

WANG ON GROUP LIMITED

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WANG ON GROUP LIMITED

(Incorporated in Bermuda with limited liability)

PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR RIGHTS

SHARES FOR EVERY EXISTING SHARE HELD WITH

BONUS SHARES TO BE ISSUED WITH RIGHTS SHARES ON

THE BASIS OF ONE BONUS SHARE FOR FOUR FULLY PAID

RIGHTS SHARES

BYE-LAW AMENDMENT

INCREASE IN AUTHORISED SHARE CAPITAL

AND

GRANT OF GENERAL MANDATES TO ISSUE AND

REPURCHASE SHARES

Financial Adviser to Wang On Group Limited



Kingsway Capital Limited

Manager of the Rights Issue

Co-Manager of the Rights Issue

WANG ON GROUP LIMITED

17 January 2002



**Kingsway SW Securities
Limited**



**KINGSTON SECURITIES
LIMITED**

The Company proposes to raise approximately HK\$197 million before expenses by way of a rights issue of not less than 6,576,243,732 Rights Shares at HK\$0.03 each. The Company will provisionally allot 4 Rights Shares, in nil-paid form for 1 existing Share held by the Qualifying Shareholders on the Record Date, and will issue by way of bonus 1 Bonus Share for every 4 fully paid Rights Shares. The Rights Issue is not available to the Non-Qualifying Shareholders.

The Substantial Shareholders have irrevocably undertaken to take up their entitlements under the Rights Issue of an aggregate of 802,468,468 Rights Shares. Pursuant to the Underwriting Agreement, the balance of not less than 5,773,775,264 Rights Shares have been fully underwritten by the Underwriters.

The Rights Issue is conditional, inter alia, on the approval by the Shareholders of the Rights Issue and the approval by the Shareholders the Bye-law Amendment being obtained at the SGM.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriters the right to terminate its obligations on the occurrence of certain force majeure events. Please refer to the paragraph headed "Termination of the Underwriting Agreement" for further details.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form during the period in which they may be traded on the Stock Exchange, which is expected to be from Monday, 4th March, 2002 to Tuesday, 12th March, 2002, who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled and any persons dealing in the nil-paid Rights Shares during the period in which they may be traded on the Stock Exchange will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares and the Bonus Shares.

WANG ON GROUP LIMITED

The net proceeds of the Rights Issue are expected to be approximately HK\$191 million, which will be applied as to (i) approximately HK\$40 million for the improvement and upgrade of GMP; (ii) approximately HK\$26 million for financing the completion of the acquisition of an industrial building and for its renovation; (iii) approximately HK\$15 million for repayment of the Group's indebtedness; (iv) approximately HK\$35 million for the possible investment in new business opportunities (although no opportunities have yet been determined); and (v) the balance of approximately HK\$75 million as the Group's working capital.

In order to facilitate the Rights Issue by enabling the Company to allot and issue the Bonus Shares with the fully paid Rights Shares and to provide the Company with flexibility to raise capital from its shareholders in the future, the Directors also propose an amendment to the Bye-laws to allow a distribution to members of the Company on such non pro-rata basis as Shareholders may approve. The Bye-law Amendment requires the sanction of a special resolution passed by the Shareholders at the SGM, which is one of the conditions to which the Rights Issue is subject.

In order to facilitate the Company's future expansion, a resolution will also be proposed at the SGM to increase the authorised share capital of the Company from HK\$100,000,000 to HK\$200,000,000 by the creation of an additional 10,000,000,000 new Shares.

Pursuant to the Listing Rules, Shareholders' approval will be required for the Rights Issue including the issue of the Bonus Shares with the fully paid Rights Shares. In addition, the Substantial Shareholders, not being controlling Shareholders (as defined in the Listing Rules), will be entitled to vote on the resolution to approve the Rights Issue at the SGM. An independent financial adviser will be appointed to advise the Shareholders. A circular containing, among other things, details of the Rights Issue, the Bye-law Amendment, the recommendation of the independent financial adviser and the notice convening the SGM will be despatched to Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 10:00 a.m. on 15th January, 2002 pending release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 10:00 a.m. on 17th January, 2002.

