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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)

DISCLOSEABLE TRANSACTION

**PROPOSED ACQUISITION OF 50% OF THE EQUITY INTEREST IN THE
REGISTERED CAPITAL OF
SHENZHEN JIMAO MARKET CO., LIMITED**

On 25 July 2006, Regal Smart Investment, an indirect wholly-owned subsidiary of the Company entered into the legally-binded Letter of Intent with Shenzhen Agricultural Products, an Independent Third Party, whereby, Regal Smart Investment agreed to, subject to fulfillment of the Conditions, acquire 50% of the equity interest in the registered capital of Shenzhen Jimao Market at a consideration of the maximum amount of RMB65,500,000 (approximately HK\$63.8 million). The Acquisition shall be subject to an independent asset appraisal to determine the Appraised Value of Shenzhen Jimao Market and the completion of the bidding process held at Shenzhen Enterprise Ownership Center. Each of Regal Smart Investment and Shenzhen Agricultural Products has an option not to proceed with the Acquisition should the Appraised Value deviate from the certain agreed valuation ranges as set out in this announcement. A deposit of RMB10,000,000 will be paid by Regal Smart Investment within five business days upon signing of the Letter of Intent. The principal terms of the Letter of Intent are set out in this announcement.

The Company intends to seek for banking facilities of approximately HK\$30 million (representing approximately half of the total consideration) to finance part of the Consideration. The remaining amount of the Consideration will be funded by internal resources of the Group. In the event that the banking facilities cannot be obtained, the Consideration will be wholly funded by internal resources.

This announcement is made pursuant to Rule 13.09 of the Listing Rules. The Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Acquisition will be despatched to Shareholders as soon as practicable in accordance with the Listing Rules.

LETTER OF INTENT

Date: 25 July, 2006

Parties:

Purchaser: Regal Smart Investment Limited, which is an investment holding company and is an indirect wholly-owned subsidiary of the Company.

Vendor: Shenzhen Agricultural Products Co., Ltd., which is the legal and beneficial owner of 90.79% of the equity interest in the registered capital of Shenzhen Jimao Market. Shenzhen Agricultural Products and its ultimate beneficial owner are not connected persons of the Company and are Independent Third Parties not connected with the Company and its connected persons.

Principal Terms of the Letter of Intent

Subject matters of the Letter of Intent

Shenzhen Jimao Market is principally engaged in the operation and management of 20 traditional wet markets in various districts in Shenzhen, the PRC. These wet markets occupy a total gross floor area of approximately 32,000 square meters.

Shenzhen Agricultural Products and Shenzhen Fruits and Vegetables Trading Company currently hold 90.79% and 9.21% of the equity interests in the registered capital of Shenzhen Jimao Market, respectively.

Shenzhen Agricultural Products is principally engaged in the development and management of wet markets. Shenzhen Fruits and Vegetables Trading Company and its ultimate beneficial owners are Independent Third Parties and not connected persons as defined under the Listing Rules.

Based on the audited financial statements of Shenzhen Jimao Market made in accordance with the PRC Accounting Standards and Regulations, the net profit before taxation and extraordinary items of Shenzhen Jimao Market for the fiscal year ended 31 December 2004 and 2005 were approximately RMB6.9 million (approximately HK\$6.7 million) and approximately RMB6.3 million (approximately HK\$6.1 million), respectively. The net profit after taxation and extraordinary items of Shenzhen Jimao Market for the fiscal year ended 31 December 2004 and 2005 were approximately RMB5.8 million (approximately HK\$5.6 million) and approximately RMB5.2 million (approximately HK\$5.1 million), respectively. As at 31 December 2004 and 2005, the total assets of Shenzhen Jimao Market were approximately RMB60.4 million (approximately HK\$58.8 million) and approximately RMB61.1 million (approximately HK\$59.5 million), respectively.

Upon completion of the Acquisition, the shareholding structure of Shenzhen Agricultural Products will be as follows:

Shareholder	Percentage
Shenzhen Agricultural Products	40.79%
Regal Smart Investment	50%
Shenzhen Fruits and Vegetables Trading Company	9.21%

The Acquisition and the Consideration:

The Acquisition and the Consideration will be subject to an asset appraisal by an independent professional appraiser to determine the Appraised Value and the completion of the bidding process held at Shenzhen Enterprise Ownership Exchange Center (“SEOEC”) (深圳市產權交易中心). The Appraised Value shall be confirmed and approved by the Shenzhen Office of the State-owned Assets Supervision and Administration Committee (深圳市國有資產監督管理委員會). The Acquisition and the Consideration shall be determined based on the following terms:

