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## **WANG ON GROUP LIMITED**

*(incorporated in Bermuda with limited liability)*

### **Investment in a pharmaceutical enterprise in Mainland China**

A wholly-owned subsidiary of the Company has on 15 June, 2001 entered into an agreement to subscribe HK\$15,000,000 to take up new shares representing 22% of the issued share capital (as enlarged by the issue of such new shares to Advance Century) of China Field which will hold an 80% equity interest in a joint venture pharmaceutical enterprise in Changsha, Hunan Province.

Reference is made to the announcement made by Wang On Group Limited (the "Company") on 12 June, 2001 regarding preliminary discussions about a possible investment in the pharmaceutical industry in Mainland China.

#### **The Agreement**

The directors of the Company (the "Directors") are pleased to announce that, Advance Century Limited, a wholly-owned subsidiary of the Company ("Advance Century") has on 15 June, 2001 entered into an agreement (the "Agreement") with certain independent third parties who are independent of and not connected with the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates in relation to an investment in a sino-foreign equity joint venture pharmaceutical enterprise in Changsha, Hunan Province known as 湖南湘雅製藥有限公司 (Hunan Xiangya Pharmaceutical Co., Ltd.) (the "Joint Venture").

Pursuant to the Agreement, subject to the following conditions being fulfilled within 40 days from the date of execution of the Agreement (which is on 25 July, 2001):-

- (i) the execution of the relevant documents regarding the increase of capital of and the transfer of equity interest in the Joint Venture and the amendment to the joint venture agreement relating to and the articles of the Joint Venture;

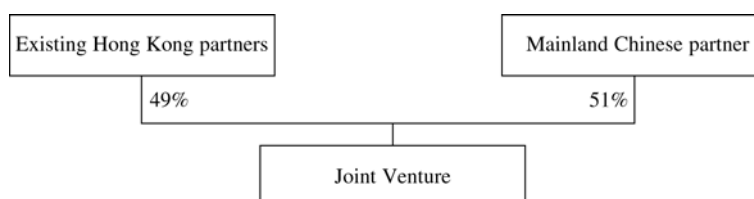
(ii) the regulatory approval of the increase of the capital of and the transfer of equity interest in the Joint Venture; and

(iii) the due diligence review of the Joint Venture to the satisfaction of Advance Century.

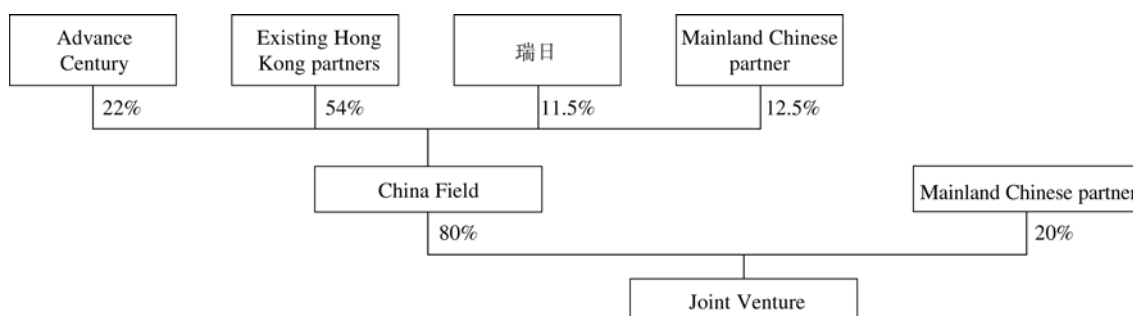
Advance Century will subscribe the amount of HK\$15,000,000 to take up such number of new shares to be issued by China Field Enterprises Ltd. ("China Field") as will represent 22% of its issued share capital as enlarged by such issue (the "Investment"). (There is no provision in the Agreement for any further capital commitment by Advance Century.)

China Field is a Hong Kong-incorporated company, which will, take up the transfer of an existing equity interest in the Joint Venture and then contribute an aggregate amount of HK\$17,000,000 (including the HK\$15,000,000 subscribed by Advance Century and the HK\$2,000,000 subscribed by 廣州瑞日藥業有限公司 ("瑞日") pursuant to the Investment) as further capital to the Joint Venture which will result in China Field holding an 80% equity interest in the Joint Venture.

The existing shareholding structure of the Joint Venture:



The shareholding structure of the Joint Venture after completion of the transfer of the equity interest:



## Turnover and Dividend Guarantee

The other shareholders of China Field who have interests in the existing 49% equity interest in the Joint Venture, have undertaken to compensate Advance Century in the event that (i)

the audited turnover of the Joint Venture falls short of RMB30,000,000 for the period from 1 August, 2001 to 31 March, 2002 or RMB50,000,000 for the period from 1 April, 2002 to 31 March, 2003, or (ii) Advance Century receives from China Field dividends of less than HK\$1,500,000 during each of the 12-month periods commencing 1 August, 2001 and 2002 respectively.

### **Reason for the Proposed Investment**

The Company and its subsidiaries do not currently have any interests in China Field or the Joint Venture. The other partner in the Joint Venture, which currently has a 51% equity interest in the Joint Venture and which will hold the balance of a 20% equity interest following the completion of the Investment, is associated with 湖南醫科大學 (Hunan Medical University). Hunan Medical University and the other shareholders of China Field are independent of and not connected with the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates. Based on the understanding of the Directors, Hunan Medical University is a medical university founded some 80 years ago and was at one time known as 湘雅醫科大學 (Xiangya Medical University). It is a medical university under the jurisdiction of the Ministry of Public Health in the People's Republic of China. The association of the Joint Venture with the Hunan Medical University is expected to give the Joint Venture a competitive edge in the pharmaceutical business in Mainland China.

The Directors believe that the Investment will complement the existing investments in pharmaceutical businesses in Hong Kong already held by the Company and its subsidiaries and is in the best interest of the Company and its shareholders. The Directors consider that the consideration for the subscription was agreed after arm's length negotiation and taking into account of the turnover and dividend guarantee referred to above.

### **Paragraph 2 of the Listing Agreement**

The entering into of the Agreement does not amount to a notifiable transaction under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This announcement is made pursuant to the general disclosure obligation under paragraph 2 of the Listing Agreement.

By Order of the Board  
**Wang On Group Limited**  
**Tang Ching Ho**

*Chairman and Managing Director*

Hong Kong, 18 June, 2001

Please also refer to the published version of this announcement in the i-Mail.