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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 licensed securities dealer or registered institution 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 (宏安集團有限公司)\*, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and HKSCC take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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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)

- (A) PROPOSED CAPITAL REORGANISATION INVOLVING  
SHARE CONSOLIDATION, CAPITAL REDUCTION  
AND SHARE SUBDIVISION;  
(B) PROPOSED RIGHTS ISSUE IN THE PROPORTION OF  
EIGHT (8) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE  
HELD ON THE RECORD DATE AND TIME  
AT HK\$0.10 PER RIGHTS SHARE (WITH BONUS ISSUE  
IN THE PROPORTION OF ONE (1) BONUS SHARE  
FOR EVERY EIGHT (8) RIGHTS SHARES TAKEN UP UNDER THE RIGHTS ISSUE);  
AND  
(C) NOTICE OF SPECIAL GENERAL MEETING  
Underwriter of the Rights Issue



**KINGSTON SECURITIES LTD.**

Financial adviser to Wang On Group Limited



**KINGSTON CORPORATE FINANCE LTD.**

Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders

**Beijing**  
Securities

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A letter from the Board is set out on pages 9 to 34 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 35 to 36 of this circular. A letter from Beijing Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Rights Issue (with the Bonus Issue) is set out on pages 37 to 55 of this circular.

A notice convening the SGM to be held at 44/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong on Thursday, 27 January 2011 at 10:00 a.m. is set out on pages N-1 to N-4 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Ltd, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

The Shares will be dealt in on an ex-rights basis from Tuesday, 18 January 2011. Dealings in the Rights Shares in their nil-paid form will take place from Tuesday, 1 February 2011 to Thursday, 10 February 2011 (both dates inclusive). It is expected that the conditions referred to in the section headed "Conditions of the Rights Issue (with the Bonus Issue)" in this circular are to be fulfilled on or before 4:00 p.m. on Friday, 18 February 2011. **If the conditions referred to in that section are not fulfilled, the Underwriting Agreement shall terminate and the Rights Issue and the Bonus Issue will not proceed.** Any person contemplating buying or selling Shares or Adjusted Shares from the date of this circular and up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Tuesday, 1 February 2011 to Thursday, 10 February 2011 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/hers/its/their own professional adviser.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to the Latest Time for Termination to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 24 to 25 of this circular.

Upon the delivery of the notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the expenses in connection with the Rights Issue and the Bonus Issue. If the Underwriter exercises such right, the Rights Issue and the Bonus Issue will not proceed.

\* For identification purposes only

4 January 2011

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## EXPECTED TIMETABLE

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Event	Timeline
Last day of dealings in Shares on a cum-rights basis . . . . .	Monday, 17 January 2011
First day of dealings in Shares on an ex-rights basis . . . . .	Tuesday, 18 January 2011
Latest time for Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue . . . . .	4:30 p.m. on Wednesday, 19 January 2011
Closure of register of members of the Company (both dates inclusive) . . . . .	Thursday, 20 January 2011 to Thursday, 27 January 2011
Latest time for lodging proxy forms for the SGM . . . . .	10:00 a.m. on Tuesday, 25 January 2011
Date and time of SGM . . . . .	10:00 a.m. on Thursday, 27 January 2011
Announcement of results of SGM . . . . .	Thursday, 27 January 2011
Effective date and time of Capital Reorganisation . . . . .	5:00 p.m. on Thursday, 27 January 2011
Record Date and Time . . . . .	5:30 p.m. on Thursday, 27 January 2011
Commencement of dealings in the Adjusted Shares . . . . .	9:30 a.m. on Friday, 28 January 2011
Register of members re-opens . . . . .	Friday, 28 January 2011
Despatch of Prospectus Documents . . . . .	Friday, 28 January 2011
Original counter for trading in Shares in existing share certificates in board lots of 20,000 Shares temporarily closes . . . . .	9:30 a.m. on Friday, 28 January 2011
Temporary counter for trading in Adjusted Shares in board lots of 4,000 Adjusted Shares (in the form of existing share certificates) opens . . . . .	9:30 a.m. on Friday, 28 January 2011
First day of free exchange of existing certificates for the Shares into new certificates for the Adjusted Shares . . . . .	9:30 a.m. on Friday, 28 January 2011
First day of dealings in nil-paid Rights Shares . . . . .	Tuesday, 1 February 2011
Latest time for splitting nil-paid Rights Shares . . . . .	4:30 p.m. on Monday, 7 February 2011
Last day of dealings in nil-paid Rights Shares . . . . .	Thursday, 10 February 2011

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## EXPECTED TIMETABLE

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Latest time for acceptance of, and payment for, the Rights Shares (with the Bonus Issue) and the applications for excess Rights Shares (with the Bonus Issue) . . . . .	4:00 p.m. on Tuesday, 15 February 2011
Designated broker starts to stand in the market to provide matching service for the sale and purchase of odd lots of the Adjusted Shares . . . . .	9:30 a.m. on Tuesday, 15 February 2011
Original counter for trading in the Adjusted Shares in board lots of 20,000 Adjusted Shares (only new certificates for the Adjusted Shares in board lots of 20,000 Adjusted Shares can be traded at this counter) re-opens . . . . .	9:30 a.m. on Tuesday, 15 February 2011
Parallel trading in the Adjusted Shares (in the form of both existing certificates in board lots of 4,000 Adjusted Shares and new certificates in board lots of 20,000 Adjusted Shares) commences . . . . .	9:30 a.m. on Tuesday, 15 February 2011
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Friday, 18 February 2011
Announcement of results of the Rights Issue . . . . .	Monday, 21 February 2011
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares on or before . . . . .	Tuesday, 22 February 2011
Certificates for fully paid Rights Shares and Bonus Shares to be despatched on or before . . . . .	Tuesday, 22 February 2011
Commencement of dealings in fully-paid Rights Shares and the Bonus Shares . . . . .	9:30 a.m. on Thursday, 24 February 2011
Temporary counter for trading in the Adjusted Shares in board lots of 4,000 Adjusted Shares (in the form of existing certificates) closes . . . . .	4:00 p.m. Monday, 7 March 2011
Parallel trading in the Adjusted Shares (represented by both existing certificates in board lots of 4,000 Adjusted Shares and new certificates in board lots of 20,000 Adjusted Shares) ends . . . . .	4:00 p.m. on Monday, 7 March 2011
Designated broker ceases to stand in the market to provide matching service . . . . .	4:00 p.m. on Monday, 7 March 2011

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## EXPECTED TIMETABLE

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Last day of free exchange of existing certificates  
for the Shares for the new certificates for  
the Adjusted Shares . . . . . Wednesday, 9 March 2011

All references to times and dates in this circular are references to Hong Kong times and dates.

Dates or deadlines specified herein may be varied or extended by the Company and the Underwriter and are therefore tentative and indicative only. Further announcement(s) will be made by the Company on any changes to the above expected timetable, if and when appropriate.

*Note: The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take effect if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:*

- (1) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or*
  
- (2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.*

*If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take effect on the Latest Time For Acceptance, the dates mentioned above may be affected. The Company will notify Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.*

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjusted Share(s)”	the ordinary share(s) of HK\$0.01 each in the capital of the Company immediately upon the Capital Reorganisation becoming effective
“Announcement”	the announcement of the Company dated 13 December 2010 in respect of, among other things, the Capital Reorganisation and the Rights Issue (with the Bonus Issue)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Securities” or “Independent Financial Adviser”	Beijing Securities Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue (with the Bonus Issue)
“Board”	the board of Directors
“Bonus Issue”	the issue of the Bonus Shares on the basis of one (1) Bonus Share for every eight (8) Rights Shares taken up under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents
“Bonus Share(s)”	the bonus Adjusted Share(s) to be issued (for no additional payment) to the First Registered Holders of the Rights Shares on the basis of one (1) bonus Adjusted Share for every eight (8) Rights Shares taken up under the Rights Issue subject to the terms and upon the conditions as set out in the Underwriting Agreement and the Prospectus Documents
“Business Day”	a day (other than Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“Bye-laws”	the bye-laws of the Company

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## DEFINITIONS

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“Capital Reduction”	the proposed reduction of the Company’s issued share capital whereby (i) the par value of all the issued Consolidated Shares shall be reduced from HK\$0.25 each to HK\$0.01 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.24 per Consolidated Share in issue; and (ii) any fraction in the issued share capital of the Company arising from the Share Consolidation shall be reduced and cancelled
“Capital Reorganisation”	the proposed reorganisation of the Company’s issued and unissued share capital which comprises: (1) Share Consolidation; (2) Capital Reduction; (3) Share Subdivision; and (4) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	Companies Act 1981 of Bermuda
“Company”	Wang On Group Limited (宏安集團有限公司)*, an exempted company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	the ordinary share(s) of HK\$0.25 each in the issued share capital of the Company immediately upon the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form of application for excess Rights Shares
“Excluded Shareholder(s)”	the Overseas Shareholder(s) at the Record Date and Time where the Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Shareholder(s)

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## DEFINITIONS

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“First Registered Holder(s)”	Qualifying Shareholder(s) who have applied for and received the Rights Shares allotted to them by the Company after lodging valid PALs and EAFs (if applicable) or in respect of those Underwritten Shares not taken up and those first registered holders who have received the Underwritten Shares which the Underwriter subscribed or procured subscription pursuant to the Underwriting Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all of the four independent non-executive Directors formed for the purpose of advising the Independent Shareholder(s) on the Rights Issue (with the Bonus Issue)
“Independent Shareholder(s)”	the Shareholder(s), other than the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates, including but not limited to, Mr. Tang and parties acting in concert with him and Mr. Chan Chun Hong, Thomas (should he exercise his Share Options and become a Shareholder before the SGM) and parties acting in concert with him, who are not involved in, nor interested in, the Underwriting Agreement and the Irrevocable Undertaking
“Irrevocable Undertaking”	an irrevocable undertaking dated 10 December 2010 under which Mr. Tang provided the irrevocable undertaking to the Company and the Underwriter as described under the section headed “Irrevocable Undertaking” in this circular
“Last Trading Day”	10 December 2010, being the last trading day for the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	31 December 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular



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## DEFINITIONS

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“Latest Time For Acceptance”	4:00 p.m. on Tuesday, 15 February 2011, or such later time or date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Rights Shares (with the Bonus Shares) as described in the Prospectus Documents
“Latest Time For Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement or such other time as may be agreed between the Company and the Underwriter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Tang”	Mr. Tang Ching Ho, the chairman of the Company and an executive Director
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es) on the register of members of the Company at the Record Date and Time are outside Hong Kong
“PAL(s)”	provisional allotment letter(s) for the Rights Issue
“PRC”	the People’s Republic of China, which expression shall, for the purpose of this circular only, exclude Hong Kong, Taiwan and Macau
“Prospectus”	the prospectus to be despatched to the Shareholders on the Prospectus Posting Date in connection with the Rights Issue (with the Bonus Issue) in such form as may be agreed between the Company and the Underwriter
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Prospectus Posting Date”	Friday, 28 January 2011, or such other day as may be agreed between the Company and the Underwriter, being the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	the Shareholder(s), whose names appear on the register of members of the Company as at the Record Date and Time, other than the Excluded Shareholders
“Record Date and Time”	5:30 p.m. on Thursday, 27 January 2011, being the date and time by reference to which entitlements to the Rights Issue will be determined

