
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Wang On Group Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.



WANG ON GROUP LIMITED

(宏安集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1222)

DISCLOSEABLE TRANSACTION

FORMATION OF

A JOINT VENTURE COMPANY IN THE PRC

* *For identification purpose only*

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DEFINITIONS

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

| | |
|---------------------------|---|
| “associate” | has the meaning ascribed thereto in the Listing Rules |
| “Board” | the board of directors of the Company |
| “Business Day” | any day (excluding Saturday) on which banks generally are open for business in Hong Kong |
| “Century Choice” | Century Choice Limited, a company incorporated in Hong Kong, is a direct wholly-owned subsidiary of the Company |
| “Company” | Wang On Group Limited, a company incorporated in Bermuda and the shares of which are listed on the Stock Exchange |
| “connected person” | has the meaning ascribed thereto in the Listing Rules |
| “Directors” | directors of the Company |
| “Group” | the Company together with its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Joint Venture Agreement” | an agreement dated 8 December 2006 entered into between Century Choice and Yulin Market in relation to the formation of the Joint Venture Company |
| “Joint Venture Company” | the joint venture company, namely 玉林宏進農副產品批發市場有限公司 (Yulin Hong-Jin Agricultural By-products Wholesale Marketplace Limited) [#] , to be established pursuant to the Joint Venture Agreement |
| “Latest Practicable Date” | 27 December 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |

DEFINITIONS

| | |
|------------------|--|
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PRC” | the People’s Republic of China, which for the purposes of this circular only, excludes Hong Kong, Macau and Taiwan |
| “RMB” | Renminbi yuan, the lawful currency of the PRC |
| “Shareholders” | holders of Shares |
| “Shares” | shares of nominal value HK\$0.10 each in the share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Yulin Market” | 玉林市市場開發服務中心 (Yulin Market Development Service Centre) [#] , a company registered in the PRC |
| “%” | per cent |
| “sq. m” | square meter(s) |

[#] Denotes English translation of a Chinese company or entity or address or name and is provided for identification purposes only.

In this circular, RMB are converted into HK\$ on the basis of RMB1.0067 = HK\$1 for illustrative purpose.

LETTER FROM THE BOARD



WANG ON GROUP LIMITED

(宏安集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1222)

Executive Directors:

Mr. Tang Ching Ho (*Chairman*)

Ms. Yau Yuk Yin (*Deputy Chairman*)

Mr. Chan Chun Hong, Thomas (*Managing Director*)

Independent Non-executive Directors:

Dr. Lee Peng Fei, Allen, CBE, JP

Mr. Wong Chun, Justein, MBE, JP

Dr. Siu Yim Kwan, Sidney, S.B.St.J.

Mr. Siu Kam Chau

Registered Office:

Clarendon House

2 Church Street

41 Cedar Avenue

Hamilton HM 11

Bermuda

Head office and principal

place of business:

5th Floor

Wai Yuen Tong Medicine Building

9 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

29 December 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION FORMATION OF A JOINT VENTURE COMPANY IN THE PRC

INTRODUCTION

The Directors announced on 8 December 2006 that Century Choice, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Yulin Market, pursuant to which Century Choice will set up a sino-foreign co-operative joint venture company with Yulin Market.

* For identification purpose only

LETTER FROM THE BOARD

The Joint Venture Company will be principally engaged in the development, operations and management of the agricultural by-products wholesaling marketplace and related facilities, and sales and rental of properties. The total investment in the Joint Venture Company amounts to RMB76,230,000, to which Century Choice will contribute RMB59,430,000. The formation of the Joint Venture Company constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules. The purpose of this circular is to provide you with further information in relation to the establishment of the Joint Venture Company. The details of the Joint Venture Agreement are set out below.

The Joint Venture Agreement

Date: 8 December 2006

Parties: Century Choice, a wholly-owned subsidiary of the Company

Yulin Market, which together with its ultimate beneficial owners, to the best of Directors' knowledge, information and belief having made all reasonable enquires, are third parties independent of the Company and its connected persons

Major Terms:

Registered capital and capital contribution: RMB76,230,000 (approximately HK\$75,720,000), of which RMB59,430,000 (approximately HK\$59,035,000) will be contributed by Century Choice and RMB16,800,000 (approximately HK\$16,688,000) will be contributed by Yulin Market. The amount of capital contribution is determined with reference to, among other things, the estimated funding requirement for the Joint Venture Company to undertake the Project.

Capital contribution by Century Choice:

Cash payment of RMB20,800,000 (approximately HK\$20,662,000) within one month from the issue date of business licence of the Joint Venture Company with the remaining balance of RMB38,630,000 (approximately HK\$38,373,000) to be paid within six months from the issue date of business licence of the Joint Venture Company.

