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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)



CHINA AGRI-PRODUCTS EXCHANGE LIMITED

中國農產品交易有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0149)

JOINT ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS
MASTER LICENSING AGREEMENT

On 1 October 2022, CAP and WOG entered into the Master Licensing Agreement which sets out the general principles and key terms governing the Definitive Licensing Agreements under which relevant members of the WOG Group may grant licence of, and relevant members of the CAP Group may take up the licence of, the Premises during the term of the Master Licensing Agreement.

The Master Licensing Agreement has a term of three years from 1 October 2022 to 30 September 2025 (both dates inclusive).

* *For identification purpose only*

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, CAP is held by WYT as to approximately 53.37% and is WYT's non-wholly owned subsidiary; WYT is in turn owned by WOG as to approximately 67.26% and is WOG's non-wholly owned subsidiary. In addition, CAP is a connected subsidiary (for the purpose of Chapter 14A of the Listing Rules) of WOG as it is also held indirectly by Mr. Tang (who is an executive director, and the controlling shareholder of all of WOG, WYT and CAP) as to approximately 20.17% through entities outside of the WOG Group. Therefore, the entering into of the Master Licensing Agreement and the transactions contemplated thereunder (including the entering into of the Definitive Licensing Agreements) constitute continuing connected transactions for all of WOG, WYT and CAP.

As: (i) for WOG, the applicable percentage ratio(s) with respect to the largest License Fee Annual Cap exceed 0.1% but all of them are under 5%; and (ii) for WYT and CAP, the applicable percentage ratio(s) with respect to the largest ROU Annual Cap exceed 0.1% but all of them are under 5%, the entering into of the Master Licensing Agreement and the transactions contemplated thereunder (including the entering into of the Definitive Licensing Agreements) are subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and the shareholders' approval requirements under Chapter 14A of the Listing Rules for all of WOG, WYT and CAP.

BACKGROUND

On 1 October 2022, CAP and WOG entered into the Master Licensing Agreement which sets out the general principles and key terms governing the Definitive Licensing Agreements under which relevant members of the WOG Group may grant licence of, and relevant members of the CAP Group may take up the licence of, the Premises during the term of the Master Licensing Agreement. The principal terms of the Master Licensing Agreement are summarised below.

MASTER LICENSING AGREEMENT

1. Date

1 October 2022

2. Parties

(i) WOG; and

(ii) CAP.

3. Premises

Wet market properties in Hong Kong under the management of the Licensor Entities, or of which the Licensor Entities have the right to grant the licence to use, from time to time.

4. Definitive Licensing Agreement(s)

The parties to the Master Licensing Agreement agreed that with respect to any specific Premise(s) to be licensed to each relevant Licensee Entity by the relevant Licensor Entity, the relevant Licensor Entity and the relevant Licensee Entity shall enter into a separate written Definitive Licensing Agreement which shall comply with the terms of the Master Licensing Agreement.

5. Term

The Master Licensing Agreement has a term of three years from 1 October 2022 to 30 September 2025 (both dates inclusive).

6. Pricing basis for License Fees

Under the Master Licensing Agreement, the Definitive Licensing Agreements shall:

- (i) be in writing and shall set out the terms and conditions pursuant to which the Premise(s) are to be licensed;
- (ii) be on normal commercial terms or better (as such expression is defined under Chapter 14A of the Listing Rules) to each of the WOG Group, the WYT Group and the CAP Group and shall also take into account independent valuation of the relevant Premise(s) as determined by a reputable firm of surveyors in Hong Kong as may be agreed by the parties; and
- (iii) otherwise comply with all applicable provisions of the Listing Rules and the Master Licensing Agreement.

