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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)



WAI YUEN TONG MEDICINE HOLDINGS LIMITED
(位元堂藥業控股有限公司)*
(Incorporated in Bermuda with limited liability)
(Stock Code: 897)

JOINT ANNOUNCEMENT

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF A PROPERTY-HOLDING SUBSIDIARY

THE DISPOSAL

On 6 February 2023 (after trading hours), the Vendors entered into the Provisional Agreement with the Purchaser and the Property Agent, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Shares, and assign the benefit of the Sale Loan, to the Purchaser for the Consideration of HK\$71 million. The Target Company holds the Property which is located at the 11th Floor of Well Town Industrial Building (together with the related roof portion and a carparking space), of No. 13 Ko Fai Road, Kowloon, Hong Kong.

LISTING RULES IMPLICATION

As the highest relevant applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25% for each of WOG and WYT, the Disposal constitutes a discloseable transaction for each of WOG and WYT under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Shareholders and potential investors of each of WOG and WYT should note that Completion is subject to the satisfaction of the Conditions Precedent. Accordingly, the Disposal may or may not complete. Shareholders and potential investors of each of WOG and WYT are therefore urged to exercise caution when dealing in the respective securities of WOG and WYT.

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The principal terms of the Provisional Agreement are summarized as follows:

Date: 6 February 2023

Parties:

- (i) Wai Yuen Tong Medicine Company Limited, an indirect non-wholly owned subsidiary of WYT which is beneficially interested in approximately 99.8% of its issued share capital, as Vendor A;
- (ii) Wang On (Nominees) Limited, an indirect wholly-owned subsidiary of WOG, as Vendor B;
- (iii) Lei Wa, as the Purchaser; and
- (iv) Kin Fu Realty (ICS) Limited, as the Property Agent.

To the best of the WOG Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is an Independent Third Party and the Property Agent and its ultimate beneficial owners are the Independent Third Parties.

To the best of the WYT Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is an Independent Third Party and the Property Agent and its ultimate beneficial owners are the Independent Third Parties.

Subject matter: The subject matters being bought and sold under the Provisional Agreement are the Sale Shares and the Sale Loan. The Sale Shares represent all the issued shares in the Target Company and the Sale Loan represents all amounts owing by the Target Company to the Vendors at Completion.

The Target Company is a company incorporated in Hong Kong with limited liability and whose issued shares are held by Vendor A as to 50% and Vendor B (as trustee for Vendor A) as to 50%, respectively. Accordingly, the Target Company is being accounted for in the consolidated financial statements of WYT as a subsidiary. It is principally engaged in the holding and leasing of the Property, which represents its principal asset. The Property comprises a factory unit, a portion of the related roof and a car parking space, with its address at (i) Factory on 11th Floor, Well Town Industrial Building (formerly Yau Tong Industrial Building), No.13 Ko Fai Road, Kowloon; (ii) Portion of Roof, Well Town Industrial Building (formerly Yau Tong Industrial Building), No.13 Ko Fai Road, Kowloon; and (iii) Car Parking Space No.7 on G/F, Well Town Industrial Building (formerly Yau Tong Industrial Building), No.13 Ko Fai Road, Kowloon.

The Property has a total saleable floor area of approximately 19,600 square feet plus a top roof of approximately 19,450 square feet. Part of the Property is currently licensed to an Independent Third Party for a licence term from 31 December 2022 to 28 February 2023 at a monthly licence fee of HK\$130,000, inclusive of government rates, government rent and management fees, and another part of the Property and the carparking space of the Property are currently leased to an Independent Third Party for a lease term from 15 April 2020 to 14 April 2023 at a monthly rental of HK\$60,000, inclusive of government rates, government rent and management fees.

Upon Completion, the Vendors will cease to hold any equity interest in the Target Company and the Property will in effect be delivered to the Purchaser.

The Target Company had an unaudited net assets of approximately HK\$73.7 million as at 31 December 2022 and the Property was valued at HK\$86.0 million as of 30 September 2022. The Property is pledged to secure a bank loan of an indirect wholly-owned subsidiary of WYT and the outstanding principal amount of mortgage loan as at the date of this joint announcement is HK\$34.2 million.

