate.

The Acquisition will be accounted for as an investment of the Group in its financial statements as the Group intends to hold this investment for more than one year.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 24 May 2018

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.