In light of such requirements, the License Fees under the Definitive Licensing Agreements will be (i) determined after arm's length negotiations between the relevant Licensor Entity and the relevant Licensee Entity; (ii) fair and reasonable; and (iii) on normal commercial terms that are no less favourable to each of the WOG Group, the WYT Group and the CAP Group with reference to the following:

- (a) location, size, permitted use, ancillary facilities of the Premise(s) proposed to be licensed;
- (b) prevailing licensing fees in respect of the relevant Premise(s) as assessed by an independent valuer in Hong Kong as WOG and CAP may agree;
- (c) achievable license fees in respect of similar premises offered by the WOG Group to independent third parties; and
- (d) license fees/rental made available to the CAP Group with respect to similar premises available in the market offered by independent third parties.

7. Termination and renewal

Subject to re-compliance with the relevant requirements under the Listing Rules by WOG, WYT and/or CAP, the parties to the Master Licensing Agreement may by mutual agreement in writing renew the Master Licensing Agreement for a term not more than three (3) years on the same terms (save for the annual caps to be determined at the time of such renewal).

The Master Licensing Agreement may be terminated by either party giving to the other party at any time a written notice 30 days in advance and shall expire on the last day of the 30-day notice period.

Non-renewal or termination of the Master Licensing Agreement will not affect the continuity or subsistence of the Definitive Licensing Agreement(s) entered into before such non-renewal or termination.

HISTORICAL AMOUNTS

There are no historical transaction amounts with respect to the licensing of the Premises by members of the WOG Group in favour of members of the CAP Group.

ANNUAL CAPS

(a) License Fee Annual Caps for WOG Group

The table below shows the License Fee Annual Caps for the WOG Group for the respective periods which are calculated with reference to the total estimated annual License Fees receivable by the WOG Group under the Definitive Licensing Agreements to be accounted for on actual cash basis:

	For the six months from 1 October 2022 to 31 March 2023	For the year ending 31 March 2024	For the year ending 31 March 2025	For the six months from 1 April 2025 to 30 September 2025
License Fee Annual Caps (<i>HK\$</i>)	2,000,000	7,500,000	11,000,000	7,000,000

(b) ROU Annual Caps for WYT Group and CAP Group

The table below shows the ROU Annual Caps for each of the WYT Group and the CAP Group for the respective periods which are calculated with reference to the estimated total value of right-of-use assets expected to be recognised under the Definitive Licensing Agreements:

	For the six months from 1 October 2022 to 31 March 2023	For the year ending 31 March 2024	For the year ending 31 March 2025	For the six months from 1 April 2025 to 30 September 2025
ROU Annual Caps (<i>HK\$</i>)	11,200,000	9,700,000	16,300,000	4,900,000

Basis of determining the Annual Caps

The License Fee Annual Caps and the ROU Annual Caps have been determined after taking into account:

- (i) the four Definitive Licensing Agreements (one of which is of a shorter duration of four months) with an aggregate annual/total license fees (inclusive of management fees, air-conditioning charges and marketing and promotional charges) of HK\$2,836,000, representing a right-of-use assets in the aggregate amount of approximately HK\$5,363,000 (which amount excludes the license with a four-month term for which no right-of-use assets are expected to be recognized) to be acquired by the WYT Group and the CAP Group, which have been finalized and will be entered into upon the signing of the Master Licensing Agreement;
- (ii) the business development plan of the CAP Group to expand its agricultural products market operations to retailing of agricultural produce in Hong Kong and the expected scale of business operations taking into account potential growth and the resulting additional demands for retail spaces for the continued development of the CAP Group's presence in the local market;
- (iii) occupancy and availability of premises under the management of the WOG Group during the term of the Master Licensing Agreement; and
- (iv) the prevailing market license fees of the Premises of comparable properties in the vicinity and a reasonable buffer to cater for rentals adjustment allowing for market improvement in the future.

