

*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**

**(宏安集團有限公司)\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1222)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO  
FORMATION OF JOINT VENTURE COMPANY**

**Financial adviser to Wang On Group Limited**



**CIMB-GK Securities (HK) Limited**

The Board announces that Well Victory, a wholly-owned subsidiary of the Company, entered into the JV Agreement with the JV Partner, an independent third party, on 16 November 2007, pursuant to which Well Victory and the JV Partner will set up JV Company, which will be a sino-foreign co-operative joint venture company established in the PRC.

JV Company will be principally engaged in the development, operations and management of agricultural by-products wholesaling marketplace and related facilities, and sale and rental of properties in Zhengzhou, the PRC. JV Company will have a registered capital of RMB140 million. Well Victory will contribute RMB71.4 million in cash to JV Company and will hold 51% equity interests of JV Company. The JV Partner will contribute RMB68.6 million in cash to JV Company and will hold 49% of the equity interests of JV Company.

The entering into of the JV Agreement constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing further information on the JV Agreement will be despatched to the Shareholders as soon as practicable.

\* For identification purpose only

The Board announces that Well Victory, a wholly-owned subsidiary of the Company, entered into the JV Agreement with the JV Partner, an independent third party, on 16 November 2007, pursuant to which Well Victory and the JV Partner will set up JV Company, which will be a sino-foreign co-operative joint venture company established in the PRC. The principal terms of the JV Agreement are set out below:

## **THE JV AGREEMENT**

### **Date**

16 November 2007

### **Parties**

- (1) Well Victory, a wholly-owned subsidiary of the Company
- (2) the JV Partner

The JV Partner is a company established in the PRC. As stated in its business licence, the scope of business of the JV Partner is trading and distribution of agricultural by-products. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the JV Partner and its ultimate beneficial owners are third parties independent of and not connected with the Company or any of its subsidiaries or any of their respective associates.

### **Scope of business**

JV Company will be principally engaged in development, operations and management of agricultural by-products wholesaling marketplace and related facilities, and sale and rental of properties in Zhengzhou, the PRC.

The Directors expect that the PRC authority will issue an auction notice (the "Auction Notice") for the bidding of the Land by public auction on or before 31 December 2007. It is the intention of JV Company to submit a bid for the Land. If JV Company successfully acquires the Land, it will develop and operate an agricultural by-products marketplaces on the Land.

### **Total investment amount and registered capital**

The total investment amount of JV Company is RMB260 million and the registered capital is RMB140 million, of which RMB71.4 million will be contributed by Well Victory and RMB68.6 million will be contributed by the JV Partner. The schedule for the payment of the registered capital shall be as follows:

- (1) subject to the Auction Notice specifying that the amount of the deposit for the bid (the "Deposit") is not more than RMB40 million and the price per mu of the Land is not more than RMB600,000, Well Victory to contribute 51% of the amount of the Deposit within 10 business days from the date of the Auction Notice (the "First Well Victory Contribution"). Pursuant to the terms of the JV Agreement, if the Deposit exceeds RMB40 million or the price per mu of the Land is more than RMB600,000, the Company has the sole discretion to terminate the JV Agreement;
- (2) the JV Partner to contribute 49% of the amount of the Deposit on the date on which Well Victory makes the First Well Victory Contribution (the "First JV Partner Contribution");

- (3) the JV Partner to contribute a further amount which equals to 49% of the registered capital of JV Company minus the amount of the First JV Partner Contribution within three business days after the signing of the land grant contract in respect of the Land by JV Company, which shall be on or before 28 February 2008 (the “Second JV Partner Contribution”);
- (4) Well Victory to contribute a further amount which equals to approximately RMB60.7 million (being 85% of the total registered capital of JV Company to be contributed by Well Victory) minus the amount of the First Well Victory Contribution within 10 business days after the date of the Second JV Partner Contribution; and
- (5) Well Victory to contribute the balance amount of approximately RMB10.7 million (being 15% of the total registered capital of JV Company to be contributed by Well Victory) on or before 31 July 2008.

Upon completion of the capital contribution, Well Victory and the JV Partner will hold 51% and 49% of the equity interests of JV Company respectively. JV Company will be accounted for as a subsidiary of the Company with its results consolidated into that of the Group.

The difference between the total investment amount of RMB260 million and the registered capital of RMB140 million is not an amount committed to be contributed by Well Victory and the JV Partner. Apart from contributing 51% of the registered capital of JV Company, the Group has no further obligation under the JV Agreement to inject capital into JV Company. The Company anticipates that JV Company will arrange for bank loans if additional funds are required and it does not anticipate the need for further injection into JV Company at present. In the event that the Company is required to make further injection into JV Company in the future, it will comply with the requirements under the Listing Rules.