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## DEFINITIONS

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“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, which is Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Remaining Untaken Share(s)”	those (if any) of the Untaken Share(s) in excess of the 192,000,000 Rights Shares that Mr. Tang has undertaken to subscribe or procure subscription for under the Irrevocable Undertaking
“Rights Issue”	the proposed issue of the Rights Shares (with the Bonus Shares) by way of rights issue to the Qualifying Shareholders for subscription on the terms to be set out in the Prospectus Documents and summarised herein
“Rights Share(s)”	not less than 5,219,948,064 Rights Shares and not more than 5,292,644,208 Rights Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of eight (8) Rights Shares for every one (1) Adjusted Share held at the Record Date and Time pursuant to the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at 10:00 a.m. on Thursday, 27 January 2011 to consider and approve, among other things, the proposed Capital Reorganisation, the Rights Issue and the Bonus Issue
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company prior to the implementation of the Capital Reorganisation
“Shareholder(s)”	the holder(s) of the Share(s), Consolidated Share(s) or Adjusted Share(s) (as the case may be)
“Share Consolidation”	the consolidation of issued Share(s) whereby every five (5) Shares of par value of HK\$0.05 each in the issued share capital of the Company will be consolidated into one (1) Consolidated Share of par value of HK\$0.25
“Share Option(s)”	the option(s) granted by the Company to subscribe for Shares, the Consolidated Shares or Adjusted Shares (as the case may be) pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 3 May 2002 at the special general meeting of the Company

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## DEFINITIONS

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“Share Subdivision”	the proposed subdivision of every one (1) authorised but unissued Share of par value of HK\$0.05 each into five (5) Adjusted Shares of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.10 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the SFO
“Underwriting Agreement”	the underwriting agreement dated 10 December 2010 entered into between the Company and the Underwriter in relation to the Rights Issue (with the Bonus Issue)
“Underwritten Share(s)”	not less than 3,895,944,920 Rights Shares and not more than 3,968,641,064 Rights Shares underwritten by the Underwriter
“Untaken Share(s)”	those (if any) of the Rights Shares for which duly completed PAL(s) (accompanied by cheques or banker’s cashier order for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before Latest Time For Acceptance
“WYT”	Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司)*, an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“Yau Tong Project”	the property located at 13 and 15 Sze Shan Street, Yau Tong, Hong Kong, being developed by the Group
“%”	per cent.

\* For identification purposes only

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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### Termination of the Underwriting Agreement

If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter are likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Group, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
  
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or this circular or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time For Termination, to terminate the Underwriting Agreement.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Tang Ching Ho (*Chairman*)

Ms. Yau Yuk Yin (*Deputy Chairman*)

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

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent non-executive Directors:*

Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*

Mr. Wong Chun, Justein, *MBE, JP*

Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*

Mr. Siu Kam Chau

*Head office and principal place  
of business:*

5/F., Wai Yuen Tong Medicine Building

9 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

4 January 2011

*To the Shareholders and holders of the Share Options*

Dear Sir or Madam,

- (A) PROPOSED CAPITAL REORGANISATION INVOLVING  
SHARE CONSOLIDATION, CAPITAL REDUCTION  
AND SHARE SUBDIVISION;**
- (B) PROPOSED RIGHTS ISSUE IN THE PROPORTION OF  
EIGHT (8) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE  
HELD ON THE RECORD DATE AND TIME  
AT HK\$0.10 PER RIGHTS SHARE (WITH BONUS ISSUE  
IN THE PROPORTION OF ONE (1) BONUS SHARE  
FOR EVERY EIGHT (8) RIGHTS SHARES TAKEN UP UNDER THE RIGHTS ISSUE);  
AND**
- (C) NOTICE OF SPECIAL GENERAL MEETING**

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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### INTRODUCTION

On 13 December 2010, the Board announced that the Company proposed to put forward to the Shareholders a proposal to effect the Capital Reorganisation which will comprise:

- (i) the proposed Share Consolidation whereby every five (5) Shares of par value of HK\$0.05 each in the issued share capital of the Company will be consolidated into one Consolidated Share of par value of HK\$0.25;
- (ii) the proposed Capital Reduction whereby (a) the par value of all the issued Consolidated Shares shall be reduced from HK\$0.25 each to HK\$0.01 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.24 per Consolidated Share in issue; and (b) any fraction in the issued share capital of the Company arising from the Share Consolidation shall be reduced and cancelled;
- (iii) the proposed Share Subdivision whereby every one (1) authorised but unissued Share of par value HK\$0.05 will be subdivided into five (5) Adjusted Shares of HK\$0.01 each; and
- (iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company and the Directors will be authorised to apply the amount in the contributed surplus account in any manner permitted by the laws of Bermuda and the Bye-laws.

Upon the Capital Reorganisation becoming effective, the Company proposes to raise gross proceeds of not less than approximately HK\$521.9 million and not more than approximately HK\$529.3 million before expenses, by way of Rights Issue of not less than 5,219,948,064 Rights Shares and not more than 5,292,644,208 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share, on the basis of eight (8) Rights Shares for every one (1) Adjusted Share held on the Record Date and Time.

Subject to the satisfaction of the conditions of the Rights Issue, the Bonus Shares will be issued to the First Registered Holders of the Rights Shares on the basis of one (1) Bonus Share for every eight (8) Rights Shares taken up under the Rights Issue. On the basis of not less than 5,219,948,064 Rights Shares and not more than 5,292,644,208 Rights Shares to be issued under the Rights Issue, not less than 652,493,508 Bonus Shares (assuming no fractional entitlement(s) result(s) when determining the number of Bonus Shares to be issued) and not more than 661,580,526 Bonus Shares will be issued.

The Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on as to whether the terms of the Rights Issue (with the Bonus Issue) is fair and reasonable and whether the Rights Issue (with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Beijing Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, further details of the Capital Reorganisation and the Rights Issue (with the Bonus Issue); the recommendations of the Independent Board Committee and the opinion of the Independent Financial Adviser in respect of the Rights Issue (with the Bonus Issue); and a notice convening the SGM.

### PROPOSED CAPITAL REORGANISATION

The Board proposes to put forward to the Shareholders a proposal to effect the Capital Reorganisation which will comprise:

- (i) the proposed Share Consolidation whereby every five (5) Shares of par value of HK\$0.05 each in the issued share capital of the Company will be consolidated into one (1) Consolidated Share of par value of HK\$0.25;
- (ii) the proposed Capital Reduction whereby (a) the par value of all the issued Consolidated Shares shall be reduced from HK\$0.25 each to HK\$0.01 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.24 per Consolidated Share in issue; and (b) any fraction in the issued share capital of the Company arising from the Share Consolidation shall be reduced and cancelled;
- (iii) the proposed Share Subdivision whereby every one (1) authorised but unissued Share of par value HK\$0.05 will be subdivided into five (5) Adjusted Shares of HK\$0.01 each; and
- (iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company and the Directors will be authorised to apply the amount in the contributed surplus account in any manner permitted by the laws of Bermuda and the Bye-laws.

### Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$400,000,000 divided into 8,000,000,000 Shares, of which 3,262,467,540 Shares had been issued and credited as fully paid. Upon the proposed Share Consolidation becoming effective and based on the existing issued share capital, the issued share capital of the Company will be consolidated into 652,493,508 Consolidated Shares of par value of HK\$0.25 each.

Upon the Capital Reduction becoming effective, the par value of all the Consolidated Shares shall be reduced from HK\$0.25 each to HK\$0.01 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.24 per Consolidated Share in issue. Any fraction in the issued share capital of the Company arising from the Share Consolidation shall be reduced and cancelled. The resulting Adjusted Shares of par value of HK\$0.01 each will rank *pari passu* in all respects with each other in accordance with the Bye-laws. Upon completion of the Share Consolidation and the Capital Reduction, the issued share capital of the Company will be reduced to approximately HK\$6,524,935.08 divided into 652,493,508 Adjusted Shares of par value of HK\$0.01



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## LETTER FROM THE BOARD

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each. Immediately after the Share Subdivision, the authorised but unissued Shares of par value of HK\$0.05 each will be subdivided into five (5) Adjusted Shares of HK\$0.01 each and, thus, the authorised share capital of the Company will become HK\$400,000,000 divided into 40,000,000,000 Adjusted Shares of par value of HK\$0.01 each.

Assuming that no further Shares will be issued or repurchased between the Latest Practicable Date and the date on which Capital Reorganisation becomes effective, a credit of approximately HK\$156,598,441.92 will arise as a result of the Capital Reorganisation and will be transferred to the contributed surplus account of the Company. The Board presently has no plan as to the use of such amount.

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation, a designated broker, namely Kingston Securities Limited, has been appointed to match the purchase and sale of odd lots of the Adjusted Shares at the relevant market price per Adjusted Share for the period from 9:30 a.m. on Tuesday, 15 February 2011 to 4:00 p.m. on Monday, 7 March 2011 (both dates inclusive). Holders of odd lots of the Adjusted Shares who wish to take advantage of this facility either to dispose of their odd lots of the Adjusted Shares or top up to a full board lot may, directly or through their brokers, contact Ms. Rosita Kiu of Kingston Securities Limited of Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong by phone at (852) 2298-6215 or by fax at (852) 2295-0682 during this period. Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers.

The board lot size for trading in the Shares is 20,000 Shares at present. After the Capital Reorganisation becoming effective, the board lot size for trading in the Adjusted Shares will remain as 20,000 Adjusted Shares. Based on the closing price of HK\$0.162 per Share (or HK\$0.81 per Adjusted Share assuming the Capital Reorganisation becoming effective) on the Last Trading Day, the value of each board lot of 20,000 Shares was HK\$3,240 (or each board lot of 20,000 Adjusted Shares would be HK\$16,200 assuming the Capital Reorganisation becoming effective). Based on the closing price of HK\$0.097 per Share (or HK\$0.485 per Adjusted Share assuming the Capital Reorganisation becoming effective) as at the Latest Practicable Date, the value of each board lot of 20,000 Shares was HK\$1,940 (or each board lot of 20,000 Adjusted Shares would be HK\$9,700 assuming the Capital Reorganisation becoming effective).

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Group or the interests of the Shareholders as a whole. The Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of the Company and that on the date the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

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## LETTER FROM THE BOARD

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The following table shows the total authorised, issued and unissued share capital of the Company as at the Latest Practicable Date and immediately after the Capital Reorganisation becoming effective:

	<b>Number of Shares as at the Latest Practicable Date</b>	<i>HK\$</i>	<b>Number of Adjusted Shares immediately after the Capital Reorganisation becoming effective</b>	<i>HK\$</i>
Total authorised capital	8,000,000,000	400,000,000.00	40,000,000,000	400,000,000.00
Total issued share capital	3,262,467,540	163,123,377.00	652,493,508	6,524,935.08
Total unissued share capital	4,737,532,460	236,876,623.00	39,347,506,492	393,475,064.92

### Reasons for the Capital Reorganisation

As a result of the Capital Reorganisation, the Company's share capital and reserves will more closely reflect the available net assets of the Company. In addition, the Capital Reorganisation will provide greater flexibility for equity fund raising of the Company in the future. The credit arising from the Capital Reduction may be applied in the future for distribution to the Shareholders or in any manner permitted by the laws of Bermuda and the Bye-laws as and when the Board considers appropriate.

In view of the above, the Board considers that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the special resolution for approval of the Capital Reorganisation at the SGM.

### Outstanding Share Options

As at the Latest Practicable Date, there are outstanding Share Options entitling the holders thereof to subscribe for 45,435,092 Shares. The exercise price and the number of Shares to be issued upon exercise of the Share Options may have to be adjusted in accordance with the rules of the Share Option Scheme and in compliance with the Listing Rules and the relevant rules, guidance and listing decisions issued by the Stock Exchange. The Company will instruct its auditors or an independent financial adviser to certify the adjustments, if any, to the Share Options and will inform the holders of the Share Options of the adjustments, if any, accordingly. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

Save as the aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### Conditions of the Capital Reorganisation

The implementation of the Share Consolidation, Share Subdivision and Capital Reduction are inter-conditional with each other and the implementation of the Capital Reorganisation is conditional upon, among other things:

- (i) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders at the SGM;
- (ii) compliance with Section 46(2) of the Companies Act to effect the Capital Reduction, which includes the publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares.