THE RIGHTS ISSUE

Issue statistics

WANG ON GROUP LIMITED

Basis of the Rights Issue	: 4 Rights Shares for 1 existing Share held on the Record Date, issued with 1 Bonus Share for every 4 fully paid Rights Shares
Number of Shares in issue	: 1,644,060,933 Shares as at the date of this announcement
Number of Rights Shares	: not less than 6,576,243,732 Rights Shares
Subscription price for Rights Shares	: HK\$0.03 per Rights Share
Number of Bonus Shares	: not less than 1,644,060,933 Shares

There are outstanding options granted under the Share Option Scheme carrying the rights to subscribe up to an aggregate of 43,800,000 Shares. If such options are exercised in full, a further 175,200,000 Rights Shares and a further 43,800,000 Bonus Shares will be issued under the Rights Issue.

In conjunction with the Rights Issue, the Company proposes to issue Bonus Shares to the first registered holders of fully paid Rights Shares on the basis of 1 Bonus Share for every 4 fully paid Rights Shares subscribed for. The Rights Issue is not available to Non-Qualifying Shareholders.

Financial adviser to the Company

Kingsway Capital Limited, which is an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), is an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

Underwriters

Kingsway SW Securities Limited, Kingston Securities Limited, Great China Brokerage Limited, GC Capital Limited, Luen Fat Securities Co. Ltd. and Ms. Tang. Save for Ms. Tang, all the other Underwriters are dealers registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong).

The obligations imposed on the Underwriters in respect of the Rights Shares, other than the 802,468,468 Rights Shares which are the subject of the Substantial Shareholders' irrevocable undertakings referred to below, shall be several (and not joint or joint and several). Sub-underwriting arrangement, if any, will be at the sole discretion of the Underwriters in respect of their respective share of the Rights Shares underwritten.

WANG ON GROUP LIMITED

Ms. Tang is a sister of Mr. Tang and one of the Substantial Shareholders who currently holds 37,036,907 Shares and who has undertaken to take up her entitlement under the Rights Issue of 148,147,628 Rights Shares. Ms. Tang is also a director of 55 subsidiaries of the Company. Dr. Siu Yim Kwan, Sidney, an independent non-executive Director, is a controlling shareholder of Great China Brokerage Limited.

Save as disclosed above, the Underwriters are independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. Details of the underwriting arrangement are set out in the section below headed “Underwriting Arrangements”.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Non-Qualifying Shareholders.

To qualify for the Rights Shares, a Shareholder must

1. be registered as a member of the Company on the Record Date; and
2. have an address in Hong Kong which appears on the register of members of the Company on the Record Date.

In order to be registered as members on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company’s branch share registrar in Hong Kong by 4:00 p.m. on Friday, 22nd February, 2002. The Company’s branch share registrar in Hong Kong is Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

Closure of register of members

The register of members of the Company will be closed from Monday, 25th February, 2002 to Thursday, 28th February, 2002, both dates inclusive. No transfer of Shares will be registered during this period.

TERMS OF THE RIGHTS ISSUE

Subscription price for the Rights Shares

WANG ON GROUP LIMITED

HK\$0.03 per Rights Share, payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares, or when a transferee of nil-paid Rights Shares applies for Rights Shares.

Taking into account the Bonus Shares being issued with the fully paid Rights Shares, the effective price for each Rights Share is HK\$0.024 which represents (i) a discount of about 79.66% to the closing price of HK\$0.118 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of about 77.84% to the average closing price of HK\$0.1083 per Share for the last 10 trading days up to and including the Last Trading Day; and (iii) a discount of about 66.10% to the theoretical ex-rights price of approximately HK\$0.040 per Share based on the closing price of HK\$0.118 per Share on the Last Trading Day. The subscription price was determined after arm's length negotiations between the Company and the Underwriters. The Directors consider the terms of the Rights Issue to be fair and reasonable and in the best interests of the Company and the Shareholders.

Basis of provisional allotment

4 Rights Shares for 1 existing Share held by a Qualifying Shareholder on the Record Date.

Status of the Rights Shares and the Bonus Shares

The Rights Shares (when issued and fully-paid) and the Bonus Shares (when issued and credited as fully paid) will rank *pari passu* with the then existing Shares in all respects. Holders of fully-paid Rights Shares and Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Rights Shares and the Bonus Shares.

Certificates for Rights Shares and Bonus Shares

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares and Bonus Shares are expected to be posted on or about Thursday, 21st March, 2002 to those who have accepted and (where applicable) applied for, and paid for the Rights Shares at their own risk.

Rights of Non-Qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only and will not send

WANG ON GROUP LIMITED

provisional allotment letters or application forms for excess Rights Shares to the Non-Qualifying Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of HK\$100 or more will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of less than HK\$100.

