

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **WANG ON GROUP LIMITED**

*(incorporated in Bermuda with limited liability)*

### **ANNOUNCEMENT**

#### **Proposed acquisition of a 29.19% equity interest in Dailywin Group Limited**

On 15th August, 2001, Rich Time and Mr. Leung entered into a conditional share purchase agreement pursuant to which Mr. Leung shall procure the sale of and Rich Time shall purchase the Sale Shares, which represent approximately 29.19% of the existing issued share capital of Dailywin.

Rich Time will, subject to and at Completion, advance the amount of HK\$21,000,000 to Dailywin by way of a 18 months' term loan at an interest rate equal to Prime plus 2% per annum, which will be applied towards repayment of the bank indebtedness relate to Dailywin referred to in paragraph (ii) under "The Share Purchase Agreement dated 15th August, 2001" below.

At the request of the Company, trading in the shares of the Company was suspended on the Stock Exchange at 10:00 a.m. on Tuesday, 14th August, 2001 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares from 10:00 a.m. on Friday, 17th August, 2001.

#### **THE SHARE PURCHASE AGREEMENT DATED 15TH AUGUST, 2001**

##### **(i) Parties**

Purchaser: Rich Time, a wholly-owned subsidiary of the Company

Vendor: Mr. Leung

Mr. Leung is not connected with any directors, chief executive, substantial shareholders of the Company and its subsidiaries and their respective associates for the purpose of the Listing Rules.

As at the date of this announcement, Mr. Leung, through his personal shareholding, his spouse's own shareholding and the shareholding of Surplus Management, is deemed to have direct or indirect beneficial interest in an aggregate of 53,872,330 shares in Dailywin, representing approximately 40.84% of the total issued share capital of Dailywin, which comprises 131,899,864 shares.

**(ii) Assets to be acquired**

Pursuant to the Agreement, Mr. Leung shall procure the sale of and Rich Time shall purchase the Sale Shares, which represent approximately 29.19% of the existing issued share capital of Dailywin.

The Sale Shares shall be sold free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances or third-party rights of any nature and with all rights becoming attached or accruing thereto as from the date of the Agreement.

49,493,631 shares in Dailywin, representing approximately 37.52 per cent. of the total issued share capital of Dailywin, held by Surplus Management have been pledged as collateral security to support certain banking facilities the current outstanding aggregate amount of which stands at approximately HK\$29 million. The Sale Shares are part of these pledged shares.

Mr. Leung has also informed the Company that on 15th August, 2001, Mr Leung, his wife and Surplus Management have entered into a placing agreement with Kingsway SW Securities Limited (as placing agent) for the placing of a total of 15,372,330 existing shares in Dailywin, being the balance of shares in Dailywin held by Mr. Leung, his wife and Surplus Management at the date of the Agreement, at the price of HK\$0.20 per share. Kingsway SW Securities Limited has undertaken in this placing agreement to place these shares with placees who are independent of and not connected, and not acting in concert, with (a) the directors, chief executive or substantial shareholders of Dailywin or any of its subsidiaries or an associate of any of them, or (b) the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates. Completion of this placing agreement is conditional on, and will take place at the same time as, the completion of the Agreement (although completion of the Agreement is not conditional on the completion of the placing agreement). Upon the completion of both of these agreements,

Mr. Leung, his wife and Surplus Management will have disposed of all of their respective sharholdings in Dailywin. The Company will issue a further announcement in respect of the result of the placement of the above 15,372,330 shares.

### **(iii) Consideration**

The total consideration for the Sale Shares payable by Rich Time to Mr. Leung or as he may direct is HK\$7,700,000 (equivalent to HK\$0.20 per Sale Share) and shall be paid in the following manner:

- (a) a deposit of HK\$5,000,000 has been paid by Rich Time upon the execution of the Agreement which, as directed by Mr. Leung, to Dailywin on Mr. Leung's behalf as the advance by Mr. Leung of an interest free loan which shall subject to and at Completion be converted into part of the interest-bearing loan referred to in paragraph (v)(a) below; and
- (b) the balance of HK\$2,700,000 is payable by Rich Time at Completion which, as Mr. Leung has directed, Rich Time shall pay to Dailywin on Mr. Leung's behalf as the balance of the advance to be made by him to Dailywin referred to in paragraph (v)(a) below.

