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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 21 November 2023 (after trading hours), the Vendor and the Guarantor entered into the Provisional Agreement with the Purchaser and the Property Agent, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, and assign the benefit of the Sale Loan, to the Purchaser for the Consideration of HK\$100 million.

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.

THE DISPOSAL

On 21 November 2023 (after trading hours), the Vendor and the Guarantor entered into the Provisional Agreement with the Purchaser and the Property Agent, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, and assign the benefit of the Sale Loan, to the Purchaser for the Consideration of HK\$100 million.

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

- Date:** 21 November 2023
- Parties:**
- (i) Guidepost Investments Limited, an indirect wholly-owned subsidiary of WYT, as the Vendor;
 - (ii) WYT as the Guarantor;
 - (iii) Ascend Progress Limited, as the Purchaser; and
 - (iv) Centaline Property Agency Limited, as the Property Agent.
- 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 the entire issued share capital of the Target Company and the Sale Loan represents all amounts owing by the Target Company to the Vendor at Completion.
- Upon Completion, the Vendor will cease to hold any equity interest in the Target Company and the Property will in effect be delivered to the Purchaser.
- 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 satisfied with the results thereof;
 - (ii) the Vendor, shall at its own cost, procure the Target Company to prove and give a good title to the Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong); and

- (iii) all the representations, undertakings and warranties given by the Vendor under the Provisional Agreement and the Formal Agreement are and shall remain true, accurate, correct and complete and not misleading in 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 terminate the transactions contemplated under the Provisional Agreement whereupon the deposit paid by the Purchaser will be returned to the Purchaser within 7 days upon termination without interests, costs and compensation.

Completion:

Completion will take place on or before the Completion Date, being at present, 8 March 2024 or such other date as the Vendor and the Purchaser may agree in writing.

Formal Agreement:

The Vendor and the Purchaser will negotiate on the Formal Agreement, which will incorporate the terms and conditions of the Provisional Agreement and other customary terms adopted in similar transactions, with a view to entering into the same on or before 8 January 2024 or such other date as the Vendor and the Purchaser may agree in writing. The Provisional Agreement remains valid and in full force and effect even if the Vendor and the Purchaser fail to agree on the terms of the Formal Agreement on or before such date.

Consideration:

The Consideration of HK\$100 million under the Provisional Agreement is to be settled as follows:

- (i) an initial deposit of HK\$5 million was paid to the Vendor upon signing of the Provisional Agreement;
- (ii) a further deposit of HK\$5 million is payable to the Vendor on or before 8 December 2023;

All deposits payable by the Purchaser shall be stakeheld by the Vendor' solicitors and will be released to the Vendor upon Completion.

- (iii) the balance of the Consideration of HK\$90 million will be payable by the Purchaser to the Vendor on or before the Completion Date.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser, having taken into account, among others, prevailing market conditions and the appraised market value of the Property of HK\$102 million as at 30 September 2023 under the valuation report prepared by an independent professional third party valuer (based on market approach with reference to the market prices of comparable properties) engaged by the Vendor.

All stamp duty payable on the transfer of the Sale Shares and the Sale Loan shall be borne by the Purchaser.

Additional term:

The Property will be leased back to a subsidiary of WYT upon Completion for a lease term of three years at a monthly rental of HK\$350,000, exclusive of management fees, government rates, government rent and other miscellaneous charges.

A commission of 2% of the Consideration shall be payable to the Property Agent to be borne by the Vendor.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

The Target Company is a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is owned by the Vendor. 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 of the Property, which represents its principal asset.

The Property is a shop unit situated at Shop AB on G/F, Po Wing Building of Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road and Nos. 108, 110, 112, 116, 118 & 120 Percival Street, Hong Kong with a total saleable area of approximately 1,204 square feet. As at the date of this joint announcement, the WYT Group has used the Property for its own retail shops with a lease expiring in April 2024.