Assuming the above conditions are fulfilled, it is expected that the Capital Reorganisation will become effective on the date of the SGM after the passing of the relevant resolution approving the Capital Reorganisation. Subject to the passing of the requisite resolution at the SGM approving the Capital Reorganisation, the Capital Reorganisation will comply with the laws of Bermuda and the Bye-laws.

### Listing and dealings

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Adjusted Shares.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### Trading arrangement for the Adjusted Shares

Subject to the Capital Reorganisation becoming effective, the arrangements proposed for dealings in the Adjusted Shares are expected to be as follows:

- (a) from 9:30 a.m. on Friday, 28 January 2011, the original counter for trading in Shares in existing share certificates in board lots of 20,000 Shares will be temporarily closed and a temporary counter for trading in Adjusted Shares in board lots of 4,000 Adjusted Shares with existing share certificates will be set up;

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## LETTER FROM THE BOARD

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- (b) with effect from 9:30 a.m. on Tuesday, 15 February 2011, the original counter for trading in Adjusted Shares will be re-opened for trading Adjusted Shares in board lots of 20,000 Adjusted Shares with new share certificates;
- (c) during the period from 9:30 a.m. on Tuesday, 15 February 2011 to 4:00 p.m. on Monday, 7 March 2011 (both dates inclusive), there will be parallel trading at the above two counters; and
- (d) the temporary counter for trading in Adjusted Shares in board lots of 4,000 Adjusted Shares will be removed after the close of trading at 4:00 p.m. on Monday, 7 March 2011. Thereafter, trading will only be in board lots of 20,000 Adjusted Shares with new share certificates and the existing share certificates for the existing Shares will cease to be marketable and will not be acceptable for dealing and settlement purposes. However, such certificates will remain effective as documents of title on the basis of five Shares for one Adjusted Share.

### **Free exchange of Share certificates**

Subject to the Capital Reorganisation becoming effective, Shareholders may submit certificates for the existing Shares, to the Registrar during the business hours from Friday, 28 January 2011 to Wednesday, 9 March 2011 (both dates inclusive) to exchange for the new certificates of the Adjusted Shares at the expenses of the Company. Thereafter, certificates for the existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the existing Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled or issued is higher. The existing certificates will be valid for trading and settlement up to 4:00 p.m. on Monday, 7 March 2011, being the latest time for trading in board lot of 4,000 Adjusted Shares in the form of existing certificates (or such other date which will be announced by the Company) and will continue to be good evidence of legal title after the Capital Reorganisation has become effective and may be exchanged for certificates of the Adjusted Shares at any time in accordance with the foregoing.

New share certificates for the Adjusted Shares will be blue in colour to distinguish them from the existing share certificates for the Shares which are brown in colour.

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## LETTER FROM THE BOARD

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### PROPOSED RIGHTS ISSUE (WITH THE BONUS ISSUE)

The Rights Issue (with the Bonus Issue) is proposed to take place after the Capital Reorganisation becoming effective.

#### Issue statistics

Basis of the Rights Issue	:	Eight (8) Rights Shares for every one (1) Adjusted Share held on the Record Date and Time and payable in full on acceptance, together with one (1) Bonus Share for every eight (8) Rights Shares taken up
Subscription price	:	HK\$0.10 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	3,262,467,540 Shares
Number of Adjusted Shares in issue upon the completion of the Capital Reorganisation	:	652,493,508 Adjusted Shares (assuming that no further Shares are issued or repurchased between the Latest Practicable Date and the date on which the Capital Reorganisation becomes effective) or 661,580,526 Adjusted Shares (assuming all rights attaching to the outstanding Share Options are exercised before the Record Date and Time)
Number of Rights Shares	:	Not less than 5,219,948,064 Rights Shares but not more than 5,292,644,208 Rights Shares on the basis of eight (8) Rights Shares for every one (1) Adjusted Share
Number of Bonus Shares	:	Not less than 652,493,508 Bonus Shares and not more than 661,580,526 Bonus Shares to be issued to the First Registered Holders of the Rights Shares on the basis of one (1) Bonus Share for every eight (8) Rights Shares taken up under the Rights Issue
Total number of issued Adjusted Shares upon completion of the Rights Issue and the Bonus Issue	:	Not less than 6,524,935,080 Adjusted Shares but not more than 6,615,805,260 Adjusted Shares

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## LETTER FROM THE BOARD

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Number of Rights Shares undertaken to be taken up by Mr. Tang : Pursuant to the Irrevocable Undertaking, Mr. Tang has irrevocably undertaken, among other things, to subscribe for or procure subscriptions by his associates for the 1,132,003,144 Rights Shares (with the Bonus Shares) to which he and his associates will be entitled to pursuant to the terms of the Rights Issue; and he will apply for or procure applications by his associates, by way of excess application, for an additional 192,000,000 Rights Shares (with the Bonus Shares) that are not taken up by the Qualifying Shareholders under the Rights Issue. The Company will comply with Rule 7.21(a) of the Listing Rules pursuant to which Rights Shares under excess application will be allocated on a fair basis

Number of Rights Shares underwritten by the Underwriter : Not less than 3,895,944,920 Underwritten Shares and not more than 3,968,641,064 Underwritten Shares not taken up by the Qualifying Shareholders under the Rights Issue are fully underwritten by the Underwriter pursuant to the Underwriting Agreement

Assuming no exercise of any Share Options on or before the Record Date and Time, the minimum total number of the Rights Shares and the Bonus Shares of 5,872,441,572 Adjusted Shares (assuming no fractional entitlement(s) result(s) when determining the number of Bonus Shares to be issued) represents:

- (i) 900% of the number of Adjusted Shares immediately upon completion of the Capital Reorganisation (based on the Company's existing issued share capital as at the Latest Practicable Date); and
- (ii) approximately 90% of the Company's issued share capital as enlarged by the issue of the Rights Shares and the Bonus Shares.

Assuming exercise of all Share Options in full at or before the Record Date and Time, the maximum total number of Rights Shares and Bonus Shares of 5,954,224,734 Adjusted Shares represents:

- (i) 900% of the number of Adjusted Shares immediately upon completion of the Capital Reorganisation; and
- (ii) approximately 90% of the Company's issued share capital as enlarged by the issue of the Rights Shares and the Bonus Shares.

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## LETTER FROM THE BOARD

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The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional new Shares which may be allotted and issued pursuant to the exercise of the Share Options at or before 4:30 p.m. (Hong Kong time) on Wednesday, 19 January 2011. As at the Latest Practicable Date, there are outstanding Share Options granted under the Share Option Scheme which entitle the holders thereof to subscribe for 45,435,092 Shares. If all the subscription rights attaching to the Share Options are duly exercised and Shares are allotted and issued pursuant to such exercise at or before 4:30 p.m. (Hong Kong time) on Wednesday, 19 January 2011, the number of issued Shares could increase to 3,307,902,632. On this basis, following the Capital Reorganisation, a total of 5,292,644,208 Rights Shares may be issued and the enlarged issued share capital upon completion of the Rights Issue and the Bonus Issue could correspondingly increase to 6,615,805,260 Adjusted Shares accordingly. Save for the outstanding Share Options, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

### **Bonus Issue**

Subject to the satisfaction of the conditions of the Rights Issue (with the Bonus Issue), the Bonus Shares will be issued to the First Registered Holders of the Rights Shares on the basis of one (1) Bonus Share for every eight (8) Rights Shares taken up under the Rights Issue.

On the basis of not less than 5,219,948,064 Rights Shares but not more than 5,292,644,208 Rights Shares to be issued under the Rights Issue, not less than 652,493,508 Bonus Shares (assuming no fractional entitlement(s) result(s) when determining the number of Bonus Shares to be issued) and not more than 661,580,526 Bonus Shares will be issued.

### **Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not being Excluded Shareholders at the Record Date and Time. In order to be registered as members of the Company at the Record Date and Time, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with the Registrar by 4:30 p.m. (Hong Kong time) on Wednesday, 19 January 2011 at the following address:

Tricor Tengis Limited at  
26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

The Company will send the Prospectus Documents to the Qualifying Shareholders and will send the Prospectus (without the PAL(s) and EAF(s) in respect of the allotment of Rights Shares and the Bonus Shares), for information only, to the Excluded Shareholders on the Prospectus Posting Date.

The Company will ascertain whether there are any Overseas Shareholders at the Record Date and Time. In determining whether there will be Excluded Shareholders, the Company will make enquiries regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges in relation to the Company's offering of the Rights Shares and the Bonus Shares to the Overseas Shareholders in compliance with the Listing Rules.

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## LETTER FROM THE BOARD

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### **Rights of the Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda.

According to the register of members of the Company as at the Latest Practicable Date, there was two Overseas Shareholders whose addresses are in Macau. The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, conducted enquiries regarding the feasibility of extending the Rights Issue and the Bonus Issue to such Overseas Shareholders. The Company has been advised by its legal adviser on the laws of Macau that there is no legal or regulatory restriction under the applicable legislation of Macau or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Issue and the Bonus Issue to the Overseas Shareholders in Macau. On this basis, the Directors believe that the Prospectus Documents would not be required to be registered under the relevant laws and regulations of Macau and may be despatched to relevant Overseas Shareholder with registered address in Macau without any restrictions.

Accordingly, the Directors have decided to extend the Rights Issue and the Bonus Issue to the Overseas Shareholders with registered addresses in Macau and any such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders. The Prospectus Documents will be sent to such Qualifying Shareholders.

The Company will continue to ascertain whether there is any other Overseas Shareholders on the Record Date and Time and will, in determining whether any such Overseas Shareholder(s) will be regarded as Excluded Shareholders, will make enquiry pursuant to Rule 13.36(2) of the Listing Rules regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges in relation to the Company's offering of the Rights Shares (with the Bonus Shares) to the Overseas Shareholders. If, based on the relevant legal opinions obtained by the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares (with the Bonus Shares) to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places, the Rights Issue and the Bonus Issue will not be available to such Overseas Shareholders.

The Company will send the Prospectus Documents to the Qualifying Shareholders and will send the Prospectus (without the application form in respect of the taking up of Rights Shares), for information only, to the Excluded Shareholders on the Prospectus Posting Date. The Excluded Shareholders will be entitled to attend and vote at the SGM.

### **Rights of the Excluded Shareholders**

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings



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## LETTER FROM THE BOARD

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in the Rights Shares in their nil-paid form end. The proceeds of such sale, less expenses, will be paid to the Excluded Shareholders pro-rata to their shareholdings held at the Record Date and Time, if a premium (net of expenses) can be obtained. In light of the administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Excluded Shareholders to the Rights Shares, together with any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders.

### **Application for excess Rights Shares**

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the EAF(s) and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and on a pro-rata basis to the excess Rights Shares applied for by the Qualifying Shareholders. However, no preference will be given to topping-up odd lots to whole board lots. The Directors are of the view that such allocation of excess Rights Shares is fair and equitable as all Shareholders who are entitled to Rights Shares are also entitled to apply for excess Rights Shares and no Shareholder is guaranteed any allocation of excess Rights Shares.

The Board will regard each of the Qualifying Shareholders as a single Shareholder. As such, investors whose Shares or Adjusted Shares (as the case may be) are held by a nominee company whose name appears on the register of members of the Company will be regarded as a single Shareholder in relation to the application for excess Rights Shares and the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to ultimate beneficial owners of the Shares or the Adjusted Shares (as the case may be) individually. On this basis, investors who hold their Shares or Adjusted Shares (as the case may be) through their nominee(s) (whether individual nominees or nominee companies, including HKSCC Nominees Limited) are advised to consider whether they would like to arrange registration of their Shares or Adjusted Shares in their own names prior to 4:30 p.m. on Wednesday, 19 January 2011.