For the avoidance of doubt, the above assumptions are solely for the purpose of calculating the Annual Caps. There is no assurance that the WOG Group will license, and the CAP Group will take the licence of, one or more Premise(s) during the term of the Master Licensing Agreement, or that the CAP Group will implement its business development plan and expansion in Hong Kong at the expected scale of business operations or at all. WOG Shareholders, WYT Shareholders and CAP Shareholders, as well as any prospective investors, should be aware that the Annual Caps are not indicative of the CAP Group's business performance or expansion strategy, and are therefore advised to exercise caution when dealing in WOG Shares, WYT Shares and CAP Shares respectively.

INFORMATION ON THE PARTIES

The WOG Group

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), its 75%-owned listed subsidiary; (iii) manufacturing and/or retailing of pharmaceutical and health food products through WYT, its 67.26%-owned listed subsidiary; and (iv) management and sale of properties in agricultural produce exchange markets in the PRC through CAP, a 53.37%-owned listed subsidiary of WYT.

The WYT Group

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, a 53.37%-owned listed subsidiary of WYT.

The CAP Group

The CAP Group is principally engaged in the business of management and sale of properties in agricultural produce exchange markets in the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER LICENSING AGREEMENT

As the CAP Group plans to develop and extend its agricultural produce market operations in Hong Kong, the CAP Directors (including the independent non-executive CAP Directors) considered that through the Master Licensing Agreement, the CAP Group will have a more streamlined access to suitable premises which are under organised and all-rounded management by the WOG Group that are strategically located in the vicinity of large residential areas, and representing suitable start-up options that are available at market rates for the CAP Group to build up its local presence.

The Master Licensing Agreement also provides the WOG Group with additional options to optimize occupancy rates and improve the licensee mix at premises under its management, which contribute to the development of the WOG Group’s wet market operations.

The Master Licensing Agreement also serves to streamline the reporting, announcement and compliance process in connection with new licensing transaction between the Licensee Entities and the Licensor Entities. The setting of the Annual Caps can help to reduce the administrative time and costs on each for the WOG Group, the WYT Group and the CAP Group whilst at the same time ensuring compliance with the relevant requirements under the Listing Rules. The terms of the transactions contemplated under the Master Licensing Agreement will be determined after arm's length negotiation between the relevant parties with reference to independent valuation and the prevailing market conditions. The Definitive Licensing Agreements will be agreed on an arm's length basis, on normal commercial terms or on terms no less favourable to the WOG Group, the WYT Group and the CAP Group than those terms offered by independent third party licensors or licensees (as the case may be).

Taking into account the above, (i) the WOG Directors (including the independent non-executive WOG Directors) consider that the terms of the Master Licensing Agreement and the transactions contemplated thereunder (including the License Fee Annual Caps) are fair and reasonable, on normal commercial terms and in the interests of WOG and the WOG Shareholders as a whole; (ii) the WYT Directors (including the independent non-executive WYT Directors) consider that the terms of the Master Licensing Agreement and the transactions contemplated thereunder (including the ROU Annual Caps) are fair and reasonable, on normal commercial terms and in the interests of WYT and the WYT Shareholders as a whole, and (iii) the CAP Directors (including the independent non-executive CAP Directors) consider that the terms of the Master Licensing Agreement and the transactions contemplated thereunder (including the ROU Annual Caps) are fair and reasonable, on normal commercial terms and in the interests of CAP and the CAP Shareholders as a whole.

INTERNAL CONTROL MEASURES

In order to ensure that the transactions contemplated under the Master Licensing Agreement will be conducted in accordance with its terms and the pricing basis for License Fees and within the relevant Annual Caps, each of the WOG Group, the WYT Group and the CAP Group (as the case may be) has in place the following internal control measures:

- (i) with respect to the Premise(s), the relevant Licensor Entity or relevant Licensee Entity will, before entering into such Definitive Licensing Agreement or renewal of the same, obtain independent valuation as assessed by a reputable firm of surveyors in Hong Kong, and will assess the license fees offered to or charged by independent third parties in respect of properties of similar nature at the vicinity of the subject Premise(s);