LETTER FROM THE BOARD

Capital contribution by Yulin Market:

Cash payment of RMB16,800,000 (approximately HK\$16,688,000) within two months from the issue date of construction permit of the project to be undertaken by the Joint Venture Company.

Yulin Market also undertakes to close its agricultural by-products marketplaces at 中國玉林市中秀路271號 (Suite 271, Zhong-Xiu Road, Yulin City, PRC)[#] and 中國玉林市一環北路東側 (East Wing, Yi-Huan North, Yulin City, PRC)[#].

- Term: 40 years from the date of issue of the business licence of the Joint Venture Company and to be extended subject to approval of the relevant authorities in the PRC.
- Business/Project: Development, operations and management of the agricultural by-products wholesaling marketplace and related facilities, and sales and rental of properties. The information regarding the establishment of marketplace under the Project is set out in the sub-section headed “Information on the Project”.
- Salient co-operative terms: Century Choice will be responsible for contributing capital to the Joint Venture Company and introducing, adopting and carrying out the advanced Hong Kong management system to develop, operate and manage the agricultural by-products wholesaling marketplace under the Project.
- Yulin Market will be responsible for assisting the Joint Venture Company in the establishment of the Joint Venture Company, including obtaining consent, approval and permit from the relevant PRC authorities for amongst other things the land use right for the land required for the Project and certificate of incorporation and business licence, and procuring the necessary fixtures and facilities for the Project.
- Profit sharing ratio: The profit sharing of the Joint Venture Company by Century Choice and Yulin Market will be 65% and 35% respectively. As such, the Group is interested in 65% of the Joint Venture Company.

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In the event that there is any delay or default in the injection of the required capital contribution by either Century Choice or Yulin Market, the parties, respective profit sharing ratio will be adjusted in accordance with the provision in the Joint Venture Agreement.

Composition of the board:

The board of directors of the Joint Venture Company will consist of five members, three to be appointed by Century Choice and two to be appointed by Yulin Market. The term of their appointment is three years. The chairman of the Joint Venture Company will be appointed by Century Choice.

Principal activities of the parties to the Joint Venture Company

The Group is principally engaged in property development, property investment, management and sublicensing of wet markets, shopping centres, car parks 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.

Yulin Market is principally engaged in agricultural by-products wholesaling marketplace in Yulin City, PRC.

Information on the Project

The wholesaling marketplace under the Project is to be situated at 廣西壯族自治區玉林市二環北路南側 (Guangxi Zhuang Autonomous Region, Yulin City, Er-Huan North, South Wing)[#], 清甯路延線東側和民主北路西側 (Chini Road, Yan-Xian, East Wing and Min-Zhu Road North, West Wing)[#] with a site area of about 306,663.6 m² and a total gross floor area of about 215,080 m² including shops area of 175,612 m², covered trading area of 14,000 m², warehouse area of 14,520 m², cold storage area of 6,900 m² with capacity of 3,000 tonnes, the parking lot and the driveway etc.

As at the Latest Practicable Date, the Joint Venture Company has obtained its 外商投資企業批准證書 (Certificate of Approval for Foreign Investment Enterprise)[#] and 企業法人營業執照 (Business Licence)[#] on 15 December 2006.

Reasons for the establishment of the Joint Venture Company

The Group is one of the leading wet markets operators in Hong Kong whereas its PRC joint venture partner, Yulin Market, is one of the largest agricultural by-products wholesaling marketplace operator in Yulin, the PRC. Having regard to the business opportunities and sustained growth of economy in the PRC, the Directors are of the view that by establishing the Joint Venture Company with Yulin Market, the Group can leverage the business network of Yulin Market in the PRC and its strength in managing wet market, and tap into the agricultural

LETTER FROM THE BOARD

by-products wholesaling market in the PRC in an effective and economical way. In addition, there is a geographical advantage in the location of the wholesaling marketplace where the planting areas of the agricultural products are close in distance to the wholesaling marketplace. The Joint Venture Company can also leverage on Yulin's geographical and resources advantage to develop itself into a supply and logistic centre in the Southwestern China and to region of the Association of Southeast Asian Nations. As such, the Board considers that the establishment of the Joint Venture Company is consistent with the Company's business strategy and that it would be a competitive advantage to the Group in developing agricultural by-products wholesaling marketplace at the location of Yulin, the PRC.

The Directors consider the terms of the Joint Venture Agreement, which had been negotiated on an arm's length basis and on normal commercial terms between the parties, are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Group will finance its registered capital contribution to the Joint Venture Company through internal cash resources and/or bank borrowing of the Group.

Financial effect on the formation of the Joint Venture Company

Pursuant to the Joint Venture Agreement, the Group is required to contribute cash of RMB59,430,000 (approximately HK\$59,035,000) to the registered capital of the Joint Venture Company.