Application for excess Rights Shares

Qualifying Shareholders who have accepted in full the Rights Shares provisionally allotted to them are entitled to apply for any unsold entitlements of the Non-Qualifying Shareholders and any Rights Shares provisionally allotted but not accepted or otherwise subscribed for by transferees of nil-paid Rights Shares. The fully paid Rights Shares issued pursuant to excess applications will also be issued with Bonus Shares on the basis of 1 Bonus Share for every 4 Rights Shares so issued.

Applications may be made by completing the form of application forms for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion, but on a fair and reasonable basis, and will give preference to topping-up odd lots to whole board lots.

Listings and dealings

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms, and the Bonus Shares.

For the purpose of trading on the Stock Exchange, a board lot for the Rights Shares in both their nil-paid and fully-paid forms will be 2,000 Shares which is the same as the board lot size for the existing Shares trading on the Stock Exchange.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms, registered in the branch register of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

UNDERWRITING ARRANGEMENTS

Undertakings from Substantial Shareholders

As at the date of this announcement, the Substantial Shareholders are together beneficially interested in an aggregate of 200,617,117 Shares representing approximately 12.20% of the existing issued share capital of the Company. Each of the Substantial Shareholders has given an irrevocable undertaking to accept or procure acceptance of its/his/her entitlement to the Rights Shares which will be provisionally allotted to it/him/her as the holders of such Shares under the Rights Issue, amounting to 802,468,468 Rights Shares in aggregate in respect of all the Substantial Shareholders.

Underwriting Agreement

Date : 15th January, 2002
Underwriters : (1) Kingsway SW Securities Limited
(2) Kingston Securities Limited
(3) Great China Brokerage Limited
(4) GC Capital Limited
(5) Luen Fat Securities Co. Ltd.
(6) Ms. Tang

Commission : 2.5% of the total subscription price of the Rights Shares underwritten by the Underwriters

The Underwriters have fully underwritten all of the Rights Shares to be issued under the Rights Issue other than the 802,468,468 Rights Shares which are the subject of the Substantial Shareholders' irrevocable undertakings referred to above, amounting to not less than 5,773,775,264 in aggregate.

Pursuant to the Underwriting Agreement, Ms. Tang as one of the Underwriters has agreed to underwrite not less than 615,336,334 Rights Shares. Assuming the Substantial Shareholders subscribe in full for all of the 802,468,468 Rights Shares to which they are respectively entitled under the Rights Issue in accordance with the irrevocable undertakings referred to above and assuming Ms. Tang is required to take up 615,336,334 Rights Shares, (which will be issued with Bonus Shares), she together with the other Substantial Shareholders will be beneficially interested in an aggregate (including the Bonus Shares to be issued with the relevant fully paid Rights Shares) of 1,972,873,120, Shares, representing 20% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares and the Bonus Shares. Ms. Tang has indicated to the Directors that she will procure any Rights Shares underwritten by

WANG ON GROUP LIMITED

herself pursuant to the Underwriting Agreement which are required to be taken up by her to be allocated to the Substantial Shareholders in proportion to their respective shareholdings in the Company as at the Record Date.

Termination of the Underwriting Agreement

The Underwriters may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by Kingsway SW Securities Limited (for itself and on behalf of the other Underwriters) to the Company at any time if, prior to 5:00 p.m. on the third Business Day after the date on which the latest time for acceptable of the Rights Shares falls, which is expected to be Wednesday, 20th March, 2002, there shall develop, occur, exist or come into effect:

- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place in which any member of the Group conducts or carries on business; or
- (b) any change in, or any event or series of events resulting or likely to result in any change in, local, national or international financial, political, military, industrial, economic, currency or (whether or not sui generis with any of the foregoing) market conditions; or
- (c) any change in the conditions of local, national or international securities markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise),
which:
 - (1) is or will have a material adverse effect on the Company or the Group or the Rights Issue; or
 - (2) has or will have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or
 - (3) makes it inadvisable or inexpedient for the Company to proceed with the Rights Issue.

Save for all reasonable costs, charges and expenses which may be incurred in connection with the Rights Issue, upon the giving of notice of termination, all obligations of the Underwriters under the Underwriting Agreement shall cease and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriters exercise such right, the Rights Issue will not proceed.