The audited financial results of the Target Company for the year ended 31 March 2021 as extracted from the audited financial statements of the Target Company, the unaudited financial results for the year ended 31 March 2022 and the unaudited financial results for the 9 months ended 31 December 2022 are as follows:

	For the 9 months ended 31 December 2022	For the year ended 31 March	
	<i>HK\$'000</i> <i>(unaudited)</i>	2022 <i>HK\$'000</i> <i>(unaudited)</i>	2021 <i>HK\$'000</i> <i>(audited)</i>
Revenue	849	709	805
Net profit/(loss) before tax	712	3,206	(3,716)
Net profit/(loss) after tax	712	3,102	(3,725)

Conditions precedent: Completion is conditional upon:

- (i) the Purchaser having completed its due diligence investigation on the business, financial, legal and all other aspects of the Target Company and is reasonably satisfied with the results thereof; and
- (ii) all the representations, undertakings and warranties given by the Vendors under the Provisional Agreement and the Formal Agreement are and shall remain true, accurate and correct in all material respects up to the Completion.

If any of the above Conditions Precedent is not fulfilled (or waived by the Purchaser) on or before the Completion Date, the Purchaser may cancel the transactions under the Provisional Agreement whereupon the deposit paid by the Purchaser will be returned to the Purchaser, and no party shall be entitled to claim against any other party for any relief.

Completion: Subject to satisfaction (or waiver, as the case may be) of the Conditions Precedent, Completion is scheduled to take place on the Completion Date, being 19 June 2023 or such other business day as the parties may agree in writing.

Formal Agreement: The Vendors and the Purchaser will negotiate on the Formal Agreement, which will incorporate the terms of the Provisional Agreement and other customary terms adopted in similar transactions, with a view to entering into the same on or before 15 February 2023. The Provisional Agreement remains valid and of full force and effect until and unless it is superseded by the Formal Agreement.

Consideration: The Consideration of HK\$71 million under the Provisional Agreement is to be settled as follows:-

- (i) HK\$2 million being part of the deposit was paid to the Vendors in cash upon signing of the Provisional Agreement;
- (ii) HK\$5.1 million being balance of the deposit is payable to the Vendors in cash upon signing of the Formal Agreement, which is expected to be entered into on or before 15 February 2023;

The deposit of HK\$7.1 million paid and payable by the Purchaser shall be stakeheld by the Vendors' solicitors and will be released to the Vendors upon Completion or confirmation by the mortgage bank in relation to the Property the balance of the Consideration being sufficient to pay off the mortgage loan in respect of the Property.

- (iii) the balance of the Consideration of HK\$63.9 million will be payable by the Purchaser to the Vendors by way of cashier order issued by a licensed bank in Hong Kong or solicitors' cheque on or before the Completion Date.

The Consideration was arrived after arm's length negotiations between the Vendors and the Purchaser, having taken into account, among the others, the current market prices of comparable properties, prevailing market conditions and the market value of the Property of HK\$86 million as at 30 September 2022 under the valuation report prepared by the valuer, being an independent professional third party valuer, engaged by the Vendors and the prevailing rental yield as compared to the Property.

All stamp duty arising from the transactions under the Provisional Agreement shall be borne by the Purchaser.

Commission:

The Property Agent will be entitled to commission of HK\$1,065,000 from the Vendors and HK\$710,000 from the Purchaser upon signing of the Provisional Agreement. The commission to be paid by the Vendors to the Property Agent will be settled at the Completion.

Termination:

- (a) If the Purchaser fails to comply with the terms and conditions of the Provisional Agreement, the Vendors shall be entitled to terminate the Provisional Agreement and to forfeit the deposit paid by the Purchaser as liquidated damages without further claim against the Purchaser. The Purchaser shall be liable for the payment of the commission of HK\$1,775,000 to the Property Agent.
- (b) If the Vendors fail to comply with the terms and conditions of the Provisional Agreement, the Purchaser shall be entitled to terminate the Provisional Agreement and the Vendors shall return the deposit paid by the Purchaser (without interest thereon) to the Purchaser and pay the Purchaser a sum equivalent to the deposit paid by the Purchaser as liquidated damages and the Purchaser shall have no further claim against the Vendors. The Vendors shall be liable for the payment of the commission of HK\$1,775,000 to the Property Agent.