### **Term**

JV Company has a term of no less than 40 years from the date of issue of the business licence of JV Company.

### **Board Composition**

The board of JV Company will comprise five members, three to be nominated by Well Victory and two to be nominated by the JV Partner. The chairman and the vice chairman of the board will be appointed by Well Victory and the JV Partner respectively.

### **Profit Sharing**

The profit of JV Company will be shared by Well Victory and the JV Partner in the ratio of 51% and 49% respectively.

## **Minimum Dividends**

The JV Partner warrants to Well Victory that the dividends to be received by Well Victory from JV Company within two years from the date of capital contribution by Well Victory (the “Dividends Received”) shall be no less than 15% of the amount contributed by Well Victory (the “Minimum Dividends”) per annum. In the event that the Dividends Received is less than the Minimum Dividends (the “Dividend Shortfall”), Well Victory has the option to require the JV Partner to:

- (1) acquire the equity interests in JV Company held by Well Victory (the “Put Option”) at a price equal to 120% of the amount contributed to JV Company by Well Victory, including shareholder’s advance, if any, if the Put Option is exercised by Well Victory within 12 months from the date of the First Well Victory Contribution or 145% of the amount contributed to JV Company by Well Victory, including shareholder’s advance, if any, if the Put Option is exercised by Well Victory between the 13th to the 24th month from the date of the First Well Victory Contribution; or
- (2) pay cash of an amount equal to the Dividend Shortfall to Well Victory.

Further announcement will be made if the Dividends Received is less than the Minimum Dividends and any compensation received.

## **REASONS FOR THE FORMATION OF JV COMPANY**

The Group is principally engaged in development and management of agricultural products wholesaling business in the PRC and Hong Kong, management and sub-licensing of wet markets in the PRC and Hong Kong, property development, property investment, management and sub-licensing shopping centres 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 main board of the Stock Exchange.

The Group is one of the leading wet markets operators in Hong Kong. The Group has also been engaged in the management and operation of agricultural by-products wholesaling marketplace in the PRC since 2006. At present, the Group’s network of agricultural market operations in the PRC covers the cities of Yulin, Xuzhou and Changzhou. The Board considers that the establishment of JV Company will enable the Group to further expand its agricultural market operations network to Zhengzhou, the capital of Henan Province.

The Board considers that the JV Agreement is on normal commercial terms and fair and reasonable and the formation of JV Company is in the interest of the Company and the Shareholders as a whole.

## **GENERAL**

The entering into of the JV Agreement constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing further information on the JV Agreement will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the meanings as set out below:

|                  |   |
|------------------|---|
| “associate”      | has the meaning ascribed thereto in the Listing Rules   |
| “Board”          | the board of Directors  |
| “Company”        | Wang On Group Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange  |
| “Director(s)”    | the directors of the Company  |
| “Group”          | the Company and its subsidiaries  |
| “Hong Kong”      | the Hong Kong Special Administrative Region of the PRC  |
| “JV Agreement”   | the agreement dated 16 November 2007, as amended by the supplemental agreement of even date, entered into between Well Victory and the JV Partner in relation to the formation of JV Company  |
| “JV Company”     | 鄭州毛莊宏進農副產品批發市場有限公司 (Zhengzhou Maozhuang Hong Jin Agricultural Products Wholesale Market Company Limited), a sino-foreign joint venture company to be established pursuant to the JV Agreement |
| “JV Partner”     | 鄭州毛莊綠園實業有限公司, a company registered in the PRC   |
| “Land”           | a land site of an area of not less than 227.53 mu located in an area near the district of the People’s Government, Xin Cheng Lu, Hui Ji District, Zhengzhou City, Henan Province, the PRC     |
| “Listing Rules”  | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “PRC”            | the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan                                      |
| “RMB”            | Renminbi yuan, the lawful currency of the PRC   |
| “Shareholder(s)” | registered holder(s) of issued share(s) of the Company  |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited   |
| “Well Victory”   | Well Victory Investments Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company  |

“%” per cent.

“mu” equivalent to approximately 666.67 square metres

By Order of the Board  
**Wang On Group Limited**  
(宏安集團有限公司)\*  
**Chan Chun Hong, Thomas**  
*Managing Director*

Hong Kong, 22 November 2007

*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 Fei, Allen, Mr. Wong Chun, Justein, Mr. Siu Yim Kwan, Sidney and Mr. Siu Kam Chau.*

\* *For identification purpose only*