For Shareholders whose Shares or Adjusted Shares (as the case may be) are held by their nominee(s) (whether individual nominees or nominee companies, including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar, for completion of the relevant registration, not later than 4:30 p.m. on Wednesday, 19 January 2011.

### **Closure of register of members**

The register of members of the Company, in relation to the Rights Issue, will be closed from Thursday, 20 January 2011 to Thursday, 27 January 2011, both dates inclusive. No transfer of Shares will be registered during this period.

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## LETTER FROM THE BOARD

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### Subscription Price

The Subscription Price is HK\$0.10 per Rights Share, payable in full on application.

The Subscription Price represents:

- (i) a discount of approximately 87.65% to the adjusted closing price of HK\$0.81 per Adjusted Share, based on the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 87.82% to the adjusted average closing price of approximately HK\$0.821 per Adjusted Share, based on the average closing price of approximately HK\$0.1642 as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 37.89% to the theoretical ex-entitlement price of approximately HK\$0.161 per Adjusted Share after the Rights Issue and the Bonus Issue, based on the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 96.72% to the unaudited net asset value per Adjusted Share of approximately HK\$3.05 as at 30 September 2010 as adjusted for the Capital Reorganisation; and
- (v) a discount of approximately 79.38% to the adjusted closing price of HK\$0.485 per Adjusted Share, based on the closing price of HK\$0.097 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares and the prevailing market conditions. The Directors consider that the discount would encourage Shareholders to participate in the Rights Issue (with the Bonus Issue) and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group. In view of the prevailing market conditions of the capital market in Hong Kong and the benefits of the Rights Issue (with the Bonus Issue), the Directors (excluding the independent non-executive Directors whose opinion will be set forth in the circular to be despatched to the Shareholders in relation to, inter alia, the Rights Issue (with the Bonus Issue), after having been advised by an independent financial adviser) consider that the terms of the Rights Issue (with the Bonus Issue) are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HK\$0.097 per Rights Share.

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## LETTER FROM THE BOARD

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### **Status of the Rights Shares and the Bonus Shares**

The Rights Shares and the Bonus Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects with the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares and the Bonus Shares. Holders of the Rights Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares and the Bonus Shares. Dealings in the Rights Shares and the Bonus Shares will be subject to payment of stamp duty in Hong Kong.

### **Certificates of the Rights Shares and the Bonus Shares**

Subject to fulfillment of the conditions of the Rights Issue (with the Bonus Issue), share certificates for the Rights Shares and the Bonus Shares are expected to be sent on or before Tuesday, 22 February 2011 to those entitled thereto by ordinary post at their own risk.

### **Fractions of the Rights Shares and the Bonus Shares**

Fractional entitlements to the Rights Shares and the Bonus Shares will not be allotted and will not be issued.

### **Application for listing**

The Shares are listed on the Stock Exchange and 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 nil-paid and fully-paid forms) and the Bonus Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchanges.

Dealings in the Rights Shares in both nil-paid and fully-paid forms in board lot size of 20,000 Adjusted Shares which are registered in the Registrar will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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## LETTER FROM THE BOARD

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### **Irrevocable Undertaking**

As at the Latest Practicable Date, Mr. Tang is directly and indirectly through his associates interested in 707,501,966 Shares in aggregate, representing approximately 21.69% of the existing issued share capital of the Company. Mr. Tang has given the Irrevocable Undertaking, in favour of the Company and the Underwriter, among other things, that (1) he will subscribe for or procure subscriptions by his associates for the 1,132,003,144 Rights Shares (with the Bonus Shares) which he and his respective associates will be entitled to pursuant to the terms of the Rights Issue; (2) the Shares or the Adjusted Shares (as the case may be) comprising his or his associates' current shareholding will remain registered in the names of them or their respective associates at the Record Date and Time as they are on the date of the Irrevocable Undertaking; (3) he will procure that the applications in respect of the 1,132,003,144 Rights Shares (with the Bonus Shares) comprising his or his associates' entitlements under the Rights Issue will be lodged with the Registrar, with payment in full therefor in cash, by no later than 4:00 p.m. at the Latest Time For Acceptance and otherwise in accordance with the instructions printed on the PAL(s); and (4) he will apply for or procure applications by his associates, by way of excess application, for an additional 192,000,000 Rights Shares (with Bonus Shares) that are not taken up by the Qualifying Shareholders under the Rights Issue.

### **UNDERWRITING AGREEMENT**

#### **The Underwriting Agreement**

- Date : 10 December 2010
- Underwriter : Kingston Securities Limited. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company. As at the Latest Practicable Date, the Underwriter is interested in three (3) Shares.
- Total number of Rights Shares being underwritten by the Underwriter : The Underwriter has agreed to fully underwrite not less than 3,895,944,920 Underwritten Shares and not more than 3,968,641,064 Underwritten Shares not taken up by the Qualifying Shareholders.
- Commission : 3% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares

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## LETTER FROM THE BOARD

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### Termination of the Underwriting Agreement

If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter are likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Group, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

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## LETTER FROM THE BOARD

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- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or this Circular or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time For Termination, to terminate the Underwriting Agreement.

### **Conditions of the Rights Issue (with the Bonus Issue)**

The Rights Issue (with the Bonus Issue) is conditional upon the following:

- (i) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date and the filing of the Prospectus Documents with the Registrar of Companies in Bermuda in compliance with the Companies Act;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares by no later than the first day of their dealings;
- (iv) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time For Termination;
- (v) the passing of the necessary resolution(s) by the Shareholders (where applicable, the Independent Shareholders) at the SGM to approve (i) the Capital Reorganisation; (ii) the Rights Issue; (iii) the issue and allotment of the Bonus Shares, and the transactions contemplated under the Underwriting Agreement;
- (vi) the Capital Reorganisation having been completed;

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## LETTER FROM THE BOARD

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- (vii) compliance with and performance by the Company of all the undertakings and obligations under the terms of the Underwriting Agreement;
- (viii) compliance with and performance of all undertakings and obligations of Mr. Tang and his associates under the Irrevocable Undertaking;
- (ix) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares and the Bonus Shares; and
- (x) in the event that the number of Remaining Untaken Shares exceeds 19.9% of the issued share capital of the Company immediately upon the completion of the Rights Issue, the Underwriter successfully procuring subscriber(s): (i) who are third parties independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules); and (ii) none of whom (together with their respective parties acting in concert (within the meaning of the Takeovers Code) with them) will hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue, so that all Remaining Untaken Shares are subscribed for.

The conditions (other than condition (vii) above) are incapable of being waived. If any of the above conditions is not satisfied in whole or in part by the Latest Time For Termination, the Underwriting Agreement shall be terminated accordingly and no party shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter shall to the extent agreed by the Company be borne by the Company, and the Rights Issue and the Bonus Issue will not proceed.

As at the Latest Practicable Date, none of the above conditions was fulfilled.

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## LETTER FROM THE BOARD

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### CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE (WITH THE BONUS ISSUE)

The changes in the shareholding structure of the Company arising from the Rights Issue (with the Bonus Issue) are as follows:

- (i) assuming no exercise of the outstanding Share Options before the Record Date and Time.

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before completion of Rights Issue (with the Bonus Issue)		Immediately after completion of Rights Issue (with the Bonus Issue) (all Rights Shares are subscribed by the Qualifying Shareholders) <i>(Note 2)</i>		Immediately after completion of Rights Issue (with the Bonus Issue) (except Mr. Tang and his associates and their concert parties and the Underwriter, none of Rights Shares are subscribed by the Qualifying Shareholders) <i>(Notes 2, 3 and 4)</i>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Adjusted Shares</i>	<i>%</i>	<i>Number of Adjusted Shares</i>	<i>%</i>	<i>Number of Adjusted Shares</i>	<i>%</i>
<b>Substantial Shareholders:</b>								
Mr. Tang and his associates and their concert parties <i>(Note 1)</i>	707,501,966	21.69	141,500,393	21.69	1,415,003,930	21.69	1,631,003,930	25.00
<b>Public Shareholders:</b>								
The Underwriter	3	0.00	—	—	—	—	4,382,938,035	67.17
Other Shareholders (being public Shareholders)	<u>2,554,965,571</u>	<u>78.31</u>	<u>510,993,115</u>	<u>78.31</u>	<u>5,109,931,150</u>	<u>78.31</u>	<u>510,993,115</u>	<u>7.83</u>
<b>Total</b>	<u><u>3,262,467,540</u></u>	<u><u>100.00</u></u>	<u><u>652,493,508</u></u>	<u><u>100.00</u></u>	<u><u>6,524,935,080</u></u>	<u><u>100.00</u></u>	<u><u>6,524,935,080</u></u>	<u><u>100.00</u></u>



## LETTER FROM THE BOARD

- (ii) assuming the exercise of the outstanding Share Options in full before the Record Date and Time.

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before completion of the Rights Issue (with the Bonus Issue)		Immediately after completion of the Rights Issue (with the Bonus Issue) (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (with the Bonus Issue) (except Mr. Tang and his associates and their concert parties and the Underwriter, none of Rights Shares are subscribed by the Qualifying Shareholders)	
			(with the Bonus Issue)		(Note 2)		(Notes 2, 3 and 4)	
	Number of Shares	%	Number of Adjusted Shares	%	Number of Adjusted Shares	%	Number of Adjusted Shares	%
<b>Substantial Shareholders:</b>								
Mr. Tang and his associates and their concert parties (Note 1)	707,501,966	21.39	141,500,393	21.39	1,415,003,930	21.39	1,631,003,930	24.65
Mr. Chan Chun Hong, Thomas (Note 5)	372,977	0.01	74,595	0.01	745,950	0.01	74,595	0.00
<b>Public Shareholders:</b>								
The Underwriter	3	0.00	—	—	—	—	4,464,721,197	67.49
Other Shareholders (being public Shareholders)	<u>2,600,027,686</u>	<u>78.60</u>	<u>520,005,538</u>	<u>78.60</u>	<u>5,200,055,380</u>	<u>78.60</u>	<u>520,005,538</u>	<u>7.86</u>
<b>Total</b>	<u>3,307,902,632</u>	<u>100.00</u>	<u>661,580,526</u>	<u>100.00</u>	<u>6,615,805,260</u>	<u>10.00</u>	<u>6,615,805,260</u>	<u>100.00</u>

*Notes:*

- The above 707,501,966 Shares include (a) 4,671,057 Shares held by Mr. Tang; (b) 4,671,050 Shares held by Ms. Yau Yuk Yin (“**Ms. Yau**”), an executive Director and the spouse of Mr. Tang; (c) 17,086,110 Shares held by Caister Limited, a company wholly and beneficially owned by Mr. Tang; and (d) 681,073,749 Shares held by Accord Power Limited (“**Accord Power**”), which is wholly owned by Trustcorp Limited in its capacity as the trustee of Tang’s Family Trust, a discretionary trust of which Mr. Tang was the founder and Ms. Yau is a beneficiary.
- The difference in the total number of Adjusted Shares upon completion of the Rights Issue is due to fractional entitlements to the Bonus Shares not being issued.

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## LETTER FROM THE BOARD

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3. **This scenario is for illustrative purpose only and will never occur.** Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers of the Remaining Untaken Shares:
  - (i) the Underwriter shall not subscribe, for its own account, for such number of Remaining Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Rights Issue (with the Bonus Issue); and
  - (ii) the Underwriter shall use its best endeavours to ensure that each of the subscribers of the Remaining Untaken Shares (which form part of the Underwritten Shares) procured by it (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates and concert parties; and (ii) any subscribers procured by the Underwriter shall not, together with any party acting in concert with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue (with the Bonus Issue).
4. The Company will ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Rights Issue (with the Bonus Issue).
5. Mr. Chan Chun Hong, Thomas is an executive Director. If he exercises any Share Options and becomes a Shareholder before the SGM, he shall abstain from voting in relation to the Rights Issue (with the Bonus Issue).

