

Wang On Group Limited

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WANG ON GROUP LIMITED

(Incorporated in Bermuda with limited liability)

ONGOING CONNECTED TRANSACTIONS

Financial adviser to Wang On Group Limited



Tai Fook Capital Limited

The Directors announce that on 28th December, 2001, WYT, an indirect non-wholly owned subsidiary of the Company, entered into the Agreement with the Franchisee, an indirect wholly owned subsidiary of Town Health. Pursuant to the Agreement, WYT has granted to the Franchisee the right and licence to operate the Business at the Shop(s).

Given that the Franchisee is an associate of a connected person of the Company, the Transactions constitute connected transactions for the Company under Chapter 14 of the Listing Rules.

It is expected that the aggregate annual value of the Transactions will not exceed HK\$10 million or 3% of the net tangible asset value of the Group, whichever is higher..

Given the ongoing nature of the Transactions, the Directors are of the view that it would not be practicable to make disclosure thereof or, if necessary, obtain the approval of the shareholders of Company on each and every occasion as they arise. In view of this, the Company will make an application to the Stock Exchange for a waiver from strict compliance with Rule 14.25 of the Listing Rules in respect of the Transactions subject to certain conditions stated below.

Details of the Transactions will be included in the Company's next published annual report and accounts.
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THE AGREEMENT DATED 28TH DECEMBER, 2001

Parties:

Franchisor : WYT, an indirect non-wholly owned subsidiary of the Company

Franchisee : Charter Most Limited, an indirect wholly owned subsidiary of Town Health

Principal : Town Health, whose role in the Agreement is principally to guarantee the performance of the obligations of the Franchisee under the Agreement

Pursuant to the Agreement, WYT has granted to the Franchisee the right and licence to operate the business of selling the Products at a maximum of three Shops in the Shatin District. WYT has also authorised the Franchisee to use the trademarks and other intellectual property rights in relation to the Products and to display any sign relating to the Transactions granted at the Shop(s) in such manner as may be directed by WYT.

Pursuant to the Agreement, WYT will supply all the Products, from time to time, at the predetermined discount to WYT's retail shop selling price to the Franchisee.

Franchise fees:

Pursuant to the Agreement, the Franchisee shall pay WYT the following fees as the consideration for the grant of the right to operate the Business during the continuance of the Agreement:

1. a non-refundable initial franchisee fee of HK\$450,000 upon signing of the Agreement;
2. monthly management fees equal to 3% on the Gross Sales of each month;
3. monthly promotion and advertising fees equal to 2% on the Gross Sales of each month; and
4. an amount equals to 10% of the profit before tax according to the audited accounts for each financial year.

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For item (2) and (3) above, the fees are payable within 30 days after the issuance of the corresponding sales reports of the Shops. For item (4), the share of profit is payable within 30 days after the issuance of the monthly management accounts of the Shop(s), and adjusted in accordance with the audited accounts of the Franchisee for each financial year.

The Directors confirm that the terms of the Transactions as described above are on normal commercial terms, negotiated on an arm's length basis, and have been or will be entered into in the ordinary and usual course of business of the Group and are fair and reasonable so far as the shareholders of Company are concerned.

It is expected that the aggregate annual value of the Transactions will not exceed HK\$10 million or 3% of the net tangible asset value of the Group, whichever is higher.

Term of the Agreement:

The Agreement takes effect immediately upon execution and shall last for five years, if not otherwise terminated in accordance with the terms of the Agreement.

LISTING RULES IMPLICATIONS

Town Health is a substantial shareholder of WYT, and thus is a connected person of the Company. Since the Franchisee is a wholly owned subsidiary of Town Health, being a connected person, the Franchisee is an associate of a connected person of the Company. Accordingly, the Transactions constitute connected transactions for the Company under Chapter 14 of the Listing Rules.

Given the ongoing nature of the Transactions, the Directors are of the view that it would not be practicable to make disclosure thereof or, if necessary, obtain the approval of the shareholders of Company on each and every occasion as they arise. In view of this, the Company will make an application to the Stock Exchange for a waiver from strict compliance with Rule 14.25 of the Listing Rules in respect of the Transactions subject to the conditions stated below.

Details of the Transactions will be included in the Company's next published annual report and accounts.

REASONS AND BENEFITS FOR THE ENTERING INTO THE TRANSACTIONS

The Group is 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.