INFORMATION ON THE PURCHASER AND THE PROPERTY AGENT

The Purchaser is an individual person and is a merchant.

Based on information available to the Vendors, the Property Agent is a property agent in Hong Kong.

INFORMATION ON THE WOG GROUP, THE WYT GROUP AND THE VENDORS

Vendor A is principally engaged in production and sale of Chinese pharmaceutical and health food products, and Vendor B is principally engaged in provision of nominee services.

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 Wang On Properties Limited (Stock Code: 1243), a 75.0%-owned listed subsidiary of WOG; (iii) manufacturing and/or retailing of pharmaceutical and health food products through WYT, a 67.26%-owned listed subsidiary of WOG; and (iv) management and sale of properties in agricultural produce exchange markets in the PRC through China Agri-Products Exchange Limited (Stock Code: 149) (“CAP”), a 53.37%-owned listed subsidiary of WYT.

The WYT Group is principally engaged in (i) the manufacturing and retailing of traditional Chinese pharmaceutical and health food products, including Chinese medicinal products sold under the brand name of “Wai Yuen Tong”, mainly in the PRC and Hong Kong; (ii) the manufacturing and sale of Western pharmaceutical and health food and personal care products under the brand names of “Madame Pearl’s” and “Pearl’s”; (iii) property investment; and (iv) management and sale of properties in agricultural produce exchange markets in the PRC through CAP.

FINANCIAL EFFECT AND INTENDED USE OF PROCEEDS FROM THE DISPOSAL

Upon Completion, the Target Company will cease to be a subsidiary of the WOG Group and the WYT Group and the financial results of the Target Company will no longer be consolidated into the financial statements of the WOG Group and the WYT Group.

Subject to review and confirmation by their respective auditors, each of the WOG Group and the WYT Group estimates that upon Completion, it is expected to record a loss on the Disposal (after deducting relevant expenses and charges) in the amount of approximately HK\$15.0 million, which is calculated based on (i) the net proceeds (the Consideration after deducting relevant expenses and charges) from the Disposal of approximately HK\$69.5 million; (ii) the unaudited net assets of the Target Company of approximately HK\$73.7

million as at 31 December 2022; and (iii) the Sale Loan of approximately HK\$10.8 million owed by the Target Company to the Vendors as at 31 December 2022.

The net proceeds arising from the Disposal are expected to be approximately HK\$69.5 million and are expected to be applied (i) as to HK\$34.2 million towards repayment of bank loans of the WYT Group (including the existing mortgage loan with respect to the Property); and (ii) as to approximately HK\$35.3 million as general working capital of the WYT Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The WOG Directors and the WYT Directors undertake strategic review of the assets of the WOG Group and the WYT Group from time to time respectively. The Property was acquired by the Target Company back in 1992 and it has been leased to various independent third parties since then. Taking into account the quality of the Property including its location, surrounding facilities, redevelopment potential and its rental yield (which is lower than the other investment properties held by the WYT Group), the WOG Directors and the WYT Directors are of the view that the Disposal provides an opportunity for the WOG Group and the WYT Group to realize the value of the Property and to reduce the indebtedness by using the net proceeds from the Disposal for repayment of the bank loans.

Taking into account the foregoing, (i) the WOG Directors consider that the terms of the Provisional Agreement are on normal commercial terms which are fair and reasonable, and that the Disposal is in the interest of WOG and the WOG Shareholders as a whole; and (ii) the WYT Directors consider that the terms of the Provisional Agreement are on normal commercial terms which are fair and reasonable, and that the Disposal is in the interest of WYT and the WYT Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest relevant applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25% for each of WOG and WYT, the Disposal constitutes a discloseable transaction for each of WOG and WYT under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Shareholders and potential investors of each of WOG and WYT should note that Completion is subject to the satisfaction of the Conditions Precedent. Accordingly, the Disposal may or may not complete. Shareholders and potential investors of each of WOG and WYT are therefore urged to exercise caution when dealing in the respective securities of WOG and WYT.

DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Completion”	completion of the Disposal
“Completion Date”	date of Completion, which shall be on or before 19 June 2023 or such other business day as the parties to the Provisional Agreement may agree in writing
“Conditions Precedent”	the conditions precedent to Completion as set out in the Provisional Agreement and described above in this joint announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the cash consideration for the Disposal, being HK\$71 million
“Disposal”	the disposal of the Sale Shares, and assignment of the Sale Loan owing by the Target Company to the Vendors, to the Purchaser pursuant to the terms and conditions of the Provisional Agreement
“Formal Agreement”	the formal sale and purchase agreement to be negotiated and expected to be entered into between the Vendors and the Purchaser on or before 15 February 2023, which will incorporate the terms of the Provisional Agreement and other customary terms adopted in similar transactions
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any entity(ies) or person(s) which or who is/are not a connected person of WOG and WYT
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which for the purpose of this joint announcement (unless otherwise stated), excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	the property comprising a factory unit on 11/F., a portion of roof and a car parking space no.7 on G/F., located at Well Town Industrial Building (formerly Yau Tong Industrial Building) No.13 Ko Fai Road, Kowloon
“Property Agent”	Kin Fu Realty (ICS) Limited, the property agent in relation to the Disposal
“Provisional Agreement”	the provisional agreement for sale and purchase dated 6 February 2023 entered into between the Purchaser, the Vendors and the Property Agent in relation to the Disposal
“Purchaser”	Lei Wa
“Sale Shares”	2 ordinary shares in the Target Company representing all the issued shares in the Target Company
“Sale Loan”	the loan owing by the Target Company to the Vendors on the Completion Date, (the principal amount of such loan being approximately HK\$10.8 million as at 31 December 2022 which may be varied before the Completion), being an unsecured loan and repayable on demand which is to be assigned in favour of the Purchaser at Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Billion Good Investment Limited, a company incorporated in Hong Kong with limited liability and the registered owner of the Property as of the date of this joint announcement
“Vendors”	Vendor A and Vendor B

“Vendor A”	Wai Yuen Tong Medicine Company Limited, a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of WYT which is indirectly held as to approximately 99.8% by WYT and the remaining approximately 0.2% by Poon Chun Wing, Ho Wai Gay and Poon Shu Keung
“Vendor B”	Wang On (Nominees) Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of WOG
“WOG”	Wang On Group Limited (宏安集團有限公司)*, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1222)
“WOG Board”	the board of the WOG Directors
“WOG Directors”	the directors of WOG
“WOG Group”	WOG and its subsidiaries
“WOG Share(s)”	the ordinary share(s) with a nominal value of HK\$0.01 each in the issued share capital of WOG
“WOG Shareholder(s)”	holder(s) of the WOG Share(s)
“WYT”	Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 897)
“WYT Board”	the board of the WYT Directors
“WYT Directors”	the directors of WYT
“WYT Group”	WYT and its subsidiaries

“WYT Share(s)”	the ordinary share(s) with a nominal value of HK\$0.01 each in the issued share capital of WYT
“WYT Shareholder(s)”	holder(s) of the WYT Share(s)
“%”	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
WAI YUEN TONG MEDICINE
HOLDINGS LIMITED
 (位元堂藥業控股有限公司*)
Tang Wai Man
Executive Director

Hong Kong, 6 February 2023

As at the date of this joint announcement, the WOG Board comprises three executive directors, namely Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Ms. Stephanie; and three independent non-executive directors, namely Mr. Wong Chun, Justein, Mr. Siu Kam Chau and Mr. Chan Yung.

As at the date of this joint announcement, the WYT Board comprises Mr. Tang Ching Ho, Ms. Tang Wai Man and Ms. Law Man Yee, Anita as executive directors, and Mr. Siu Man Ho, Simon, Mr. Leung Wai Ho, Mr. Cho Wing Mou and Mr. Li Ka Fai, David as independent non-executive directors.

* *For identification purpose only*