### REASONS FOR THE RIGHTS ISSUE (WITH THE BONUS ISSUE) AND USE OF PROCEEDS

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

The estimated expenses in relation to the Rights Issue (with the Bonus Issue), including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company. Having considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Rights Issue allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Board considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Group should they wish to do so. In addition, the Bonus Issue will be as additional incentive for the Shareholders to take part into the Rights Issue. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

The Directors (excluding the independent non-executive Directors whose opinion is set forth in this circular after having been advised by an independent financial adviser) consider that the Rights Issue (with the Bonus Issue) is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole having taken into account the terms of the Rights Issue and (with the Bonus Issue).

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## LETTER FROM THE BOARD

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The estimated net proceeds of the Rights Issue (with the Bonus Issue) will be not less than approximately HK\$506.1 million and not more than approximately HK\$513.4 million and are intended to be applied as to approximately HK\$350 million for the payment of land premium that may become payable to the Hong Kong SAR government on the Yau Tong Project and subject to negotiations with the Hong Kong SAR government, any remaining balance after deduction of land premium for other Group's property development business; approximately HK\$50 million for other Group's property development business; approximately HK\$60 million for repayment of interest-bearing debts and the remaining balance of approximately HK\$46.1 million for the general working capital of the Group.

The Yau Tong Project is two adjacent industrial buildings which are intended to be combined and re-developed into a residential and commercial complex. The Company anticipates that up to the extent of HK\$350 million of the land premium of the Yau Tong Project payable to the Hong Kong SAR government will be financed from the Rights Issue with the balance by bank borrowing and/or internal resources. The expected completion date of the Yau Tong Project is around end of 2014, subject to the practical redevelopment schedule.

### **POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS**

As at the Latest Practicable Date, there are outstanding Share Options granted under the Share Option Scheme which entitle the holders thereof to subscribe for 45,435,092 Shares.

The proposed Capital Reorganisation, Rights Issue and Bonus Issue may lead to adjustments to the exercise price and/or the number of Shares or Adjusted Shares (as the case may be) to be issued upon exercise of the Share Options. Such adjustments will be made on the basis that the proportion of the issued ordinary share capital of the Company to which a grantee of share options is entitled shall remain the same before and after such adjustments in accordance with the rules of the Share Option Scheme and the supplementary guidance issued by the Stock Exchange.

The Company will engage an independent financial adviser or its auditors to provide a certificate as to the adjustments required to be made to the terms of the outstanding Share Options as a result of the Capital Reorganisation, the Rights Issue and the Bonus Issue. The Company will notify the holders of Share Options regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme after receiving the certificate.

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## LETTER FROM THE BOARD

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### PREVIOUS FUND RAISING EXERCISE IN THE PRIOR 12-MONTH PERIOD

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the Latest Practicable Date:

Date of announcement	Description	Net proceeds (approximately)	Intended use of net proceeds	Actual use of net proceeds
14 January 2010	Rights issue of 1,631,233,962 rights shares on the basis of three rights shares for every one consolidated share of the Company at the subscription price of HK\$0.185 per rights share	HK\$294.5 million	Approximately HK\$178.0 million for the balance payment of the acquisition of consideration and other relevant costs including stamp duties of the Yau Tong Project	Approximately HK\$173.0 million has been utilised for the balance payment of Yau Tong Project. The remaining balance of approximately HK\$5.0 million will be utilised as intended.
			Approximately HK\$76.5 million for the Group's property development business	Utilised as intended
			Approximately HK\$40.0 million for the Group's property investment business	Utilised as intended

### IRREVOCABLE UNDERTAKING AND FULL ACCEPTANCE OF PROVISIONAL ENTITLEMENT AND APPLICATION FOR EXCESS RIGHTS SHARES UNDER THE RIGHTS ISSUE

As at the Latest Practicable Date, Mr. Tang is directly and indirectly through his associates interested in 707,501,966 Shares in aggregate, representing approximately 21.69% of the existing issued share capital of the Company. Mr. Tang has given an Irrevocable Undertaking, in favour of the Company and the Underwriter, among other things, that (1) he will subscribe for or procure subscriptions by his associates for the 1,132,003,144 Rights Shares (with the Bonus Shares) which he and his respective associates will be entitled to pursuant to the terms of the Rights Issue (with the Bonus Issue); (2) the Shares or the Adjusted Shares (as the case may be) comprising his or his associates' current shareholding will remain registered in the names of them or their respective associates at the Record Date and Time as they are on the date of the Irrevocable Undertaking; (3) he will procure that the applications in respect of the 1,132,003,144 Rights Shares (with the Bonus Shares) comprising his or his associates' entitlements under the Rights Issue will be lodged with the Registrar, with payment in full therefor in cash, by no later than 4:00 p.m. at the Latest Time For Acceptance and otherwise in accordance with the instructions printed on the PAL(s); and (4) he will apply for or procure applications by his associates, by way of excess application, for an additional 192,000,000 Rights Shares (with the Bonus Shares) that are not taken up by the Qualifying Shareholders under the Rights Issue.

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## LETTER FROM THE BOARD

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Assuming: (1) Mr. Tang and his associates subscribe for their respective provisional entitlements under the Rights Issue (with the Bonus Issue) in full in accordance with the Irrevocable Undertaking; and (2) not all Qualifying Shareholders (other than Mr. Tang and his associates) take up the Rights Shares to which they are entitled by the Latest Time For Acceptance and otherwise in accordance with the instructions set out on the PAL(s) and Mr. Tang and his associates subscribe for 192,000,000 excess Rights Shares pursuant to the Irrevocable Undertaking; and (3) all outstanding Share Options are exercised in full by the Record Date and Time, the interests held by Mr. Tang and parties acting in concert with him will increase from approximately 21.69% of the existing issued share capital of the Company to approximately 24.65% of the then enlarged issued share capital of the Company immediately upon completion of the Rights Issue (with the Bonus Issue).

### **WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM**

**The Rights Issue (with the Bonus Issue) is conditional upon the fulfillment of the conditions set out in the section headed “Conditions of the Rights Issue (with the Bonus Issue)” in this circular. In particular, the Rights Issue (with the Bonus Issue) is conditional, among others, upon:**

- (i) the Listing Committee granting or agreeing to grant (subject to allotment), and not having revoked, listing of, and permission to deal in, the Rights Shares in nil-paid and fully-paid forms prior to Tuesday, 1 February 2011, being the expected date of commencement of dealings in the Rights Shares in nil-paid form (or such other date as may be agreed between the Company and the Underwriter); and**
- (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms (set out in the section headed “Termination of the Underwriting Agreement” in this circular).**

**If the conditions of the Rights Issue (with the Bonus Issue) are not fulfilled or if the Underwriter exercises its right to terminate the Underwriting Agreement pursuant to the terms therein, the Rights Issue will not proceed.**

**Any persons contemplating buying or selling Shares or Adjusted Shares (as the case may be) from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue (with the Bonus Issue) are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Tuesday, 1 February 2011 to Thursday, 10 February 2011 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.**

**Any Shareholders or other persons contemplating dealing in the Shares or Adjusted Shares (as the case may be) or nil-paid Rights Shares are recommended to consult their own professional advisers.**

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## LETTER FROM THE BOARD

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### SGM

The Rights Issue (with the Bonus Issue) is subject to, among other things, the approval by the Independent Shareholders at the SGM. Pursuant to Rule 7.19(6) of the Listing Rules, as the Rights Issue (with the Bonus Issue) will increase the issued share capital of the Company by more than 50%, the Rights Issue (with the Bonus Issue) is also required to be made conditional on the approval of the Independent Shareholders, and any controlling Shareholder and their associates, or where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the company and their respective associates will abstain from voting in favour of the resolutions relating to the Rights Issue (with the Bonus Issue). As at the Latest Practicable Date, there is no controlling Shareholder. Accordingly, Mr. Tang, an executive Director, and parties acting in concert with him, who in aggregate held approximately 21.69% of the existing issued share capital of the Company as at the Latest Practicable Date, and Mr. Chan Chun Hong, Thomas (should he exercise his Share Options and become a Shareholder before the SGM) and parties acting in concert with him will abstain from voting of the resolutions relating to the Rights Issue and the Bonus Issue at the SGM.

As at the Latest Practicable Date, the Underwriter was interested in three (3) Shares. The Underwriter and its associates will abstain from voting in favour of the resolutions relating to the Rights Issue and the Bonus Issue at the SGM.

The voting of the Shareholders and the Independent Shareholders at the SGM must be taken by way of a poll.

Upon passing of the necessary resolution(s) by the Shareholders (where applicable, the Independent Shareholders) at the SGM approving the Capital Reorganisation, the Rights Issue (with the Bonus Issue), the Prospectus Documents setting out details of the Rights Issue (with the Bonus Issue) will be despatched to the Qualifying Shareholders as soon as practicable whereas the Prospectus will be despatched to the Excluded Shareholders for information only.

### NOTICE OF THE SGM

Set out on pages N-1 to N-4 of this circular is a notice of the SGM to be held at 44/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong on Thursday, 27 January 2011 at 10:00 a.m. at which ordinary and special resolutions will be proposed to approve, among other things, the proposed Capital Reorganisation, the Rights Issue and the Bonus Issue. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return to the Registrar as soon as practicable and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

### RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Rights Issue (with the Bonus Issue). Beijing Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

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## LETTER FROM THE BOARD

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Your attention is drawn to the letter from the Independent Board Committee set out on pages 35 to 36 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue (with the Bonus Issue), and the letter from Beijing Securities set out on pages 37 to 55 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Rights Issue (with the Bonus Issue) are fair and reasonable and that the Rights Issue (with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions relating to the Rights Issue (with the Bonus Issue) at the SGM.

The Directors (excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee set out in pages 35 to 36 of this circular) believe that the terms of the Rights Issue (with the Bonus Issue) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
**WANG ON GROUP LIMITED**  
(宏安集團有限公司)\*  
**Chan Chun Hong, Thomas**  
*Managing Director*

\* *For identification purposes only*

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LETTER FROM INDEPENDENT BOARD COMMITTEE

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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)**

4 January 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE IN THE PROPORTION OF  
EIGHT (8) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE  
HELD ON THE RECORD DATE AND TIME  
AT HK\$0.10 PER RIGHTS SHARE (WITH BONUS ISSUE  
IN THE PROPORTION OF ONE (1) BONUS SHARE  
FOR EVERY EIGHT (8) RIGHTS SHARES TAKEN UP UNDER THE RIGHTS ISSUE)**

We refer to the circular dated 4 January 2011 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed as the Independent Board Committee to consider the Rights Issue (with the Bonus Issue) and to advise the Independent Shareholders as to the fairness and reasonableness of the Rights Issue (with the Bonus Issue) and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the SGM to approve the Rights Issue (with the Bonus Issue). Beijing Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders in such regards.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular which contains, inter alia, its advice and recommendation to us and the Independent Shareholders regarding the terms and conditions of the Rights Issue (with the Bonus Issue) with the principal factors and reasons for its advice and recommendation.



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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice and recommendation of the Independent Financial Adviser, we consider that the terms of the Rights Issue (with the Bonus Issue) are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue (with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue and the Bonus Issue.