- If the Appraised Value is higher than the amount of RMB136,000,000 or lower than the amount of RMB106,000,000, each of Regal Smart Investment and Shenzhen Agricultural Products has an option not to proceed with the Acquisition. If one of each party or both decide(s) not to proceed with the Acquisition, the party(ies) shall notify the other party(ies) within seven business days following the receipt of the appraisal report by Regal Smart Investment. Shenzhen Agricultural Products shall return the Deposit and accrued interests to Regal Smart Investment within five business days upon receipt of the written notice from Regal Smart Investment or within five business days after notifying Regal Smart Investment of its decision of not to proceed with the Acquisition;
- If the Appraised Value is within the range and inclusive of RMB106,000,000 and RMB131,000,000, the Consideration shall be determined at RMB65,500,000. Shenzhen Agricultural Products will then ask for a sale of its 50% equity interest in the registered capital of Shenzhen Jimao Market for the Consideration of RMB65,500,000 at SEOEC for open bidding as required by the local government;

- If the Appraised Value is within the range of RMB131,000,000 (exclusive) and RMB136,000,000 (inclusive), Shenzhen Agricultural Products will ask for a sale of its 50% equity interest in the registered capital of Shenzhen Jimao Market for the Consideration at SEOEC, whereby the asking price shall be the half of the Appraised Value. If it cannot be successfully sold within a designated period, Shenzhen Agricultural Products will apply for a lower selling price of RMB65,500,000 and will then ask for sale of its 50% equity interest at SEOEC at that price again;
- The Consideration shall be satisfied by payment in cash.

The Consideration was determined after arm's length negotiations between Regal Smart Investment and Shenzhen Agricultural Products. The Directors consider that the Consideration payable for the Acquisition is in the interest of the Shareholders as a whole.

Other Principal Terms:

Shenzhen Jimao Market currently does not own legal titles of the 20 traditional Chinese wet markets that it currently operates. Pursuant to the Letter of Intent, the following terms has been agreed with respect to arrangements of these wet markets:

- Shenzhen Agricultural Products shall undertake to transfer the legal titles of the Eight Wet Markets to Shenzhen Jimao Market prior to the signing of the Formal Agreement. Shenzhen Agricultural Products has also agreed to procure the current owners to transfer the legal titles of the Three Wet Markets to Shenzhen Agricultural Products and thereafter, to Shenzhen Jimao Market. Shenzhen Agricultural Products does not guarantee the successful transfer of legal titles of the Three Wet Markets. If the legal titles of the Three Wet Markets cannot be transferred to Shenzhen Agricultural Products within three years after the signing of the Letter of Intent, Shenzhen Agricultural Products shall return to Regal Smart Investment the portion of the Consideration related to the Three Markets (i.e. Yantian Market (鹽田市場): RMB3,700,000; Shatou Market (沙頭市場): RMB2,500,000; and Yuanling Market (圓嶺市場): RMB9,200,000).
- Out of the remaining nine wet markets Shenzhen Jimao Market is currently operating, the Four Wet Markets are currently leased from Shenzhen Agricultural Products and the Five Wet Markets are leased from Shenzhen Municipal Bureau of Land Resources and Housing Management (深圳市國土資源和房產管理局). Upon completion of the Acquisition, Shenzhen Jiamo will continue to lease these nine wet markets from Shenzhen Agricultural Products and Shenzhen Municipal Bureau of Land Resources and Housing Management. Shenzhen Jiamo will operate and manage these markets and sublease to individual parties.

Payment:

Within five business days upon signing of the Letter of Intent, Regal Smart Investment shall pay to Shenzhen Agricultural Products a deposit of RMB10,000,000. If the Acquisition cannot be completed due to reasons as set out in the Letter of Intent, Shenzhen Agricultural Products shall return the Deposit and the accrued interests in full.

The outstanding amount of the Consideration shall be paid in cash to Shenzhen Agricultural Products in accordance with the Formal Agreement to be entered into between Regal Smart Investment and Shenzhen Agricultural Products.

The Company intends to seek for banking facilities of approximately HK\$30 million (representing approximately half of the total consideration) to finance part of the Consideration. The remaining amount of the Consideration will be funded by internal resources of the Group. In the event that the banking facilities cannot be obtained, the Consideration will be wholly funded by internal resources.

Conditions to the Acquisition:

The completion of the Acquisition is conditional upon, inter alia, fulfillment of the following conditions:

- Shenzhen Agricultural Products obtains all necessary approvals from relevant government authorities and completes all the necessary procedures in relation to the disposal of state-owned assets and the Acquisition in accordance with the laws and regulations of the PRC;
- Shenzhen Agricultural Products duly transfers the legal titles of the Eight Wet Markets to Shenzhen Jimao Market prior to the signing of the Formal Agreement of the Acquisition;
- the completion of all necessary legal, financial and business due diligence on Shenzhen Jimao Market conducted by the independent professional party(ies);
- the execution of the Formal Agreement between Shenzhen Agricultural Products and Regal Smart Investment.

Reasons for and the Benefits of the Acquisition

The Group is principally engaged in property development, property investment, management and sub-licensing of wet markets, shopping centers, car park and retail business in Hong Kong. It also has interests in the pharmaceutical business through its investments in Wai Yuen Tong Medicine Holdings Limited, a company listed on the Stock Exchange.