CONDITIONS OF THE RIGHTS ISSUE

WANG ON GROUP LIMITED

The Rights Issue is conditional upon, amongst other things, each of the following conditions being fulfilled:

1. the passing at the SGM of the resolutions to be proposed for:
 - (a) the approval by the Shareholders, by way of an ordinary resolution, of the Rights Issue, including the issue of the Bonus Shares with the fully paid Rights Shares; and
 - (b) the approval by Shareholders, by way of a special resolution, of the Bye-law Amendment;
2. the Listing Committee of the Stock Exchange granting or agreeing to grant, the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms; and granting the listing of, and permission to deal in the Bonus Shares by not later than the first Business Day after the Prospectus Posting Date;
3. if required, the obtaining of the necessary permission of the Bermuda Monetary Authority for the issue of the Rights Shares and the Bonus Shares on or before the date of despatch of the Prospectus Documents (which is expected to be 28th February, 2002);
4. the registration of all relevant documents in relation to the Rights Issue by the Company with the Registrar of Companies in Hong Kong, and the filing of the same with the Registrar of Companies in Bermuda, on or prior to the Prospectus Posting Date;
5. compliance by the Substantial Shareholders with their irrevocable undertakings to take up all the Rights Shares to be provisionally allotted to them under the Rights Issue; and
6. the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

2002

Despatch of the circular to Shareholders	Wednesday, 6th February
Last day of dealings in Shares on a cum-rights basis	Wednesday, 20th February
First day of dealings in Shares on an ex-rights basis	Thursday, 21st February
Latest time for lodging transfers of Shares	4:00 p.m. on Friday, 22nd February
Register of members closed (both dates inclusive)	Monday, 25th February to Thursday, 28th February
Latest time for return of proxy form for SGM	9:30 a.m. on Tuesday, 26th February
Date of SGM	9:30 a.m. on Thursday, 28th February
Record Date	Thursday, 28th February
Despatch of the Prospectus Documents	Thursday, 28th February
Register of members re-opens	Friday, 1st March
First day of dealings in nil-paid Rights Shares	Monday, 4th March
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Thursday, 7th March
Last day of dealings in nil-paid Rights Shares	Tuesday, 12th March
Latest time for payment for and acceptance of Rights Shares	4:00 p.m. on Friday, 15th March

WANG ON GROUP LIMITED

Rights Issue expected to become unconditional	4:00 p.m. on Wednesday, 20th March
Announcement of results of acceptance of the Rights Issue	Thursday, 21st March
Despatch of refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares	Thursday, 21st March
Certificates for fully-paid Rights Shares and Bonus Shares expected to be despatched on or before	Thursday, 21st March
First day of dealings in the fully-paid Rights Shares and the Bonus Shares	Monday, 25th March

Dates or deadlines specified in this announcement for events in the above timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be exercised or varied by agreement between the Company and the Underwriters. Any consequential changes to the expected timetable will be published or notified to Shareholders appropriately.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Existing Shares is expected to be dealt in on an ex-rights basis from Thursday, 21st February, 2002. Dealings in the Rights Shares in their nil-paid form is expected to take place from Monday, 4th March, 2002 to Tuesday, 12th March, 2002 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form during the period in which they may be traded on the Stock Exchange, which is expected to be from Monday, 4th March, 2002 to Tuesday, 12th March, 2002 who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled and any persons dealing in the nil-paid Rights Shares during the period in which they may be traded on the Stock Exchange will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company is as follows:

Immediately after completion of the Rights Issue	Immediately after completion of the Rights Issue (assuming no
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WANG ON GROUP LIMITED

		(assuming all Qualifying Shareholders take up any Rights Shares except the Substantial Shareholders and the issue of the Bonus Shares)					
		Immediately before completion of the Rights Issue		Shareholders take up the Rights Shares in full) and the issue of the Bonus Shares		Shareholders take up any Rights Shares except the Substantial Shareholders and the issue of the Bonus Shares	
		<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Caister Limited <i>(Note)</i>		36,314,000	2.21%	217,884,000	2.21%	217,884,000	2.21%
Mr. Tang		9,927,645	0.60%	59,565,870	0.60%	59,565,870	0.60%
Ms. Yau		9,927,645	0.60%	59,565,870	0.60%	59,565,870	0.60%
Ms. Tang Mui Fong		65,904,095	4.01%	395,424,570	4.01%	395,424,570	4.01%
Mr. Yau Yuk Tong		41,506,825	2.52%	249,040,950	2.52%	249,040,950	2.53%
Ms. Tang		37,036,907	2.25%	222,221,442	2.25%	991,391,860	10.05%
Public Underwriters		1,443,443,816	87.81%	8,660,662,896	87.81%	1,443,443,816 6,448,048,662	14.63% 65.37%
Total		1,644,060,933	100.00%	9,864,365,598	100.00%	9,864,365,598	100.00%