Yours faithfully,

**Independent Board Committee**

**Dr. Lee Peng Fei, Allen, CBE, BS, FHKIE, JP**      **Mr. Wong Chun, Justein, MBE, JP**

**Mr. Siu Yim Kwan, Sidney, S.B.St.J.**      **Mr. Siu Kam Chau**

*Independent non-executive Directors*

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## LETTER FROM BEIJING SECURITIES

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*Set out below is the text of the letter of advice from Beijing Securities to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this Circular.*



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### BEIJING SECURITIES LIMITED

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Room 2907-8, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong

4 January 2011

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**PROPOSED RIGHTS ISSUE IN THE PROPORTION OF  
EIGHT RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD  
ON THE RECORD DATE AND TIME WITH BONUS ISSUE  
IN THE PROPORTION OF ONE BONUS SHARE  
FOR EVERY EIGHT RIGHTS SHARES TAKEN UP UNDER THE RIGHTS ISSUE**

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue (with the Bonus Issue). The details of the Rights Issue (with the Bonus Issue) are set out in the circular of the Company dated 4 January 2011 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 13 December 2010, the Company announced (i) the proposed Capital Reorganisation involving the Share Consolidation, the Capital Reduction and the Share Subdivision; and (ii) the proposed Rights Issue (with the Bonus Issue). Upon the Capital Reorganisation becoming effective, the Company proposes to raise approximately HK\$521.9 million to HK\$529.3 million before expenses, by way of Rights Issue of not less than 5,219,948,064 Rights Shares and not more than 5,292,644,208 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share, on the basis of eight Rights Shares for every one Adjusted Share held on the Record Date and Time. Subject to the satisfaction of the conditions of the Rights Issue, the Bonus Shares will be issued to the First Registered Holders of the Rights Shares on the basis of one Bonus Share for every eight Rights Shares taken up under the Rights Issue. On the basis of not less than 5,219,948,064 Rights Shares to be issued under the Rights Issue, not less than 652,493,508 Bonus Shares (assuming no fractional entitlement(s) result(s) when determining the number of the Bonus Shares to be issued) and not more than 661,580,526 Bonus Shares will be issued.

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The estimated net proceeds from the Rights Issue (with the Bonus Issue) will be approximately HK\$506.1 million to HK\$513.4 million. The Company intends to apply (i) approximately HK\$400 million for the payment of land premium that may become payable to the Hong Kong SAR government on the Yau Tong Project and/or other Group's property development business; (ii) approximately HK\$60 million for repayment of interest bearing debts; and (iii) the remaining balance of approximately HK\$46.1 million to HK\$53.4 million for general working capital of the Group.

As the Rights Issue (with the Bonus Issue) will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.19(6) of the Listing Rules, the Rights Issue (with the Bonus Issue) must be made conditional on the approval by the Shareholders in a general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue (with the Bonus Issue). As at the Latest Practicable Date, the Company has no controlling Shareholder. Accordingly, Mr. Tang, an executive Director, and his associates, who in aggregate held approximately 21.69% of the existing issued share capital of the Company and Mr. Chan Chun Hong, Thomas (should he exercise his Share Options and become a Shareholder before the convening of the SGM) and his associates will abstain from voting in favour of the resolutions relating to the Rights Issue (with the Bonus Issue) at the SGM.

As at the Latest Practicable Date, Mr. Tang has given an Irrevocable Undertaking, in favour of the Company and the Underwriter, among other things, that (i) he will subscribe for or procure subscriptions by his associates for the 1,132,003,144 Rights Shares (with the Bonus Shares) which he and his respective associates will be entitled to pursuant to the terms of the Rights Issue; (ii) the Shares or the Adjusted Shares (as the case may be) comprising his or his associates' current shareholding will remain registered in the names of them or their respective associates at the Record Date and Time as they are on the date of the Irrevocable Undertaking; (iii) he will procure the applications in respect of the 1,132,003,144 Rights Shares (with the Bonus Shares) comprising his or his associates' entitlements under the Rights Issue (with the Bonus Issue); and (iv) he will apply or procure applications by his associates, by way of excess application, for an additional 192,000,000 Rights Shares that are not taken up by the Qualifying Shareholders under the Rights Issue (with the Bonus Issue).

The Board currently comprises three executive Directors and four independent non-executive Directors. The Independent Board Committee is currently comprised of all the independent non-executive Directors, namely Dr. Lee Peng Fei, Allen, Mr. Wong Chun, Justein, Mr. Siu Yim Kwan, Sidney and Mr. Siu Kam Chau, and has been established to advise the Independent Shareholders regarding the Rights Issue (with the Bonus Issue). We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue (with the Bonus Issue).

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Our role is to provide you with our independent opinion and recommendation as to whether the terms of the Rights Issue (with the Bonus Issue) are fair and reasonable and whether the Rights Issue (with the Bonus Issue) is in the interests of the Company and the Independent Shareholders as a whole and how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Rights Issue (with the Bonus Issue).

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors, the Company and its management.

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date of the SGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group and the associated company of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Beijing Securities is to ensure that such information has been correctly and fairly presented and reproduced from the relevant sources.

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### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Rights Issue (with the Bonus Issue) to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### 1. Principal terms of the Rights Issue (with the Bonus Issue)

Set out below are the principal terms of the Rights Issue (with the Bonus Issue) as extracted from the Circular. Further details of the terms of the Rights Issue (with the Bonus Issue), including conditions precedent thereof, are set out in the “Letter from the Board” to the Circular.

##### (i) Issue statistics

Basis of the Rights Issue:	Eight Rights Shares for every one Adjusted Share held on the Record Date and Time and payable in full on acceptance, together with one Bonus Share for every eight Rights Shares taken up
Subscription Price:	HK\$0.10 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	3,262,467,540 Shares
Number of Adjusted Shares in issue upon the completion of the Capital Reorganisation:	652,493,508 Adjusted Shares (assuming that no further Shares are issued or repurchased between the date of this announcement and the date on which the Capital Reorganisation becomes effective) or 661,580,526 Adjusted Shares (assuming all rights attaching to the outstanding Share Options are exercised before the Record Date and Time)
Number of the Rights Shares:	Not less than 5,219,948,064 Rights Shares but more than more than 5,292,644,208 Rights Shares on the basis of eight Rights Shares for every one Adjusted Share
Number of the Bonus Shares:	Not less than 652,493,508 Bonus Shares and not more than 661,580,526 Bonus Shares to be issued to the First Registered Holders of the Rights Shares on the basis of one Bonus Share for every eight Rights Share taken up under the Rights Issue
Total number of issued Adjusted Shares upon completion of the Rights Issue and the Bonus Issue:	Not less than 6,524,935,080 Adjusted Shares but not more than 6,615,805,260 Adjusted Shares

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Number of Rights Shares undertaken to be taken up by Mr. Tang:

Pursuant to the Irrevocable Undertaking, Mr. Tang has irrevocably undertaken, among other things, to subscribe for or procure subscriptions by his associates for the 1,132,003,144 Rights Shares (with the Bonus Shares) to which he and his associates will be entitled to pursuant to the terms of the Rights Issue; and he will apply for or procure applications by his associates, by way of excess application, for an additional 192,000,000 Rights Shares (with the Bonus Shares) that are not taken up by the Qualifying Shareholders under the Rights Issue. The Company will comply with Rule 7.21(a) of the Listing Rules pursuant to which Rights Shares under excess application will be allocated on a fair basis

Number of Rights Shares underwritten by the Underwriter:

Not less than 3,895,944,920 Underwritten Shares and not more than 3,968,641,064 Underwritten Shares not taken up by the Qualifying Shareholders under the Rights Issue are fully underwritten by the Underwriter pursuant to the Underwriting Agreement

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional new Shares which may be allotted and issued pursuant to the exercise of the Share Options at or before 4:30 p.m. (Hong Kong time) on Wednesday, 19 January 2011. As at the Latest Practicable Date, there are outstanding Share Options granted under the Share Option Scheme which entitle the holders thereof to subscribe for 45,435,092 Shares. If all the subscription rights attaching to the Share Options are duly exercised and Shares are allotted and issued pursuant to such exercise at or before 4:30 p.m. (Hong Kong time) on Wednesday, 19 January 2011, the number of issued Shares could increase to 3,307,902,632. On this basis, following the Capital Reorganisation, a total of 5,292,644,208 Rights Shares may be issued and the enlarged issued share capital upon completion of the Rights Issue and the Bonus Issue could correspondingly increase to 6,615,805,260 Adjusted Shares accordingly. Save for the outstanding Share Options, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Subject to the satisfaction of the conditions of the Rights Issue, the Bonus Shares will be issued to the First Registered Holders of the Rights Shares on the basis of one Bonus Share for every eight Rights Shares taken up under the Rights Issue. On the basis of not less than 5,219,948,064 Rights Shares but not more than 5,292,644,208 Rights Shares to be issued under the Rights Issue, not less than 652,493,508 Bonus Shares (assuming no fractional entitlement(s) result(s) when determining the number of Bonus Shares to be issued) and not more than 661,580,526 Bonus Shares will be issued.

We have reviewed the terms of the Rights Issue (with the Bonus Issue) and are not aware of any terms which are uncommon to normal market practice. Accordingly, we consider that the terms of the Rights Issue (with the Bonus Issue) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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### (ii) Application for excess Rights Issue

Pursuant to the terms of the Rights Issue, the Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and on a pro-rata basis to the excess Rights Shares applied by the Qualifying Shareholders. However, no preference will be given to topping-up odd lots to whole board lots. The Directors are of the view that such allocation of excess Rights Shares is fair and equitable as all the Shareholders who are entitled to the Rights Shares are also entitled to apply for excess Rights Shares and no Shareholder is guaranteed any allocation of excess Rights Shares.

We have reviewed such arrangement and compared with the arrangements of all the rights issues made by companies listed on Main Board and Growth Enterprise Market of the Stock Exchange since the six months period up to the Last Trading Day (the “**Comparables**”) which also offered excess application for the Rights Shares. Amongst the Comparables, 29 out of the 32 rights issues had arrangements for excess application arrangement of which 12 excess rights shares under those rights issues were allocated on a pro-rata basis and 17 excess rights shares under those rights issues were allocated on a sliding scale basis. We have reviewed and compared the basis in allocating the excess Rights Shares with the arrangements of those Comparables which also allowed for excess application, we are not aware of any of the Company’s arrangement being unusual. Accordingly, we consider the basis of allocation under the Rights Issue is in line with the common market practice.

Pursuant to the Irrevocable Undertaking, Mr. Tang will apply for or procure applications by his associates, by way of excess application, for an additional 192,000,000 Rights Shares (with Bonus Shares) that are not taken by the Qualifying Shareholders under the Rights Issue. Having considered that (i) the excess 192,000,000 Rights Shares represents only approximately 3.6% of the total Rights Shares to be issued; (ii) the excess Rights Shares will be allocated on a pro-rata basis to those Qualifying Shareholders (including Mr. Tang and his associates) in which all applicants are treated equitably; and (iii) no applicants will have an assured allotment; we consider that the basis of allocation of excess Rights Shares is acceptable.

## 2. Operating Performance of the Group

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

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Set out below is a summary of the financial information of the Group for the two years ended 31 March 2009 and 2010 and the six months ended 30 September 2010 based on the previous annual reports and interim report of the Company.

	<b>Six months ended 30 September 2010</b>	<b>Year ended 31 March</b>	
	<i>HK\$'000 (Unaudited)</i>	<i>2010 HK\$'000 (Audited)</i>	<i>2009 HK\$'000 (Audited)</i>
Turnover			
- Property development	48,884	225,575	129,630
- Property investment	34,947	43,042	13,421
- Chinese wet markets	107,125	207,725	168,387
- Shopping centres and car parks	6,595	13,317	13,378
- Agricultural by-products wholesale markets	9,665	21,765	48,639
- Trading of agricultural by-products	<u>11,133</u>	<u>63,592</u>	<u>86,004</u>
Total Turnover	218,349	575,016	459,459
Gross Profit	73,332	171,033	133,068
Profit before taxation	103,215	142,731	91,630
Profit attributable to the Shareholders	82,827	108,073	55,409
Earnings per Share (HK cents)	2.54	12.84	26.86
	<b>As at 30 September 2010</b>	<b>At at 31 December</b>	
	<i>HK\$'000 (Unaudited)</i>	<i>2010 HK\$'000 (Audited)</i>	<i>2009 HK\$'000 (Audited)</i>
Net assets attributable to the Shareholders	1,991,042	1,953,618	1,352,180

*Source: Annual reports of the Company for the two years ended 31 March 2009 and 2010 and interim report of the Company for the six months ended 30 September 2010.*



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For the year ended 31 March 2010, the total turnover and the profit attributable to the Shareholders has been increased by 25.15% and 95.05% to HK\$575.02 million and HK\$108.07 million respectively from the previous year. The increase was due mainly to the satisfactory performance arising from the continued sale of luxury house from the property development division and the capital appreciation of the Group's investment properties. As at 31 March 2010, the Company had consolidated net assets of approximately HK\$1,953.62 million, representing an increase of approximately 44.48% as compared to the year as at 31 March 2009. Such increase in the net assets was attributed by the capital appreciation of the Group's property portfolio.

