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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 SUBSIDIARY

THE DISPOSAL

Each of the WOG Board and the WYT Board announces that on 6 January 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of WYT, and WYT as the Vendor's guarantor entered into the Provisional Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company, and the Vendor has conditionally agreed to assign and the Purchaser has conditionally agreed to acquire the Shareholder Loan at an aggregate consideration of HK\$48.8 million, subject to adjustments.

The Target Company is holding the Property, which is currently leased to an Independent Third Party for retail purpose. Upon Completion, the Property will be delivered by the Vendor to the Purchaser subject to and with the benefit of the Tenancy Agreement and the Vendor will no longer hold any interest in the Target Company and the Target Company will cease to be a subsidiary of the WOG Group and the WYT Group.

* *For identification purpose only*

LISTING RULES IMPLICATION

As the highest relevant applicable percentage ratio (as defined in 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 disclosable transaction of 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 WOG and WYT should note that Completion is subject to the satisfaction of the conditions precedent set out in the Provisional Agreement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of WOG and WYT are therefore urged to exercise caution when dealing in any securities of WOG and WYT.

THE DISPOSAL

Each of the WOG Board and the WYT Board announces that on 6 January 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of WYT, and WYT as the Vendor's guarantor entered into the Provisional Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company, and the Vendor has conditionally agreed to assign and the Purchaser has conditionally agreed to acquire the Shareholder Loan at an aggregate consideration of HK\$48.8 million, subject to adjustments.

The principal terms of the Provisional Agreement are summarized below:

Date:	6 January 2023
Parties:	(i) the Vendor, as vendor; (ii) WYT, as the Vendor's guarantor; and (iii) the Purchaser, as purchaser
Assets to be disposed of:	(i) the Sale Share representing the entire issued share capital of the Target Company; and (ii) the Shareholder Loan

Consideration: HK\$48.8 million (subject to adjustments)

The Consideration was arrived after arm's length negotiations between the Vendor 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\$32.0 million as at 30 September 2022 under the valuation report prepared by the valuer, being an independent professional third party valuer, engaged by the Vendor and the prevailing rental yield as compared to the Property.

Payment terms: The Consideration shall be satisfied by the Purchaser in the following manner:

- (i) HK\$2.0 million being the initial deposit (the “**Initial Deposit**”) which was paid by the Purchaser in cash upon signing of the Provisional Agreement;
- (ii) HK\$2.88 million being the further deposit (“**Further Deposit**”) to be paid by the Purchaser in cash on or before 8 February 2023; and
- (iii) HK\$43.92 million being the balance of the Consideration (the “**Balance**”) (subject to adjustments) to be paid by the Purchaser to the Vendor in cash on Completion.

The Initial Deposit and the Further Deposit were paid or shall be payable by the Purchaser to the Vendor's solicitors, as stakeholders, and will be released to the Vendor upon Completion.

Signing of the formal agreement:

The Vendor and the Purchaser shall enter into a formal agreement in relation to the Disposal incorporating the above principal terms and such other terms and conditions that are customary to the transaction similar to the Disposal on or before 8 February 2023. In the event that no formal agreement for the Disposal is entered into between the Vendor and the Purchaser, the Provisional Agreement shall remain valid and be of full force and effect and the Vendor and the Purchaser shall comply with their respective obligations under the Provisional Agreement.

Conditions precedent:

The Completion is conditional upon, among the others, the following conditions having been fulfilled or waived by the Purchaser as the case may be:

- (i) the Purchaser having completed due diligence review of the Target Company, with the results of the due diligence review being satisfactory to the Purchaser; and
- (ii) the Vendor having procured the Target Company to give and prove good title to the Property in accordance with Sections 13 and 13A of the Conveyance and Property Ordinance (Chapter 219 of the Laws of Hong Kong), respectively.

(the “**Conditions Precedent**”)

If any of the Conditions Precedent is not fulfilled or waived by the Purchaser on or before the Completion Date, the Purchaser shall have the right to terminate the Provisional Agreement and the Vendor shall return the Initial Deposit and the Further Deposit to the Purchaser forthwith.