- (ii) with respect to the Premise(s), the relevant operation departments and management of each of the WOG Group and the CAP Group will examine the license fee in order to ensure that the license fee is determined based on arm's length negotiations between the relevant Licensee Entity and the relevant Licensor Entity, fair and reasonable, on normal commercial terms, and on terms that are no less favourable to the WOG Group and the CAP Group (as the case maybe) than those available from independent third parties;
- (iii) the internal audit function of each of the WOG Group and the CAP Group will conduct regular checks to review and assess whether the transactions contemplated under the relevant Definitive Licensing Agreements are conducted in accordance with the terms of its respective agreement and the Master Licensing Agreement;
- (iv) the internal audit function of each of the WOG Group and the CAP Group will trace, monitor and evaluate the transaction amounts under the Master Licensing Agreement regularly to ensure that the relevant Annual Caps will not be exceeded; and
- (v) each of the WOG Group, the WYT Group and the CAP Group will comply with the annual review requirements in respect of the transactions contemplated under the Master Licensing Agreement in accordance with Chapter 14A of the Listing Rules, such as engaging the auditors to conduct annual review and having the respective independent non-executive directors to review the transactions contemplated under the Master Licensing Agreement.

By implementing the above measures, each of the WOG Directors, the WYT Directors and the CAP Directors (including their respective independent non-executive directors) respectively consider that each of the WOG Group, the WYT Group and the CAP Group has sufficient internal control procedures to ensure that the transactions contemplated under the Master Licensing Agreement will be conducted on normal commercial terms and not prejudicial to the interests of each of WOG, WYT and CAP (as the case may be) and their respective shareholders.

ACCOUNTING IMPLICATION AND TREATMENT

In accordance with HKFRS 16 "Leases", the CAP Group is required to recognize a right-of-use asset and a lease liability, which are measured at the present value of the remaining license fee payments, discounted using the licensee's incremental borrowing rate in the year of entering into the licensing transaction where the CAP Group acts as a licensee. Correspondingly, the CAP Group is required to set annual caps on the total value of right-of-use assets relating to licensing transactions entered into or expected to be entered into by the CAP Group as a licensee in each period/year under the Master Licensing Agreement.

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, CAP is held by WYT as to approximately 53.37% and is WYT's non-wholly owned subsidiary; WYT is in turn owned by WOG as to approximately 67.26% and is WOG's non-wholly owned subsidiary. In addition, CAP is a connected subsidiary (for the purpose of Chapter 14A of the Listing Rules) of WOG as it is also held indirectly by Mr. Tang (who is an executive director, and the controlling shareholder of all of WOG, WYT and CAP) as to approximately 20.17% through entities outside of the WOG Group. Therefore, the entering into of the Master Licensing Agreement and the transactions contemplated thereunder (including the entering into of the Definitive Licensing Agreements) constitute continuing connected transactions for all of WOG, WYT and CAP.

In view of Mr. Tang's interest in WOG, WYT and CAP, Mr. Tang is considered to have a material interest in the Master Licensing Agreement and the transactions contemplated thereunder. In relation to the WOG Board, (i) Mr. Tang, (ii) Ms. Yau Yuk Yin, an executive WOG Director and Mr. Tang's spouse, and (iii) Ms. Stephanie, an executive WOG Director and the daughter-in-law of Mr. Tang, have abstained from voting on the WOG Board resolution(s) approving the Master Licensing Agreement and the transactions contemplated thereunder.

In relation to the WYT Board, (i) Mr. Tang and (ii) Ms. Tang Wai Man, an executive WYT Director and Mr. Tang's daughter, have abstained from voting on the WYT Board resolution(s) approving the Master Licensing Agreement and the transactions contemplated thereunder.

In relation to the CAP Board, (i) Mr. Tang and (ii) Mr. Yau Yuk Shing, an executive CAP Director and Mr. Tang's brother-in-law, have abstained from voting on the CAP Board resolution(s) approving the Master Licensing Agreement and the transactions contemplated thereunder.