For the six months ended 30 September 2010, the total turnover of approximately HK\$218.35 million represented a decrease of 22.25% for the same period previous year as only one luxury house was sold and completed from the property division. However, the profit attributable to the Shareholder was increased by 18.79% to approximately HK\$82.83 million for the six months ended 30 September 2010 as compared to the same period previous year. Such increase was due mainly to the gain in the disposal of an associate and the capital appreciation of the investment properties.

As informed by the management of the Company, regarding future plans, the Group has plans to enlarge its existing property land banks by locating and selecting potential sites for property development. In addition, the Group has plans to re-develop (i) the Yau Tong site into a residential and commercial complex which would incur a possible payment of land premium to the Hong Kong SAR government; (ii) the Hung Hom site area into a residential and commercial complex; and (iii) the Mongkok site area into a Ginza-type complex. For the property investment division, the Group continues to replenish its property investment portfolio by locating prospective retail properties. The business performance of the management and sub-licensing of the Chinese wet markets and the wholesale of agricultural by-products of the Group is relatively stable as compared to the property development division and property investment division of the Group in the recent years. The Group will continue to secure more management contracts for Chinese wet markets both in Hong Kong and the PRC and will focus its resources in the Hong Kong operation of wholesale of agricultural by-products.

### **3. Reasons for the Rights Issue (with the Bonus Issue) and use of proceeds**

As stated in the Letter from the Board set out in the Circular, having considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Rights Issue allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Board considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Group should they wish to do so. In addition, the Bonus Issue will be an additional incentive for the Shareholders to take part in the Rights Issue. The Directors (excluding the independent non-executive Directors) consider that the Rights Issue (with the Bonus Issue) is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole having taken into account the terms of the Right Issue (with the Bonus Issue).

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The estimated net proceeds of the Rights Issue will be approximately HK\$506.1 million to HK\$513.4 million and are intended to be applied as to (i) approximately HK\$350 million for the payment of land premium that may become payable to the Hong Kong SAR government on the Yau Tong Project and subject to negotiations with the Hong Kong SAR government, any remaining balance after deduction of land premium for other Group's property development business; (ii) approximately HK\$50 million for other Group's property development business; (iii) approximately HK\$60 million for repayment of interest-bearing debts; and (iv) the remaining balance of approximately HK\$46.1 million to HK\$53.4 million for the general working capital of the Group.

The Yau Tong Project is two adjacent industrial buildings which are intended to be combined and re-developed into a residential and commercial complex. The Company anticipates that up to the extent of HK\$350 million of the land premium of the Yau Tong Project payable to the Hong Kong SAR government will be financed from the Rights Issue with the balance by bank borrowing and/or internal resources. The expected completion date of the Yau Tong Project is around end of 2014, subject to the practical redevelopment schedule.

According to the Letter from the Board set out in the Circular, save as except for the rights issue of 1,631,233,962 rights shares as announced by the Company on 14 January 2010, the Group had not carried out other equity fund raising activity during the past 12 months immediately prior to the date of the Announcement.

As further discussed with the management of the Company, we have been advised that given (i) the Company has possible payment obligations of the land premium to the Hong Kong SAR government; (ii) debt financing and borrowing will increase its interest expenses; (iii) placing of new Shares would not offer the existing Shareholders the opportunity to participate in the Company's equity raising exercise and would result in dilution of shareholding to the existing Shareholders; and (iv) the Rights Issue (with the Bonus Issue) will enable the Qualifying Shareholders to maintain their proportionate interests in the Company, the management of the Company considers the Rights Issue (with the Bonus Issue) is an appropriate financing means for the Company. Having considered the factors set out above, we concur with the view of the management of the Company.

#### 4. The Subscription Price

After the Capital Reorganisation becoming effective, the Company will provisionally allot eight Rights Shares for every one Adjusted Share held by the Qualifying Shareholders on the Record Date and Time and will issue one Bonus Share for every eight Rights Shares taken up under the Rights Issue (with the Bonus Issue). Accordingly, taking into account of the Bonus Issue being issued with fully paid Rights Shares, the effective subscription price of the Rights Issue (with the Bonus Issue) would be HK\$0.089 per Rights Share (the "**Effective Subscription Price**") and represents:

- (i) a discount of approximately 89.01% to the adjusted closing price of HK\$0.81 per Adjusted Share, based on the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

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- (ii) a discount of approximately 89.16% to the adjusted average closing price of approximately HK\$0.821 per Adjusted Share, based on the average closing price of approximately HK\$0.1642 as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 44.72% to the theoretical ex-entitlement price of approximately HK\$0.161 per Adjusted Share after the Rights Issue and the Bonus Issue, based on the closing price of HK\$0.162 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 97.08% to the unaudited net asset value per Adjusted Share of approximately HK\$3.05 as at 30 September 2010 and adjusted for the Capital Reorganisation; and
- (v) a discount of approximately 81.65% to the adjusted closing price of HK\$0.485 per Adjusted Share, based on the closing price of HK\$0.097 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

As set out in the Letter from the Board to the Circular, the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares and the prevailing market conditions. The Directors consider that the discount would encourage Shareholders to participate in the Rights Issue (with the Bonus Issue) and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group. In view of the prevailing market conditions of the capital market in Hong Kong and the benefits of the Rights Issue, the Directors (excluding the independent non-executive Directors) consider the terms of the Rights Issue (with the Bonus Issue) are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

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In analyzing the fairness and reasonableness of the Effective Subscription Price, we have taken the following analysis.

(a) *Share price performance and liquidity of the Share*

We have reviewed the theoretical market prices of the Adjusted Shares (taking into account the effect of Capital Reorganisation) over the 12-month period prior to the date of the Underwriting Agreement up to the Latest Practicable Date (the “**Review Period**”).

Month	Highest theoretical closing price <i>HK\$</i>	Lowest theoretical closing price <i>HK\$</i>	Average daily theoretical closing price <i>HK\$</i>
<b>2009</b>			
December (from 10 December 2009)	1.385	1.270	1.334
<b>2010</b>			
January	1.395	0.940	1.159
February	1.435	0.955	1.133
March	1.040	0.810	0.912
April	0.935	0.850	0.898
May	0.840	0.660	0.742
June	0.785	0.705	0.742
July	0.890	0.775	0.853
August	1.080	0.825	0.945
September	1.005	0.840	0.925
October	1.005	0.920	0.963
November	0.925	0.820	0.863
December (up to and including the Latest Practicable Date)	0.845	0.485	0.640

Source: [www.hkex.com.hk](http://www.hkex.com.hk)

The Effective Subscription Price is lower than the theoretical closing price of the Adjusted Share during the Review Period. The average daily theoretical closing price of the Adjusted Shares ranged from HK\$0.640 to HK\$1.334 per Adjusted Share in each month with the highest of HK\$1.435 per Adjusted Share in February 2010 to the lowest of HK\$0.485 in December 2010. The trading price of the Share was in a downward trend and dropped significantly after the Company published the Announcement in relation to the proposed Capital Reorganisation and the proposed Rights Issue (with the Bonus Issue) on 13 December 2010.

We note that the highest theoretical closing price of the Adjusted Share has a premium of approximately 195.88% over the lowest theoretical closing price. Such large difference indicates that the theoretical market price of the Adjusted Share is fluctuating and in a downward trend during the Review Period.

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The following table sets out the trading volume of the Shares during Review Period:

	<b>Total monthly trading volume</b> <i>(in number of shares)</i>	<b>Approximate average daily trading volume</b> <i>(in number of shares)</i>	<b>Percentage of average daily trading volume to the average total issued Shares</b> <i>(Approximate %) (Note 1)</i>	<b>Percentage of average daily trading volume to the average public float</b> <i>(Approximate %) (Note 2)</i>
<b>2009</b>				
December (from 10 December 2009)	208,090,254	13,872,684	0.51%	0.92%
<b>2010</b>				
January	601,077,460	30,053,873	1.11%	2.43%
February	431,808,745	23,989,375	1.02%	1.56%
March	864,101,803	37,569,644	2.18%	3.54%
April	274,371,743	14,440,618	0.44%	1.07%
May	211,216,759	10,560,838	0.32%	0.41%
June	273,254,348	13,012,112	0.40%	0.51%
July	936,569,628	44,598,554	1.37%	1.75%
August	2,200,784,412	100,035,655	3.07%	3.92%
September	1,321,476,330	62,927,444	1.93%	2.46%
October	1,706,896,482	85,344,824	2.62%	3.34%
November	1,663,575,713	75,617,078	2.32%	2.96%
December (up to and including the Latest Practicable Date)	947,629,697	43,074,077	1.32%	1.69%

Source: Bloomberg

Notes:

1. Calculated based on the average of the number of issued Shares in each month during the Review Period obtained from Bloomberg.
2. Calculated based on the average of the number of Shares held by the public in each month during the Review Period obtained from Bloomberg.

As illustrated from the above table, during the Review Period, the daily trading volume to the average total issues Shares was in the range of approximately 0.32% to 3.07% and the daily trading volume to the average public float was in the range of approximately 0.41% to 3.92%. Given that the average daily turnover of the Shares during the Review Period was below 5% of the average public float, in our view, the liquidity of the Shares during the Review Period was low.

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Having considered i) the volatility of the market price of the Share during the Review Period; ii) the downward trend of the Share price during the Review Period; and iii) the low liquidity of the Share during the Review Period; it would be difficult to attract the Qualifying Shareholders to take up their respective allotments in the Rights Issue (with the Bonus Issue) if the Subscription Price was not set at relatively bigger discount to the historical market price of the Shares. In addition, it is the normal market practice that the subscription of a rights issue represents a discount to the prevailing market prices of the relevant shares. We concur with the view of the Directors that the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares and the prevailing market conditions.

### (b) *Comparison with other rights issue*

We have compared all the rights issues under the Comparables and our findings are summarized as below. Shareholders should be aware that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the common market practice in rights issues transactions of the companies listed in Hong Kong.