The consideration of HK\$0.20 per Sale Share has been agreed between the Company and Mr. Leung based on arm's length negotiations.

The total consideration for the Sale Shares of HK\$7,700,000 and the advance for the amount of HK\$21,000,000 referred to in paragraph (iv) below payable by Rich Time will be funded by the internal resources of the Company.

### **(iv) Advance by Rich Time to Dailywin**

Rich Time will, subject to and at Completion, advance the amount of HK\$21,000,000 to Dailywin by way of a 18 months' term loan at an interest rate equal to Prime plus 2% per annum, which will be applied towards repayment of the indebtedness under the banking facilities relate to Dailywin referred to in paragraph (ii) above. Upon Completion, Dailywin will not become a subsidiary but will become an associated company of the Company. The advancement of HK\$21,000,000 to Dailywin by Rich Time will not constitute a connected transaction of the Company under the Listing Rules.

### **(v) Advance by Mr. Leung to Dailywin**

Under the Agreement, Mr. Leung has undertaken that subject to Completion, he will:

- (a) advance the total consideration of HK\$7,700,000 receivable by him from Rich Time (including the deposit of HK\$5,000,000) to Dailywin; and
- (b) in addition advance a further amount of HK\$3,074,466 to Dailywin

in each case by way of a 12 months' term loan at an interest rate equal to Prime plus 2% per annum and on the condition that Dailywin shall apply the amounts so advanced towards repayment of the indebtedness under the banking facilities relate to Dailywin referred to in paragraph (ii) above.

**(vi) Conditions of the Agreement**

The Agreement is subject to the fulfillment of the following conditions:

- (a) a due diligence review to be carried out by or on behalf of Rich Time has been completed and the results of such review do not indicate to Rich Time that there has been any material adverse change to the financial condition of Dailywin and its subsidiaries from that disclosed in its audited financial statements for the year ended 31st March, 2001;
- (b) the Sale Shares are released from the share pledge referred to in paragraph (ii) above at Completion;
- (c) the Securities and Futures Commission of Hong Kong has not indicated that it is of the view that Rich Time (and/or parties acting in concert with it) has incurred an obligation to make a general offer to acquire any shares of Dailywin under Rule 26.1 of the Hong Kong Codes on Takeovers and Mergers in consequence of the purchase of the Sale Shares; and
- (d) Mr. Leung complies with his obligation referred to in paragraph (v) above to advance the amount of HK\$3,074,466 to Dailywin at Completion.

Mr. Leung has undertaken to use his best endeavours to ensure that the conditions set out in sub-paragraphs (b) and (d) above shall be fulfilled as soon as practicable and in any event by not later than 31st August, 2001.

If any of the above conditions is not fulfilled by 31st August, 2001 (or such later date as the parties may agree in writing), the Agreement shall lapse and Mr. Leung shall by not later than 11th September, 2001 repay (without interest) to Rich Time the amount of HK\$5,000,000 paid by Rich Time to Dailywin at his direction as the deposit for the sale and purchase of the Sale Shares.

**(vii) Completion**

Subject to fulfilment of all of the other conditions set out in paragraph (vi)(b)-(d) on completion, Completion of the Agreement will take place on the third business days following the fulfilment of the conditions set out in paragraph (vi)(a) above or on such other date as may be agreed between the parties.

The current board of directors of Dailywin consists of six directors (comprising three executive directors, being Mr. Leung, Mr. Tsang Pui Sing, Aloysius and Mr. Leong Weng Kin and three non-executive directors, being Mr. Wai Chi Kin, Franklin, Mr. Garnet Harrison and Mr. Peter Francis).

At Completion, Mr. Leung will arrange for a meeting of the directors of Dailywin to be held at which the appointment of such four persons as Rich Time may nominate as additional directors of Dailywin and the loans to be advanced by Rich Time and Mr. Leung as referred to in paragraphs (iv) and (v) above respectively shall be approved. Mr. Leung will also arrange for the resignation of two executive directors of Dailywin being Mr. Tsang Pui Sing, Aloysius and Mr. Leong Weng Kin and one non-executive director being Mr. Wai Chi Kin, Franklin on or before Completion.