Consideration adjustments:

The Vendor shall deliver to the Purchaser or the Purchaser's solicitors at least 5 days prior to the Completion Date the proforma completion accounts (the "**Proforma Accounts**") comprising a proforma profit and loss account of the Target Company for the period from the date of its incorporation/the beginning of the current financial year to the Completion Date and a proforma balance sheet of the Target Company as at the Completion Date. If the aggregate amount of all tangible assets of the Target Company which are readily convertible into cash or cash equivalent (excluding the Property and any other intangible and fixed assets and deferred tax) less the aggregate of all liabilities (actual, contingent or otherwise but excluding the Shareholder Loan) (the "**NTAV**") as shown on the Proforma Accounts is more or less than zero, the Balance shall be adjusted upwards or downwards (as the case may be) accordingly in the following manner:

- (i) it shall be added to the Balance all current tangible assets of the Target Company as shown on the Proforma Accounts including rental receivables (if applicable) (up to and inclusive of the Completion Date), utilities and other miscellaneous deposits, prepaid rates and government rent and other expenses relating to the Property (up to but exclusive of the Completion Date); and
- (ii) it shall be deducted from the Balance all liabilities of the Target Company (excluding the Shareholder Loan) as shown on the Proforma Accounts.

Further, the Vendor shall deliver to the Purchaser or the Purchaser's solicitors within 30 days from the Completion Date the audited financial statements of the Target Company (the "**Completion Accounts**") for the period from the date of its incorporation/the beginning of the current financial year to the Completion Date. If the NTAV as shown on the Completion Accounts is more or less than the NTAV as shown on the Proforma Accounts, the Purchaser or the Vendor (as the case may be) shall pay the difference to the other party within 5 days from the date of receipt of the Completion Accounts.

Completion Date: Subject to the fulfillment (or waiver, as the case may be) of the Conditions Precedent, the Completion shall take place on or before 22 March 2023 (or such later date as the Vendor and the Purchaser may agree in writing).

On or before the Completion Date, the Vendor shall procure full repayment of the amount owing by the Target Company to the mortgagee of the Property and the release of the mortgage over the Property shall be delivered to the Purchaser or the Purchaser's solicitors within 21 days from the Completion Date.

- Termination:
- (i) If the Purchaser fails to pay the Further Deposit in accordance with the Provisional Agreement, the Vendor shall be entitled to terminate the Provisional Agreement and forfeit the Initial Deposit as liquidated damages.
 - (ii) If, prior to receipt of the Further Deposit by the Vendor, the Vendor unilaterally terminates the Provisional Agreement and sells the Sale Share and the Shareholder Loan to any third party, the Vendor shall refund the Initial Deposit to the Purchaser and pay an amount equivalent to the Initial Deposit to the Purchaser as liquidated damages.

Upon the Completion, the Vendor will no longer hold any interest in the Target Company and the Target Company will cease to be a subsidiary of the WOG Group and the WYT Group.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

The Target Company is limited liability company incorporated in Hong Kong and is principally engaged in the business of property holding. As at the date of this announcement, the Target Company is directly and wholly owned by the Vendor. The Property is the only asset of the Target Company and the sole business of the Target Company is leasing of the Property.

The unaudited net liabilities of the Target Company was approximately HK\$61.5 million as at 30 November 2022 and the book value of the Property as at 30 November 2022 was HK\$32.0 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 8 months ended 30 November 2022 are as follows:

	For the 8 months ended 30 November 2022 HK'000 (unaudited)	For the year ended 31 March 2022 HK'000 (unaudited)	2021 HK'000 (audited)
Revenue	895	1,324	1,282
Net profit/(loss) before tax	5,425	(1,610)	(3,236)
Net profit/(loss) after tax	5,425	(1,610)	(3,236)

The Property is a property for retail purpose situated at Ground Floor of Bowring Building, No.14 Bowring Street, Kowloon, Hong Kong with a total saleable area of approximately 388 square feet plus a yard area of approximately 37 square feet. The Property is subject to the Tenancy Agreement at present and has been rented out to the Independent Third Party for a term of 3 years from 1 August 2020 to 31 July 2023 (both dates inclusive) at the monthly rental of HK\$116,800 exclusive of rates and management fees. The aggregate annual rental income derived from the lease of the Property amounted to approximately HK\$1.4 million.

INFORMATION ON THE PURCHASER

The Purchaser is company with limited liability incorporated in British Virgin Islands and is principally engaged in investment holding. It is ultimately wholly owned by Ms. Wang Haiyue.

