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KWAN ON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1559)

SUPPLEMENTAL AND CLARIFICATION ANNOUNCEMENT IN RELATION TO THE DISCLOSEABLE AND CONNECTED TRANSACTION AT SUBSIDIARY LEVEL – ACQUISITION OF THE ENTIRE ISSUED SHARES OF THE PROJECT COMPANY

Reference is made to the announcement of Kwan On Holdings Limited (the “**Company**”) dated 23 September 2019, in relation to the acquisition of Metrocity Properties Group Inc. (the “**Announcement**”). Unless the context requires otherwise, capital terms used herein shall have the same meaning as used in the Announcement.

The Board wishes to provide the Shareholders and potential investors of the Company additional information in relation to the Acquisition as follows:

CONSIDERATION

The Board would like to supplement and clarify that the consideration of the Acquisition was determined based on a discount of 0.12% to the Adjusted NAV (as defined and calculated in the manner described below) of PHP236,579,000 (equivalent to approximately HK\$35,469,000). The Adjusted NAV is calculated based on the followings:

	<i>PHP'000</i>
(i) unaudited total net asset value of the Project Company as at 30 June 2019 assuming the Land Acquisition is completed	16,600
(ii) increased paid up capital of the Project Company completed on 9 September 2019	281,250
Less:	
(iii) the revaluation deficit of the Target Land (as calculated below)	<u>(61,271)</u>
The Adjusted NAV	<u><u>236,579</u></u>

The revaluation deficit of the Target Land as disclosed above is calculated based on the acquisition cost of the Target Land as set out in the Land Acquisition Agreement of approximately PHP760,271,000 (equivalent to approximately HK\$113,984,000) and the valuation of the Target Land amounting to PHP699,000,000 (equivalent to approximately HK\$104,798,000) which was appraised by an independent valuer engaged by the Company based on the direct comparison approach as at 1 July 2019.

Pursuant to the Sale and Purchase Agreement, no debts or liabilities of the Project Company is included in the consideration of the Acquisition and the Purchaser is not responsible for the repayment of any debts and liabilities arising from the Land Acquisition.

Save as the consideration of the Acquisition, neither the Group nor the Purchaser is committed to bear any cost prior to the Purchaser having received its interests in the Target Land.

TERMS OF THE SALE AND PURCHASE AGREEMENT

As set out in the Announcement, the consideration of the Acquisition shall be settled by the Purchaser to the Vendors upon signing of the Sale and Purchase Agreement. In light of this, the Board would like to supplement that in order to assess the fairness and reasonableness of the payment manner under the Sale and Purchase Agreement, the Board had carried out independent work done and obtained necessary information to enable the Board to reach an informed view on the above matter including, among other things:

- (i) obtained the valuation report prepared by an independent valuer and reviewed the underlying valuation workings and assumptions. It is concluded that as at the date of the Announcement, the Board was reasonably satisfied with the aforesaid valuation results of the Target Land;
- (ii) conducted site visits at the Target Land and have been provided with copies of documents in relation to the Land Acquisition; and
- (iii) engaged a Philippines legal adviser and obtained legal opinions that there is no material legal restrictions and/or obstacles in the application for the transfer of title of the Target Land from CBS Properties to the Project Company pursuant to the Land Acquisition Agreement.

As set out in the Announcement, except for the condition precedent (i) under the Sale and Purchase Agreement, all other conditions precedent have been satisfied as at the date of the Sale and Purchase Agreement. In view of this, the Board considered that the risk of failure to complete the Land Acquisition was not material and the independent work done as mentioned above is sufficient to minimise the risk faced by the Group prior to signing of the Sale and Purchase Agreement. As such, the Board concluded that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board would like to further clarify that the completion of the Acquisition is subject to the completion of the Land Acquisition by the Project Company.

The Board is pleased to announce that the Land Acquisition has been completed on 24 September 2019. Therefore, all the conditions of the Sale and Purchase Agreement have been fulfilled and completion of the Acquisition took place on 24 September 2019 in accordance with the terms and conditions of the Sale and Purchase Agreement.

REASONS AND BENEFITS FOR ENTERING INTO THE SALE AND PURCHASE AGREEMENT

The Board would like to supplement that upon completion of the Acquisition, the Group intends to develop the Target Land into a large scale residential development which is a 61 storey residential building (the “**Building**”) being erect on the Target Land.

Based on the current proposed plan as agreed by the management of the Company, the construction work of the Target Company is expected to start in December 2019 and completed by December 2023. According to the aforesaid proposed, the Group intends to sell out the residential units of the Building for income generated from sale of properties upon completion of the construction of the Building and the proposed development of the Target Land.

INFORMATION OF THE VENDOR AND THE PURCHASER

The Board would like to supplement and clarify the followings additional information:

- (i) as at the date of the Announcement, Dunfeng is owned as to (a) 39% by Ming Wai Annie Chan; (b) 30% by Carlos R. Guerrero; (c) 29% by Evangeline Posada Romero; (d) 1% by Huang Yi; and (e) 1% by Emmie Mahilum. Therefore, Carlos R. Guerrero is a substantial shareholder of Dunfeng. Given Dunfeng is a substantial shareholder of the Purchaser, Carlos R. Guerrero is also 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, each of Ming Wai Annie Chan, Evangeline Posada Romero, Huang Yi and Emmie Mahilum is the Independent Third Party.

- (ii) as at the date of the Announcement, the Purchaser is owned as to 40% by Kwan On Holdings (Philippines) Inc. (a wholly owned subsidiary of the Company); (ii) 24% by Wilvin Santiago Tai; (iii) 34% by Dunfeng; (iv) 1% by Carlos R. Guerrero; and (v) 1% by Rochelle Ann G. Santiago. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, save as Dunfeng and Carlos R. Guerrero, each of Wilvin Santiago Tai and Rochelle Ann G. Santiago is the Independent Third Party;
- (iii) On 20 September 2019, Wilvin Santiago Tai gave an irrevocable undertaking in favour of Kwan On Holdings (Philippines) Inc. thereby unconditionally and irrevocably undertake to attend at all times at any and all shareholders or directors meetings which they are entitled to attend by virtue of being the registered stockholders or directors and, in so far as may be allowed by and under Philippine laws, to vote at every such meeting in such manner as Kwan On Holdings (Philippines) Inc. or its authorized representative. Having considered such irrevocable undertaking has given the Company an absolute control over the Purchaser with reference to the applicable accounting standards, the Board considered that the Purchaser is a non-wholly owned subsidiary of the Company as at the date of the Announcement;

(iv) unless otherwise specified, the following terms as set out in the Announcement have the following meanings:

“Project Company”	Metrocity Properties Group Inc., a company incorporated in the Philippines with limited liability 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 the Announcement.
“Purchaser”	Anncore Properties Group Corp., a company incorporated in the Philippines with limited liability and is owned as to (i) 40% by Kwan On Holdings (Philippines) Inc.; (ii) 24% by Wilvin Santiago Tai; (iii) 34% by Dunfeng; (iv) 1% by Carlos R. Guerrero; and (v) 1% by Rochelle Ann G. Santiago as at the date of the Announcement.

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

Hong Kong, 27 September 2019

As at the date of this announcement, the Executive Directors are Mr. Chen Zhengua, 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.