Save for the cash payment of RMB59,430,000 within six months from the issue date of business licence of the Joint Venture Company, there will be no material effect of the formation of the Joint Venture Company on the assets and liabilities of the Group. Since the marketplace under the Project is under establishment, the effect of the Joint Venture Company on the earnings of the Group cannot be ascertained as at the Latest Practicable Date. However, the Directors are of the view that given the prospect of the marketplace, the Group expects that the Joint Venture Company will strengthen its earning capability in future.

Given that the Company will become a holding company of the Joint Venture Company, the financial statements of Joint Venture Company will be consolidated into the Group as a subsidiary.

General

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of
Wang On Group Limited
Chan Chun Hong, Thomas
Managing Director

Denotes English translation of a Chinese company or entity or address or name and is provided for identification purposes only.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in the compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of each Director or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

Long position in Shares

| Name of Director | Number of shares held, capacity and nature of interest | | | | | Percentage of the Company's issued share capital |
|-------------------|--|--------------------------------|--------------------------------|---------------------------------|------------|--|
| | Personal interest | Family interest | Corporate interest | Other interest | Total | |
| Mr. Tang Ching Ho | 810,948 | 810,946 <i>(Note (a))</i> | 2,966,339 <i>(Note (b))</i> | 53,126,970 <i>(Note (c))</i> | 57,715,203 | 24.48% |
| Ms. Yau Yuk Yin | 810,946 | 3,777,287 <i>(Note (d))</i> | – | 53,126,970 <i>(Note (e))</i> | 57,715,203 | 24.48% |

Notes:

- (a) Mr. Tang Ching Ho was taken to be interested in those shares in which his spouse, Ms. Yau Yuk Yin, was interested.
- (b) Mr. Tang Ching Ho was taken to be interested in those shares in which Caister Limited, a company which is wholly and beneficially owned by him, was interested.
- (c) Mr. Tang Ching Ho was taken to be interested in those shares by virtue of being the founder of a discretionary trust, namely Tang's Family Trust.

- (d) Ms. Yau Yuk Yin was taken to be interested in those shares in which her spouse, Mr. Tang Ching Ho, was interested.
- (e) Ms. Yau Yuk Yin was taken to be interested in those shares by virtue of being a beneficiary of Tang's Family Trust.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation(s) (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he was taken to deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position in the shares or underlying shares of the Company which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

| Name | Number of shares | Percentage of the Company's issued share capital |
|--|---------------------|---|
| Accord Power Limited | 53,126,970 (L) | 22.53% |
| Trustcorp Limited (<i>Note (a)</i>) | 53,126,970 (L) | 22.53% |
| Newcorp Ltd. (<i>Note (b)</i>) | 53,126,970 (L) | 22.53% |
| Newcorp Holdings Ltd. (<i>Note (c)</i>) | 53,126,970 (L) | 22.53% |
| Mr. David Henry Christopher Hill (<i>Note (d)</i>) | 53,126,970 (L) | 22.53% |
| Ms. Rebecca Ann Hill (<i>Note (e)</i>) | 53,126,970 (L) | 22.53% |
| Mr. David William Roberts (<i>Note (f)</i>) | 53,126,970 (L) | 22.53% |

L: Long position

Notes:

- (a) Accord Power Limited is wholly-owned by Trustcorp Limited in its capacity as the trustee of Tang's Family Trust; accordingly, Trustcorp Limited was taken to be interested in those shares held by Accord Power Limited.
- (b) Trustcorp Limited is a wholly-owned subsidiary of Newcorp Ltd.; accordingly, Newcorp Ltd. was taken to be interested in those shares in which Trustcorp Limited was interested.
- (c) Newcorp Ltd. is a wholly-owned subsidiary of Newcorp Holdings Ltd.; accordingly, Newcorp Holdings Ltd. was taken to be interested in those shares in which Newcorp Ltd. was interested.
- (d) Mr. David Henry Christopher Hill owned 35% interest in the issued shares capital of Newcorp Holdings Ltd. and was therefore taken to be interested in the shares in which Newcorp Holdings Ltd. was interested.
- (e) Ms. Rebecca Ann Hill is the spouse of Mr. David Henry Christopher Hill and was therefore taken to be interested in the shares in which Mr. David Henry Christopher Hill was interested.
- (f) Mr. David William Roberts owned 35% interest in the issued share capital of Newcorp Holdings Ltd. and was therefore taken to be interested in the shares in which Newcorp Holdings Ltd. was interested.

Save as disclosed above, according to the register of interests kept by the Company under section 336 of the SFO and so far as is known to the Directors, as at the Latest Practicable Date, no other person (not being a Director or chief executive of the Company) had any interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

3. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

6. GENERAL

- (a) The qualified accountant of the Company is Mr. Leong Weng Kin, CPA.
- (b) The company secretary of the Company is Mr. Chan Chun Hong, Thomas. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (c) The branch share registrar of the company in Hong Kong is Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.