Notes:

1. Mr. Tang is deemed to be interested in these Shares due to Caister Limited being wholly and beneficially owned by Mr. Tang.
2. The above table assumes none of the options granted under the Share Option Scheme and held by any Substantial Shareholders is exercised prior to the Record Date.
3. The Company does not have any controlling shareholders (as defined in the Listing Rules) and as such no Shareholders will be required to abstain from voting on the resolution to approve the Rights Issue pursuant to Rule 7.19 (6) (a) of the Listing Rules.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in the commercial management of Chinese wet markets, shopping centers, car parks, manufacturing and sale of Chinese medicine, herbs and other medicinal products, building related contracting and property investment. In view of the current market conditions and the considerable amount intended to be raised, the Directors consider that the Rights Issue provides a good opportunity for the Group to raise funds to enhance its production facilities and to strengthen its financial position.

WANG ON GROUP LIMITED

The net proceeds of the Rights Issue of approximately HK\$191 million are intended to be used in the following manners:

- (i) approximately HK\$40 million for the improvement and upgrade of GMP;
- (ii) approximately HK\$26 million for financing the completion of the acquisition of an industrial building by the Company and for its renovation, further details of which acquisition were set out in the Company's announcement dated 19th December, 2001 and its circular to Shareholders dated 9th January, 2002;
- (iii) approximately HK\$15 million for repayment of the Group's indebtedness;
- (iv) approximately HK\$35 million for the possible investment in new business opportunities, (although no opportunities have yet been determined); and
- (v) the balance of approximately HK\$75 million as the Group's working capital.

The financial impact of the Rights Issue including the issue of the Bonus Shares with the fully paid Rights Shares to the Group will be detailed in the circular of the Company which will be despatched to the Shareholders as soon as practicable.

As the Rights Issue could allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise the capital through the Rights Issue.

In 2001, the Company raised a total of approximately HK\$86 million (net of related expenses) through placings of Shares and convertible bonds issued by the Company. The Company has utilized a total of approximately HK\$66 million as to (i) approximately HK\$30 million as partial consideration for the acquisition of an approximate 22.57% shareholding in Luxembourg Medicine Company Limited details as to the acquisition of an approximate 19.01% shareholding in which were set out in the Company's announcement dated 19th December, 2001 and its circular to Shareholders dated 9th January, 2002; (ii) approximately HK\$10 million for the expansion of the Group's commercial property management business; (iii) approximately HK\$11 million for the acquisition of Hunan Xiangya Pharmaceutical Co., Limited, details of which acquisition were set out in the Company's announcements dated 18th June, 2001 and 10 July, 2001; (iv) approximately HK\$4 million for repayment of bank loans; and (v) approximately HK\$4 million for property deposit. The total amount of unutilised proceeds from the placings in 2001 amounted to approximately HK\$27 million and are currently placed on deposits with banks in Hong Kong. Further details of the above use of proceeds as compared with the intended use of proceeds previously announced by the Company in 2001 will be disclosed in the circular to the Shareholders containing, among other things, details of the Rights Issue. The Directors confirm that the utilization of funds stated above is consistent with the intended use of proceeds as disclosed in the Company's respective placing announcements in 2001.

AMENDMENT TO THE BYE-LAWS

WANG ON GROUP LIMITED

17 January 2002

WANG ON GROUP LIMITED

In order to facilitate the Rights Issue by enabling the Company to allot and issue the Bonus Shares and to provide the Company with flexibility to raise capital from its shareholders in the future, the Directors also propose to amend bye-law 148 of the Bye-laws to allow a distribution to members of the Company on such non pro-rata basis as Shareholders may approve. The Bye-law Amendment requires the sanction of a special resolution passed by the Shareholders at the SGM, which is one of the conditions to which the Rights Issue is subject.

INCREASE IN AUTHORIZED ISSUED SHARE CAPITAL

In order to facilitate the Company's future expansion, a resolution will also be proposed at the SGM to increase the authorised share capital of the Company from HK\$100,000,000 to HK\$200,000,000 by the creation of an additional 10,000,000,000 new Shares. The Directors have no present intention to issue any part of the increased share capital.

GENERAL MANDATES

In view of the enlarged share capital of the Company as a result of the Rights Issue, the Directors will seek the approval of Shareholders at the SGM for the grant of a general mandate to issue further securities not exceeding 20% of the Company's issued share capital as enlarged by the Rights Issue (and to issue further securities repurchased by the Company pursuant to the repurchase mandate referred to below).