Set out below is a summary of the financial information of the Target Company for the two years ended 31 March 2022 and 2023 and for the seven months ended 31 October 2023:

	For the seven months ended 31 October 2023	For the year ended 31 March	
	<i>HK\$'000</i> <i>(unaudited)</i>	2023 <i>HK\$'000</i> <i>(unaudited)</i>	2022 <i>HK\$'000</i> <i>(audited)</i>
Net loss before tax	52,553	11,850	4,495
Net loss after tax	52,553	10,834	4,671

The Target Company had unaudited net liabilities of approximately HK\$108.7 million as at 31 October 2023 and the Property was valued at HK\$102 million as of 30 September 2023 and with a security charge for a mortgage loan with outstanding principal amount of HK\$114.4 million to a fellow subsidiary of WYT as at the date of this joint announcement.

INFORMATION ON THE PURCHASER AND THE PROPERTY AGENT

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Wang Lizhen. The principal business of the Purchaser is investment holding.

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

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

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

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

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

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 retailing of pharmaceutical and health food products through WYT, a 69.19%-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 and a 20.17%-owned listed subsidiary of WOG.

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, an approximately 53.37%-owned listed subsidiary of WYT.

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\$1.0 million, which is calculated based on (i) the net proceeds (the Consideration after deducting relevant expenses and charges) from the Disposal of approximately HK\$97.1 million; (ii) the unaudited net liabilities of the Target Company approximately HK\$108.7 million as at 31 October 2023; and (iii) the Sale Loan of approximately HK\$206.8 million owed by the Target Company to the Vendor as at 31 October 2023.

The net proceeds arising from the Disposal are expected to be approximately HK\$97.1 million and are expected to be fully applied to repayment of mortgage loan of the WYT Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The WOG Directors and the WYT Directors undertake strategic review of the businesses and assets of the WOG Group and the WYT Group from time to time respectively. The Property was acquired by the Target Company in 2015 and it has been used by WYT for its own retail shops since then. Taking into account the general sluggish commercial property market conditions, the quality of the Property including its location, surrounding shops, and potential capital appreciation and rental yield, 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 at an appropriate time and to reduce the indebtedness by using the net proceeds from the Disposal for repayment of the bank loans while the leaseback of the Property enables the continued retail operations of the WYT Group.

Taking into account the above reasons and benefits of the Disposal, (i) the WOG Directors consider that the terms of the Provisional Agreement (including the rate of commissions payable to the Property Agent) 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 advised to exercise caution when dealing in shares of each 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, being at present, 8 March 2024 or such other date as the Vendor and the Purchaser 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\$100 million
“Disposal”	the disposal of the Sale Shares, and assignment of the Sale Loan owing by the Target Company to the Vendor, 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 Vendor and the Purchaser on or before 8 January 2024 or such other date as the Vendor and the Purchaser may agree in writing, which will incorporate the terms of the Provisional Agreement and other customary terms adopted in similar transactions
“Guarantor”	WYT, being the guarantor in relation to the Vendor’s obligations under the Provisional Agreement
“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 shop unit situated at Shop AB on G/F, Po Wing Building of Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road and Nos. 108, 110, 112, 116, 118 & 120 Percival Street, Hong Kong
“Property Agent”	Centaline Property Agency Limited, the property agent in relation to the Disposal

“Provisional Agreement”	the provisional agreement for sale and purchase dated 21 November 2023 entered into between the Purchaser, the Vendor, the Guarantor and the Property Agent in relation to the Disposal
“Purchaser”	Ascend Progress Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Shares”	2 shares of the Target Company, being all the issued shares in the Target Company
“Sale Loan”	the loan owing by the Target Company to the Vendor on the Completion Date, (the principal amount of such loan being approximately HK\$206.8 million as at 31 October 2023 which may be varied before the Completion) which is to be assigned in favour of the Purchaser at Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Oriental Sino Investments Limited (東華投資有限公司), a company incorporated in Hong Kong with limited liability and the registered owner of the Property as of the date of this joint announcement
“Vendor”	Guidepost Investments Limited, a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of WYT
“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, 21 November 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*