As mentioned in the Group's annual report for the financial year ended 31st March, 2001, the board of the Company had decided to diversify into the pharmaceutical business. Given that Town Health is principally engaged in the healthcare-related business, the Directors consider that the entering into the Agreement represents an effective way for the Group to enlarge its market share in the pharmaceutical business without incurring additional investments. The Directors also believe that the Transactions will bring additional contributions to the Group.

THE WAIVER

Given the ongoing nature of the Transactions, the Directors are of the view that it would not be practicable to make disclosure thereof or, if necessary, obtain the approval of the shareholders of Company on each and every occasion as they arise. In view of the above, the Company will make an application to the Stock Exchange for a waiver from strict compliance with Rule 14.25 of the Listing Rules regarding the Transactions in respect of each and every occasion they arise subject to the following conditions:

- 1) the Transactions shall be:
 - (i) entered into by the Group in the ordinary and usual course of its business;
 - (ii) conducted on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities which are independent third parties); and
 - (iii) entered into in accordance with the terms of the Agreement;
- 2) the aggregate annual value of the Transactions will not exceed HK\$10 million or 3% of the net tangible asset value of the Group, whichever is higher;
- 3) the independent non-executive Directors shall review the Transactions annually and confirm in the annual report of the Company for the financial years concerned that these were conducted in the manner as stated in paragraphs 1 and 2 above;

- 4) the Company's auditors shall review the Transactions annually and confirm in a letter to the board of Directors (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating whether:
 - (i) the Transactions have received the approval of the board of Directors;
 - (ii) the Transactions have been entered into in the ordinary and usual course of business of the Group and carried out in accordance with the terms of the Agreement; and
 - (iii) the aggregate annual value of the Transactions for each of the relevant financial year has not exceeded the maximum amount as stated in paragraph 2 above;
- 5) details of the Transactions in each financial year shall be disclosed as required under Rule 14.25(1)(A) to (D) of the Listing Rules in the annual report of the Company for the financial year concerned together with a statement of the opinion of the independent non-executive Directors and the auditors of the Company referred to in paragraphs 3 and 4 above; and
- 6) the Company shall provide to the Stock Exchange an undertaking that, for so long as the Company's securities are listed on the Stock Exchange, it will provide the Company's auditors with full access to its relevant records, and where required by the Company's auditors, will use its best efforts to procure WYT and the Franchisee to provide the Company's auditors with access to the relevant records relating to the Transactions, for the purpose of the auditors' review of the Transactions referred to in paragraph (4) above.

Should the aggregate value of the Transactions exceeds the maximum amount set out in paragraph 2 above, the Company will comply with the relevant disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

- “Agreement” : the franchise agreement dated 28th December, 2001 entered into between WYT, the Franchisee and Town Health in relation to the franchise, arrangement
- “associate” : as ascribed to it in the Listing Rules
- “Business” : carrying on of the business of sale of the Products through the Shop(s) pursuant to the distinctive business format and method developed and implemented by WYT in connection with the operation of the Business
- “Company” : Wang On Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of

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	the Stock Exchange
“Directors”	: the directors, including the independent non-executive directors of the Company
“Franchisee”	: Charter Most Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of Town Health
“Gross Sales”	: the gross amount of sales receipt in the course of the Franchisee’s business conducted on or from the Shops
“Group”	: the Company and its subsidiaries
“HK\$”	: Hong Kong dollars, the lawful currency of Hong Kong
“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
“Products”	: goods or products sold by WYT
“Shop(s)”	: the retail shop(s) to be opened by the Franchisee in the Shatin District, pursuant to the Agreement
“Stock Exchange”	: The Stock Exchange of Hong Kong Limited
“Town Health”	: Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange and a substantial shareholder of WYT
“Transactions”	: the franchise arrangement between WYT and the Franchisee and the related transactions pursuant to the Agreement
“WYT”	: Wai Yuen Tong Medicine Company Limited, a company incorporated in Hong Kong, the issued shares of which are beneficially held as to approximately 75.8%, 24.0% and 0.2% by the Company, Town Health and other independent third parties respectively
“%”	: per cent

By Order of the Board
Wang On Group Limited
Chan Chun Hong, Thomas
Director

Hong Kong, 28th December, 2001

Please also refer to the published version of this announcement in the Hong Kong iMail Post dated 31/12/2001