The Directors will also seek the approval of Shareholders to grant to the Directors a general mandate to repurchase securities up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the Rights Issue.

GENERAL

Pursuant to the Listing Rules, Shareholders' approval will be required for the Rights Issue including the issue of the Bonus Shares with the fully paid Rights Shares. In addition, the Substantial Shareholders, who are not controlling Shareholders (as defined in the Listing Rules) as they are together beneficially interested in approximately 12.20% of the Company's issued share capital, will be entitled to vote on the resolution to approve the Rights Issue at the SGM. An independent financial adviser will be appointed to advise the Shareholders. A circular containing, among other things, details of the Rights Issue, the Bye-law Amendment, the recommendation of the independent financial adviser and the notice convening the SGM will be despatched to Shareholders as soon as practicable.

WANG ON GROUP LIMITED

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 10:00 a.m. on 15th January, 2002 pending release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 10:00 a.m. on 17th January, 2002.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate”	has the meaning ascribed thereto under the Listing Rules
“Bonus Shares”	not less than 1,644,060,933 new Shares to be allotted and issued to the first registered holders of the fully paid Rights Shares on the basis of 1 bonus share (credited as fully paid) for every 4 fully paid Rights Shares
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Bye-laws”	the bye-laws of the Company
“Bye-law Amendment”	a proposed amendment to Bye-law 148 of the Bye-laws to allow a distribution to members of the Company on such non pro-rata basis as Shareholders may approve
“Company”	Wang On Group Limited, a company incorporated in Bermuda with limited liability and its Shares are listed on the Stock Exchange
“Director(s) ”	director(s) of the Company
“GMP”	acronym for Good Manufacturing Practice, the part of quality assurance which ensures that pharmaceutical products are consistently produced and controlled to the quality standards appropriate to their intended use
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	14th January, 2002, being the last trading day before the suspension of the trading of the Shares on the Stock Exchange pending the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tang”	Mr. Tang Ching Ho, the Chairman and Managing Director of the Company
“Ms. Tang”	Ms. Tang Mui Fun, a sister of Mr. Tang and one of the Underwriters
“Ms. Yau”	Ms. Yau Yuk Yin, the wife of Mr. Tang and who is the Deputy Chairman and Deputy Managing Director of the Company
“Non-Qualifying Shareholder(s) ”	Shareholder(s) other than the Qualifying Shareholders
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Prospectus Documents”	date of despatch of the Prospectus

WANG ON GROUP LIMITED

17 January 2002

WANG ON GROUP LIMITED

Posting Date”	
“Qualifying Shareholder(s) ”	Shareholder(s) whose names appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown in the register of members of the Company on that date is/are in Hong Kong
“Record Date”	the date by reference to which entitlements to the Rights Issue are to be determined, expected to be Thursday, 28th February, 2002
“Rights Issue”	the proposed issue of the Rights Shares at a price of HK\$0.03 per Rights Share
“Rights Share(s) ”	not less than 6,576,243,732 new Share(s) to be allotted and issued under the Rights Issue
“SGM”	special general meeting of the Company which is proposed to be convened on Thursday, 28th February, 2002 to consider the Rights Issue including the issue of the Bonus Shares with the fully paid Rights Shares, the Bye-law Amendment, the increase in the authorized share capital of the Company and the granting of the general mandates to issue and repurchase Shares
“Share(s) ”	share(s) of a nominal value of HK\$0.01 each in the capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 6th February, 1995
“Shareholder(s) ”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholders”	Caister Limited (which is wholly and beneficially owned by Mr. Tang), Mr. Tang, Ms. Yau, Ms. Tang Mui Fong (a sister of Mr. Tang), Mr. Yau Yuk Tong (a brother of Ms. Yau) and Ms. Tang
“Underwriters”	Kingsway SW Securities Limited, Kingston Securities Limited, Great China Brokerage Limited, GC Capital Limited, Luen Fat Securities Co. Ltd. and Ms. Tang, whose obligations shall be several (and not joint or joint and several)
“Underwriting Agreement”	the agreement dated 15th January, 2002 entered into between the Company and the Underwriters in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the board of Directors of
Wang On Group Limited
Tang Ching Ho
Chairman and Managing Director

Hong Kong, 16th January, 2002

Please also refer to the published version of this announcement in the Hong Kong iMail Post dated 17 January 2002.