As at the date of this announcement, to the best knowledge, information and belief of the WOG Board and the WYT Board, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

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

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.

The Vendor is a company with limited liability incorporated in British Virgin Islands and is an indirect wholly-owned subsidiary of WYT, which is principally engaged in investment holding.

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.

It is expected that upon Completion, both of the WOG Group and the WYT Group will record a gain (after deducting relevant expenses and charges) of approximately HK\$16.3 million, which is calculated with reference to the net proceeds (the Consideration after deducting relevant expenses and charges) from the Disposal of HK\$48.1 million, the unaudited net liabilities of the Target Company of HK\$61.5 million as at 30 November 2022 and the Shareholder Loan of approximately HK\$93.3 million owed by the Target Company to the Vendor as at 30 November 2022.

The actual gain from the Disposal to be recorded by the WOG Group and the WYT Group is subject to audit and review by the auditors.

The net proceeds from the Disposal are intended to be used for repayment of the mortgage loan in respect of the Property.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Property was acquired by the Target Company in 2013 and held as an investment property of the WOG Group and the WYT Group. In view of the current property market conditions, both the WOG Board and the WYT Board consider that the Disposal provides a good opportunity for the WOG Group and the WYT Group to realise the investment in the Property and to reduce the indebtedness by using the net proceeds from the Disposal for repayment of the mortgage loan in respect of the Property.

Having taking into account of the above reasons and benefits, the WOG Directors (including the independent non-executive WOG Directors) and the WYT Directors (including the independent non-executive WYT Directors) are of the view that the terms of the Provisional Agreement, which have been determined on an arm's length basis, are fair and reasonable and the Disposal is on normal commercial terms and is in the interests of WOG and WYT and their respective shareholders as a whole.

LISTING RULES IMPLICATION

As the highest relevant applicable percentage ratio (as defined in 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 of 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 WOG and WYT should note that Completion is subject to the satisfaction of the Conditions Precedent. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of WOG and WYT are therefore urged to exercise caution when dealing in any securities of WOG and WYT.

DEFINITIONS

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

“Completion”	completion of the Disposal in accordance with the terms and conditions of the Provisional Agreement or the formal agreement for the Disposal (as the case may be)
“Completion Date”	a date on or before 22 March 2023 (or such later date as the Vendor and the Purchaser may agree in writing)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the aggregate cash consideration for the Disposal, being HK\$48.8 million (subject to adjustments)
“Disposal”	the disposal of the Sale Share and assignment of the Shareholder Loan owing by the Target Company to the Vendor, pursuant to the Provisional Agreement or the formal agreement for the Disposal (as the case may be)
“HK\$”	Hong Kong dollar(s), 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, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	Ground Floor of Bowring Building, No.14 Bowring Street, Kowloon, Hong Kong
“Provisional Agreement”	The conditional provisional agreement dated 6 January 2023 entered into between the Vendor and the Purchaser in relation to the Disposal
“Purchaser”	Cosmic Charm International Limited, a company with limited liability incorporated in British Virgin Islands and is principally engaged in investment holding
“Sale Share”	one issued ordinary share of the Target Company, representing the entire issued share capital of the Target Company beneficially held by the Vendor

“Shareholder Loan”	the loan owing by the Target Company to the Vendor on the Completion Date (the principal amount of such loan being approximately HK\$93.3 million as at 30 November 2022 which may be varied before the Completion), being an interest bearing unsecured loan and repayable on demand and which, subject to and on the terms and conditions of the Provisional Agreement, shall be assigned by the Vendor to the Purchaser on the Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Sino Fame Investments Limited, a company with limited liability incorporated in Hong Kong and is directly and wholly-owned by the Vendor as at the date of this announcement, which is principally engaged in property holding
“Tenancy Agreement”	the tenancy agreement made on 27 July 2020 between the Vendor, as landlord, and Sushi Express (Hong Kong) Co., Limited being an Independent Third Party, as tenant, in relation to lease of the Property for a term of 3 years from 1 August 2020 to 31 July 2023 (both dates inclusive)
“Vendor”	Guidepost Investments Limited, a company with limited liability incorporated in British Virgin Islands and is an indirect wholly-owned subsidiary of WYT, which is principally engaged in investment holding
“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
“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 Road 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
“%”	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 January 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.

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