**INFORMATION ON DAILYWIN**

Dailywin and its subsidiaries are principally engaged in the manufacturing and selling of watch and watch components and property holding and investment.

The consolidated net asset value of Dailywin as at 31st March 2000 and the consolidated net loss attributable to shareholders of Dailywin for the year ended 31st March 2000 was approximately HK\$4.8 million and HK\$6.9 million respectively. The consolidated deficiency in net assets as at 31st March, 2001 and the consolidated net loss attributable to shareholders of Dailywin for the year ended 31st March, 2001, being the date of the latest available published audited annual accounts of Dailywin, was approximately HK\$13.3 million and HK\$31.5 million respectively.

## **REASONS FOR THE ACQUISITION**

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the management and sub-licensing of Chinese wet markets, shopping centers, car park management, manufacturing and sale of Chinese medicine, herbs and other medicinal products, building related contracting and property investment. The Company intends to hold the Sale Shares as a long-term investment and the Directors believe that the Acquisition will provide the Company with an opportunity to diversify its investment into a business with prospects of capital appreciation. Since Dailywin has consolidated audited losses of approximately HK\$6.9 million and HK\$31.5 million for each of the two years ended 31st March, 2001 respectively, the new directors to be appointed by Rich Time to the board of directors of Dailywin will review the financial position, business operations and assets portfolio of Dailywin and its subsidiaries with a view to restoring the profitability of their existing businesses. Mr. Leung will remain on the board of directors of Dailywin to ensure a continuation in the daily operations of the core business of Dailywin, and Rich Time will assist Dailywin to improve its financial and internal control.

The placing price of HK\$0.20 per share in respect of the placing of a total of 15,372,330 existing shares in Dailywin referred to in paragraph (ii) above represents a premium of about 40.85 per cent. to the closing price of HK\$0.142 per share quoted on the Stock Exchange on 13th August, 2001 and a discount of approximately 2.40 per cent. to the average closing price of HK\$0.2049 quoted on the Stock Exchange over the last 10 trading days up to and including 13th August, 2001.

The total consideration for the Sale Shares of HK\$7,700,000 and the advance of HK\$21,000,000 payable by Rich Time under the Agreement represent approximately 4.82 per cent. and 13.13 per cent. of the consolidated net asset value of the Company of HK\$159,916,000 as at 31st March, 2001 respectively.

The Board considers that the terms of the Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company was suspended on the Stock Exchange at 10:00 a.m. on Tuesday, 14th August, 2001 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 10:00 a.m. on Friday, 17th August, 2001.

## **DEFINITIONS**

In this announcement, unless the content otherwise requires, the following expressions have the following meanings:

"Acquisition"	the proposed purchase by Rich Time of the Sale Shares under the Agreement
"Agreement"	the conditional share purchase agreement dated 15th August, 2001 made between Rich Time and Mr. Leung for the sale and purchase of the Sale Shares (supplementing the heads of agreement dated 13th August, 2001 signed by the same parties)
"Board"	the board of Directors
"Company"	Wang On Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Shares
"Dailywin"	Dailywin Group Limited, a company incorporated in Bermuda the shares of which are listed on the Stock Exchange and admitted to the Official List of the London Stock Exchange
"Directors"	the directors (including the independent non-executive directors, except Mr. Lee Peng Fei Allen who is out of Hong Kong and cannot be contacted at the date of the Agreement) of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange

"Mr. Leung"	Mr. Leung Wai Ho, an executive director, the chairman and controlling shareholder of Dailywin
"Prime"	the rate of interest from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited as its best lending rate for Hong Kong dollars
"Rich Time"	Rich Time Strategy Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Sale Shares"	a total of 38,500,000 shares of HK\$0.10 each in the capital of Dailywin beneficially owned by Surplus Management and to be purchased by Rich Time under the Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Surplus Management"	Surplus Management Limited, a company incorporated in the British Virgin Islands, in its capacity as trustee of a family trust the beneficiaries of which include Mr. Leung and members of his family
"HK\$"	Hong Kong dollars

By Order of the Board  
**Tang Ching Ho**  
*Chairman and Managing Director*

Hong Kong, 16th August, 2001

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