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KWAN ON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1559)

DISCLOSEABLE TRANSACTION ACQUISITION OF APPROXIMATELY 13.3% EQUITY INTEREST IN A COMPANY LISTED ON THE PHILIPPINES STOCK EXCHANGE (the “Acquisition”)

SHARE SALE AGREEMENT

The Board of Kwan On Holdings Limited (the “**Company**” together with its subsidiaries “**the Group**”) is pleased to announce that on 9 May 2018 (after trading hours), Jovial Elm Limited (the “**Purchaser**”), a wholly-owned subsidiary of the Company, has entered into a Share Sale Agreement with Sigma Epsilon Fund Limited, a corporation organised under the laws of the Cayman Islands (the “**Seller**”), pursuant to which, the Purchaser agreed to acquire, and the Seller agreed to sell, 200,000,000 shares in IRC Properties, Inc (a company listed on the Philippine Stock Exchange, Stock Code: IRC) (“**IRC**”) (the “**Sale Shares**”) at a consideration of PHP280,000,000 (equivalent to approximately HK\$42,360,000). The Sale Shares represent approximately 13.3% equity interest in IRC. The Acquisition will be accounted for as an investment of the Group in its financial statements.

To the best of the Directors’ knowledge, information and beliefs having made all reasonable enquiries, as at the date of this announcement, the Seller and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Completion is subject to the fulfillment of a number of condition precedent(s) as set out in the Share Sale Agreement, the Acquisition may or may not proceed. Shareholders and public investors should exercise caution when dealing in the securities of the Company.

I. INTRODUCTION

On 9 May 2018 (after trading hours), Jovial Elm Limited (the “**Purchaser**”), a wholly-owned subsidiary of the Company, has entered into a Share Sale Agreement with Sigma Epsilon Fund Limited, a corporation organised under the laws of the Cayman Islands (the “**Seller**”), pursuant to which, the Purchaser agreed to acquire, and the Seller agreed to sell, 200,000,000 shares in IRC Properties, Inc, a company listed on the Philippine Stock Exchange, Stock Code: IRC (“**IRC**”) (the “**Sale Shares**”) at a consideration of PHP280,000,000 (equivalent to approximately HK\$42,360,000). The Sale Shares represent approximately 13.3% equity interest in IRC. The Acquisition will be accounted for as an investment of the Group in its financial statements.

II. THE SHARE SALE AGREEMENT

The principal terms and conditions of the Share Sale Agreement are set out below:

Date

9 May 2018

Parties

Seller: Sigma Epsilon Fund Limited, a corporation organised under the laws of the Cayman Islands

Purchaser: Jovial Elm Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

To the best of the Directors’ knowledge, information and beliefs having made all reasonable enquiries, as at the date of this announcement, the Seller and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Share Sale Agreement, the Company has agreed to acquire, and the Seller agreed to sell 200,000,000 Shares which represent approximately 13.3% equity interest in IRC, free from all encumbrances and together with all rights now or thereafter attaching thereto including all right to receive dividends or other distributions and to receive or subscribe for shares, options, debentures, notes or other securities, declared, paid or issued by IRC at any time on or after the completion of the Acquisition.

Consideration and payment method and Conditions Precedents

The consideration for the Acquisition is PHP280,000,000 (equivalent to approximately HK\$42,360,000), which shall be paid by the Purchaser to the Seller in cash upon receipt by the Purchaser of the followings:

- (a) A confirmation from the Purchaser's broker that (i) the PSE has approved the Regular or Special Block Sale, as the case may be, and (ii) the Sale Shares have been transferred to the said broker's account; and
- (b) A proxy duly executed by the Seller in favour of the Purchaser in connection with the 2018 annual stockholders' meeting and any adjournment thereof of IRC.

The consideration of the Acquisition was determined after arm's length negotiations between the Purchaser and the Seller on normal commercial terms after having taken into account: (i) the historical operating results of IRC; (ii) the assets, particularly the land reserve of IRC; and (iii) the business prospect of IRC.

The Consideration will be funded by the internal resources of the Group.

The Acquisition will be accounted for as an investment of the Group in its financial statements

INFORMATION OF THE PURCHASER, THE SELLER AND IRC

The Purchaser

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Company.

The Seller

The Seller is a limited company registered in the Cayman Islands. Its principal business activities include fund management.

IRC

IRC (formerly known as Interport Resources Corporation) was incorporated on 24 February 1975 and is primarily engaged in the acquisition, reclamation, development or exploration of land, forests, minerals, oil, gas, and other resources. The shares of IRC are listed on the PSE (Stock Code: IRC).