Save as disclosed above, none of the WOG Directors, the WYT Directors and the CAP Directors has a material interest in the Master Licensing Agreement and the transactions contemplated thereunder.

As: (i) for WOG, the applicable percentage ratio(s) with respect to the largest License Fee Annual Cap exceed 0.1% but all of them are under 5%; and (ii) for WYT and CAP, the applicable percentage ratio(s) with respect to the largest ROU Annual Cap exceed 0.1% but all of them are under 5%, the entering into of the Master Licensing Agreement and the transactions contemplated thereunder (including the entering into of the Definitive Licensing Agreements) are subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and the shareholders' approval requirements under Chapter 14A of the Listing Rules for all of WOG, WYT and CAP.

DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“Annual Caps”	(i) in relation to the WOG Group, the License Fee Annual Caps; and (ii) in relation to the WYT Group and the CAP Group, the ROU Annual Caps
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“CAP”	China Agri-Products Exchange Limited 中國農產品交易有限公司, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 149)
“CAP Board”	the board of the CAP Directors
“CAP Directors”	the directors of CAP
“CAP Group”	CAP and its subsidiaries
“CAP Share(s)”	the ordinary share(s) with a nominal value of HK\$0.01 each in the issued share capital of CAP
“CAP Shareholder(s)”	holder(s) of the CAP Shares
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Definitive Licensing Agreement(s)”	definitive licensing agreement(s) in relation to the Premises which may be entered into between members of the Licensee Entities and members of the Licensor Entities subject to the terms of the Master Licensing Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“License Fee(s)”	the license fee payable by the relevant Licensee Entity to the relevant Licensor Entity under the Definitive Licensing Agreement(s), inclusive of all management fees, air-conditioning charges and promotional and marketing fees
“License Fee Annual Cap(s)”	the annual caps for the License Fees under the Definitive Licensing Agreements, details of which are set out under the section headed “Annual Caps” of this announcement
“Licensee Entity(ies)”	CAP or any of its subsidiaries which are the licensee under the Definitive Licensing Agreement(s)
“Licensor Entity(ies)”	WOG or any of its subsidiaries (other than the WYT Group) which are the licensor under the Definitive Licensing Agreement(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Licensing Agreement”	the master licensing agreement dated 1 October 2022 entered into between CAP and WOG for a term of three years from 1 October 2022 to 30 September 2025, in relation to, among others, the licensing of the Premises
“Mr. Tang”	Mr. Tang Ching Ho, being (i) an executive WOG Director, the chairman and controlling shareholder of WOG; (ii) an executive WYT Director, the chairman and controlling shareholder of WYT; and (iii) an executive CAP Director, the chairman and controlling shareholder of CAP
“percentage ratios”	has the meaning as ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Premise(s)”	such wet market properties (or any part thereof) in Hong Kong under the management of the Licensor Entities, or of which the Licensor Entities have the right to grant the licence to use, from time to time

“ROU Annual Cap(s)”	the annual caps for the amount of right-of-use assets to be recognised under the Definitive Licensing Agreements, details of which are set out under the section headed “Annual Caps” of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WOG”	Wang On Group Limited (宏安集團有限公司)*, an exempted company incorporated in Bermuda with limited liability and 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 (for the purpose of the Master Licensing Agreement only, excluding the WYT Group)
“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 Shares
“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 and 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 including the CAP Group

“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 Shares

“%” 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

By order of the board of directors of
CHINA AGRI-PRODUCTS EXCHANGE LIMITED
中國農產品交易有限公司
Leung Sui Wah, Raymond
Executive Director and Chief Executive Officer

Hong Kong, 1 October 2022

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

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.

As at the date of this joint announcement, the CAP Board comprises Mr. Tang Ching Ho, Mr. Leung Sui Wah, Raymond and Mr. Yau Yuk Shing as executive directors, and Mr. Ng Yat Cheung, Mr. Lau King Lung and Mr. Wong Ping Yuen as independent non-executive directors.

* for identification purpose only