The Group is one of the leading wet markets operators in Hong Kong. Having regard to the business opportunities and sustained growth of economy in the PRC, the Directors believe that the Acquisition provides an opportunity for the Group to penetrate into the wet markets industry in the PRC. By leveraging the knowledge and experience gained from managing wet markets in Hong Kong, the Group intends to undertake more wet markets investments in China to benefit from a stable and attractive recurring income in the long-term.

The Directors consider the terms of the transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors wish to emphasise that the completion of the Acquisition is subject to the Conditions. As such, the Acquisition may or may not proceed. If the Acquisition is materialized, it will constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Acquisition will be made by the Company in the event any Formal Agreement has been signed.

General

Rabobank International Hong Kong Branch has been appointed as the financial adviser to the Company with respect to the Acquisition. The Acquisition under the Letter of Intent constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Acquisition will be despatched to Shareholders as soon as practicable in accordance with the Listing Rules.

DEFINITIONS

“Acquisition” the possible acquisition by the Company to acquire from Shenzhen Agricultural Products 50% of the equity interest in the registered capital of Shenzhen Jimao Market as contemplated in the Letter of Intent

“Appraised Value”	the appraised value of Shenzhen Jimao Market derived from the asset appraisal to be conducted by an independent professional appraiser appointed by Shenzhen Agricultural Products upon signing of the Letter of Intent; the appraised value shall be confirmed and approved by the Shenzhen Office of the State-owned Assets Supervision and Administration Committee
“Board”	the board of directors of the Company
“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 the Stock Exchange
“Conditions”	the conditions to the Acquisition, as set out under the paragraph headed “Conditions to the Acquisition” of this announcement
“Consideration”	the consideration payable for the Acquisition
“Deposit”	the deposit of RMB10,000,000 to be paid by Regal Smart Investment under the Letter of Intent for the Acquisition
“Directors”	the directors of the Company
“Eight Wet Markets”	the eight wet markets comprising eight of the wet markets in Shenzhen, the PRC currently owned by Shenzhen Agricultural Products and operated by Shenzhen Jimao Market, namely Honghu Market (洪湖市場), Beidou (Wenjin) Market (北斗(文錦)市場), Hehua Market (荷花市場), Huangbeiling Market (黃貝嶺市場), Bibo Market (碧波市場), Tianxin Market (田心市場), Shajingtou (Tiandong) Market (沙井頭(田東)市場), and Xili Market (西麗市場). The gross floor area of the eight wet markets is approximately 11,000 square meters
“Five Wet Markets”	the five wet markets comprising five of the wet markets in Shenzhen, the PRC currently leased from the Shenzhen Municipal Bureau of Land Resources and Housing Management (深圳市國土資源和房產管理局), namely Lianhua Ercun Market (蓮花二村市場), Lianhuabei Market (蓮花北市場), Fuhua Market (福華市場), Meilin Ercun Market (梅林二村市場) and Jingtiannan Market (景田南市場). The gross floor area of the five wet markets is approximately 9,000 square meters
“Formal Agreement”	the formal sales and purchase agreement to be entered into between Regal Smart Investment and Shenzhen Agricultural Products in relation to the Acquisition
“Four Wet Markets”	the four wet markets comprising four of the wet markets in Shenzhen, the PRC currently leased from other parties and operated by Shenzhen Jimao Market, namely Huangmugang Market (黃木崗市場), Liyuan Market (荔園市場), Nanshan Market (南山市場) and Huaqiang Market (華強市場). The gross floor area of the four wet markets is approximately 7,000 square meters
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	independent third party(ies) who, to the best of knowledge, information and belief having made all reasonable enquiry of the Directors, are not connected with the Company and its connected persons (as defined in the Listing Rules)
“Letter of Intent”	the letter of intent dated 25 July, 2006 entered into between Regal Smart Investment and Shenzhen Agricultural Products setting out the preliminary terms and conditions in relation to the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Regal Smart Investment”	Regal Smart Investment Limited (偉駿投資有限公司), an indirect wholly-owned subsidiary of the Company
“Shareholders”	the shareholders of the Company
“Shenzhen Agricultural Products”	Shenzhen Agricultural Products Co., Ltd. (深圳市農產品股份有限公司), a company incorporated in the PRC, and which and whose ultimate beneficial owners are Independent Third Parties of the Company
“Shenzhen Jimao Market”	Shenzhen Jimao Market Co., Ltd. (深圳集貿市場有限公司), a company incorporated in the PRC which is principally engaged in the operation and management of wet markets in Shenzhen, the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Three Wet Markets”	the three wet markets comprising three of the wet markets in Shenzhen, the PRC currently operated by Shenzhen Jimao Market, namely Yantian Market (鹽田市場), Shatou Market (沙頭市場) and Yuanling Market (圓嶺市場). The gross floor area of the three wet markets is approximately 5,000 square meters

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

Hong Kong SAR, 26 July 2006

* *For identification purpose only*

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Mr. Chan Chun Hong, Thomas, and four independent non-executive Directors, namely Dr. Lee Peng Fai, Allen, Mr. Wong Chun, Justein, Mr. Siu Yim Kwan, Sidney and Mr. Siu Kam Chau.

“Please also refer to the published version of this announcement in The Standard”