IRC has one wholly-owned subsidiary, Interport Development Corporation, which was established primarily to acquire and sell real estate of all kinds or hold such properties for investment purposes. IRC owns about 2,200 hectares of land in Binangonan, the Philippines.

Set out below is the information about the projects that IRC has completed and in progress since 2014:

Project Name	Year of commencement	Area (hectares)	Number of houses built/planned to build	Status
Sunshine Fiesta	2014	7	868	Completed and all houses had been sold
Fiesta Casitas	2015	5.2	640	In progress
Casas Aurora	2015	4	482	In progress

FINANCIAL INFORMATION

Set out below is the financial information extracted from the audited financial statements of IRC:

	Year ended 31 December	
	2017	2016
	(PHP'000)	(PHP'000)
	<i>(approximately)</i>	<i>(approximately)</i>
Revenue	195,648	224,731
Profit before tax	29,637	103,476
Net Income after tax	22,956	73,820
Total assets	3,653,685	3,539,350

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company is the holding company of the Group which is principally engaged in the provision of civil engineering and building services. IRC owns land titles of approximately 2,200 hectares in Binangonan, Rizal, the Philippines. The Acquisition offers an opportunity for the Group to expand its business in the Philippines and is therefore beneficial to the Group.

The Philippines is in the loop of the China’s One Belt, One Road routes. Furthermore, she is a member state of the Association of Southeast Asian Nations. The Philippines is at an advantageous geographical location of the One Belt, One Road Routes. Manila is the capital of the Philippines and the most densely populated city in the world. The total population of Manila is over 22 million. Gross domestic product (“GDP”) growth is approximately 6.6% in the fourth quarter of 2017 while the estimated GDP per capita for 2018 is approximately US\$4,000.

Binangonan is about 30 kilometer from Manila and approximately 25 kilometer from Makati City. In addition, the planning of the revamp of the transportation network (which includes highway, waterway and railway) connecting Binangonan and Manila is in progress. With the extensive land reserve, IRC has great potential to develop a subcentre in Metro Manila with focus on tourism, entertainment and convention and exhibition centre. Such development will create significant demand in infrastructure works which includes the building of roads and mass transportation.

The Directors (including the Independent Non-executive Directors) are of the view that the terms of the Share Sale Agreement (including the Consideration) are on normal commercial terms, fair and reasonable, and the Acquisition is in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATION

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

As the Completion is subject to the fulfillment of a number of condition precedent(s) as set out in the Share Sale Agreement, the Acquisition may or may not proceed. Shareholders and public investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Acquisition”	the acquisition of 200,000,000 Shares which represents approximately 13.3% equity interest in IRC as at Completion
“Board”	the board of directors of the Company
“Completion”	completion of the Acquisition in accordance with the terms of the Share Sale Agreement
“Company”	Kwan On Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1559)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the sum of PHP280,000,000 (equivalent to approximately HK\$42,360,000), being the consideration for the sale and purchase of the Sale Shares

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of the Company and its connected persons
“IRC”	IRC Properties, Inc., a company incorporated in the Philippines with limited liability and its shares are listed on PSE (stock code: IRC)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratios”	has the meaning ascribed to it under Chapter 14 of Listing Rules
“Philippines”	the Republic of the Philippines
“PHP”	Philippines Pesos, the lawful currency of the Philippines
“PSE”	The Philippine Stock Exchange, Inc., the national stock exchange of the Philippines
“Purchaser”	Jovial Elm Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Regular Block Sale”	A share transaction, the value of which is between PHP20 million and PHP50 million or such value as determined by the PSE from time to time
“Share Sale Agreement”	the agreement for the sale and purchase of 200,000,000 Shares, representing approximately 13.3% equity interest in IRC entered into between the Purchaser and the Seller dated 9 May 2018
“Seller”	Sigma Epsilon Fund Limited, a company organised in the Cayman Islands with limited liability

“Sale Shares”	the aggregate of 200,000,000 Shares, which represents approximately 13.3% of the issued share capital of IRC as at Completion
“Share(s)”	ordinary share(s) of PHP1.00 each in the share capital of IRC
“Special Block Sale”	A share transaction the value of which exceeds PHP50 million or such value as determined by the Philippines Stock Exchange from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

For illustration purpose only, conversion of PHP into HK\$ is based on the exchange rates of HK\$1 = PHP6.61.

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

Hong Kong, 10 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.