Company (stock code)	Date of announcement	Basis of entitlement	Discount of effective subscription price to the closing price on the last trading day <i>(Approximate %)</i>	Discount of effective subscription price to the theoretical ex-entitlement price <i>(Approximate %)</i>	Maximum dilution <i>(Approximate %)</i> <i>(Note 1)</i>	Underwriting commission <i>(%)</i>	Application for excess rights shares and its basis of allocation
Shangri-La Asia Ltd (69)	9 Dec 2010	1 for 12	5.80	5.40	7.69	1.00	Yes and on a pro-rata basis
Champion Technology Holdings Ltd (92)	1 Dec 2010	4 for 9	37.80	29.6	30.77	2.50	Yes and on a pro-rata basis
China Yunnan Tin Metals Group Company Ltd (263)	29 Nov 2010	8 for 1	87.80	44.44	88.88	3.00	Yes and on a sliding scale basis
Forefront Group Ltd (885)	25 Nov 2010	8 for 1	86.56	41.59	88.88	3.00	Yes and on a sliding scale basis
Dah Sing Banking Group Ltd (2356)	16 Nov 2010	1 for 10	40.94	38.65	9.09	2.25	Yes and on a sliding scale basis
Dah Sing Financial Holdings Ltd (440)	16 Nov 2010	1 for 8	39.97	37.18	11.11	2.25	Yes and on a sliding scale basis
Hengli Properties Development (Group) Ltd (169)	11 Nov 2010	1 for 1	71.43	55.56	50.00	2.50	No
Industrial and Commercial Bank of China Ltd (1398)	10 Nov 2010	0.45 for 10 (H shares)	47.36	46.22	5.66	Not disclosed	Yes and on a pro-rata basis
China Construction Bank Corporation (939)	2 Nov 2010	0.7 for 10 (H shares)	42.70	41.00	6.54	Not disclosed	Yes and on a pro-rata basis

## LETTER FROM BEIJING SECURITIES

Company (stock code)	Date of announcement	Basis of entitlement	Discount of effective subscription price to the closing price on the last trading day <i>(Approximate %)</i>	Discount of effective subscription price to the theoretical ex-entitlement price <i>(Approximate %)</i>	Maximum dilution <i>(Approximate %)</i> <i>(Note 1)</i>	Underwriting commission <i>(%)</i>	Application for excess rights shares and its basis of allocation
Inno-Tech Holdings Ltd (8202)	29 Oct 2010	10 for 1	72.31	19.28	90.91	3.00	Yes and on a sliding scale basis
Bank of China Ltd (3988)	28 Oct 2010	1 for 10 (H shares)	41.20	38.98	9.09	Not disclosed	Yes and on a pro-rata basis
Hong Kong Life Group Holdings Ltd (formerly known as Aptus Holdings Ltd) (8212)	27 Oct 2010	3 for 1	69.70	37.50	75.00	2.50	Yes and on a pro-rata basis
Bao Yuan Holdings Ltd (formerly known as Ching Hing (Holdings) Ltd) (692)	20 Oct 2010	8 for 1	81.82	33.33	88.88	2.50	Yes and on a pro-rata basis
Standard Chartered Plc (2888)	13 Oct 2010	1 for 8	32.93	30.38	11.11	2.15	No
China Gogreen Assets Investment Ltd (397)	12 Oct 2010	9 for 1	67.67	17.31	90.00	2.50	Yes and on a pro-rata basis
Century City International Holdings Ltd (355)	7 Oct 2010	1 for 10	30.40	28.46	9.09	2.50	Yes and on a sliding scale basis
Hua Xia Healthcare Holdings Ltd (8143)	27 Sep 2010	1 for 3	36.08	29.54	25.00	6.00	Yes and on a sliding scale basis
Oriental City Group Holdings Ltd (8325)	27 Sep 2010	1 for 2	92.22	85.57	50.00	2.50	Yes and on a pro-rata basis
21 Holdings Ltd (1003)	22 Sep 2010	10 for 1	87.66	39.30	90.91	2.13 <i>(Note 2)</i>	Yes and on a sliding scale basis
New Smart Energy Group Ltd (91)	20 Sep 2010	2 for 1	26.32	10.40	66.67	2.50	Yes and on a pro-rata basis
Polyard Petroleum International Group Ltd (8011)	13 Aug 2010	1 for 2	28.06	20.63	33.33	1.50	Yes and on a sliding scale basis
Wai Yuen Tong Medicine Holdings Ltd (897)	9 Aug 2010	5 for 1	85.92	46.59	85.71	2.50	Yes and on a pro-rata basis
Eternity Investment Ltd (formerly known as China Star Investment Holdings Ltd) (764)	28 Jul 2010	3 for 1	29.82	9.09	9.09	1.00	Yes and on a sliding scale basis
Unity Investments Holdings Ltd (913)	27 Jul 2010	8 for 1	73.13	23.22	88.88	2.50	Yes and on a sliding scale basis
Dragonite International Ltd (formerly known Ruyan Group (Holdings) Ltd) (329)	21 Jul 2010	20 for 1	90.83	32.06	95.24	3.00	Yes and on a sliding scale basis

## LETTER FROM BEIJING SECURITIES

Company (stock code)	Date of announcement	Basis of entitlement	Discount of effective subscription price to the closing price on the last trading day <i>(Approximate %)</i>	Discount of effective subscription price to the theoretical ex-entitlement price <i>(Approximate %)</i>	Maximum dilution <i>(Approximate %)</i> <i>(Note 1)</i>	Underwriting commission <i>(%)</i>	Application for excess rights shares and its basis of allocation
China Star Entertainment Ltd (326)	8 Jul 2010	1 for 2	12.28	8.26	33.33	1.00	Yes and on a sliding scale basis
Great Word Company Holdings Ltd (8003)	6 Jul 2010	1 for 1	61.54	44.44	50.00	3.00	Yes and on a sliding scale basis
Sau San Tong Holdings Ltd (8200)	6 Jul 2010	6 for 1	83.33	41.18	85.71	2.50	Yes and on a pro-rata basis
Global Bio-Chem Technology Group Company Ltd (809)	14 Jun 2010	2 for 5	50.33	41.86	28.57	3.00	Yes and on a sliding scale basis
Playmates Toys Limited (869)	11 June 2010	1 for 2	38.14	29.08	33.33	2.50	Yes and on a sliding scale basis
Genvon Group Ltd (formerly known as Wang Sing International Holdings Ltd) (2389)	11 Jun 2010	3 for 2	35.62	18.03	60.00	1.50	No
Radford Capital Investment Ltd (901)	10 Jun 2010	4 for 1	61.54	24.24	80.00	2.50	Yes and on a sliding scale basis
<b>Average</b>			54.66	32.76	49.64	2.46	
<b>Maximum</b>			92.22	85.57	95.24	6.00	
<b>Minimum</b>			5.80	5.40	5.66	1.00	
<b>The Company</b>	13 Dec 2010	8 for 1	89.01	44.72	90.00	3.00	Yes and on a pro-rata basis

Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

1. *Maximum dilution effect of each rights issue is calculated as: ((number of rights shares and (if any) bonus shares to be issued under the basis of entitlement)/(number of existing shares for entitlement for the rights shares under the basis of entitlement + number of rights shares and (if any) bonus shares to be issued under the basis entitlement) x 100%.*
2. *As set out in the announcement of 21 Holdings Ltd dated 22 September 2010, the rights issue were fully underwritten by Get Nice Securities Limited with 2.25% underwriting commission and Emperor Securities Limited with 2.0% underwriting commission. For calculation purposes, the average of 2.13% underwriting commission is used.*
3. *The effective subscription price per rights share after adjusting for the effect of bonus issue, if applicable.*



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## LETTER FROM BEIJING SECURITIES

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As shown in the above table, the effective subscription prices of the Comparables ranged from discounts of 5.80% to 92.22% to the respective closing prices of their shares on the last trading days before the date of the announcements of the rights issue (the “**LTD Range**”). The discount of approximately 89.01% to the closing price of the Shares on the Last Trading Day as represented by the Effective Subscription Price is slightly greater than the average but falls within the LTD Range. Furthermore, the effective subscription prices of the Comparables ranged from discounts of 5.40% to 85.57% to the respective theoretical ex-rights prices of their shares on the last trading days before the date of the announcement of the rights issue (the “**TERP Range**”). The discount of 44.72% to the theoretical ex-rights price of the Share as represented by the Subscription Price is higher than the average but falls within the TERP Range.

We note that it is a common practice for listed issuers to offer rights shares at a discount to their prevailing share price in order to provide incentives to the qualifying shareholders as well as underwriters to participate in the rights issues. Although the discount represented by the Effective Subscription Price to the closing price on the Last Trading Day shows a bigger discount as compared to the respective average of the Comparables, having considered (i) the factors discussed in the above sub-section headed “Share price performance and liquidity of the Share”; (ii) the discount to the closing price of the Shares on the Last Trading Day and the discount to the theoretical ex-rights price of the Share as represented by the Effective Subscription Price falls within the LTD Range and the TERP Range respectively; (iii) the discount would attract the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company and participate in the future growth of the Group; and (iv) the Subscription Price was determined at after arm’s length negotiations between the Company and the Underwriter; we concur with the Directors that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we consider that the discount of the Effective Subscription Price to the prevailing Share price is acceptable.

### 5. The Underwriting Agreement

Subject to the terms and conditions of the Underwriting Agreement, the Underwriter has agreed to fully underwrite not less than 3,895,944,920 Rights Shares and not more than 3,968,641,064 Rights Shares not taken up by the Qualifying Shareholders excluding the excess application of 192,000,000 Rights Shares to be applied by Mr. Tang and his associates.

The Company will pay the Underwriter an underwriting commission of 3.00% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares. As illustrated in the table set out in above section, the underwriting commissions of the Comparables ranged from 1.00% to 6.00% with an average of 2.46%. Given the underwriting commission of 3.00% falls within the said range, we are of the view that the underwriting commission paid to the Underwriter is in line with the market and is fair and reasonable.

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## LETTER FROM BEIJING SECURITIES

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### 6. Financial effects of the Rights Issue (with the Bonus Issue) on the Group

#### (a) *Working capital*

Following completion of the Rights Issue (with the Bonus Issue), the net proceeds is approximately HK\$506.1 million to HK\$513.4 million. As such, immediately upon Completion, the cash level of the Group will be increased and hence, it is expected to have a positive effect on the working capital of the Group.

#### (b) *Net assets*

According to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group set out in Appendix II to the Circular, assuming completion of the issue of the Rights Issue (with the Bonus Issue) had taken place on 30 September 2010, the Group's net assets would have been increased by 24.86% to 25.26% from approximately HK\$1,991 million to the range of HK\$2,486 million to HK\$2,494 million respectively depending on the number of the Rights Shares and the Bonus Shares to be allotted and issued. Such increase is mainly attributable to the effect of the net proceeds from the Rights Issue (with the Bonus Issue). This significant improvement in the financial position of the Group is beneficial to the Company and the Shareholders as a whole.

#### (c) *Gearing and liquidity*

As at 30 September 2010, the total borrowings of the Group was approximately HK\$888.35 million with a gearing ratio (calculated as the Group's total borrowings net of cash and cash equivalents to the total equity) of 22.5% and the cash and cash equivalents of Group was approximately HK\$439.73 million. Upon completion of the Rights Issue (with the Bonus Issue), there would be an increase in the cash level of the Group and the Company would apply approximately HK\$60 million of the net proceeds to settle the interest-bearing debts. As such, the current ratio and the gearing ratio would be increased and improved respectively.

### 7. Effect of the Rights Issue (with the Bonus Issue) on the shareholding of the Company

As all the Qualifying Shareholders are entitled to subscribe for the Rights Shares, they will be able to maintain their proportional interests in the Company if they take up their allotments under the Rights Issue (with the Bonus Issue) in full. Meanwhile, Qualifying Shareholders who wish to increase their shareholdings in the Company through the Rights Issue (with the Bonus Issue) may, subject to availability, acquire additional nil-paid Rights Shares or apply for excess Rights Shares. Any Qualifying Shareholders who choose not to take up their allotments under the Rights Issue will have their shareholdings in the Company diluted by up to maximum of approximately 90.00% from their shareholding interests upon completion of the Rights Issue (with the Bonus Issue) and it is within the range of the rights issues under the Comparables. However, such Shareholders will have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares in the market during the dealing of nil-paid rights on the Stock Exchange, subject to the then prevailing market conditions.

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## LETTER FROM BEIJING SECURITIES

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We note that the significant dilution effect to those Qualifying Shareholders who do not accept the Rights Issue is mainly as a result of the relatively bigger discount of the Effective Subscription Price to the theoretical ex-rights price of the Adjusted Shares, which the Company is required to propose a relatively higher proportion of Rights Shares issued for every Adjusted Share held in order to raise approximately HK\$521.9 million to HK\$529.3 million as required by the Company. In addition, pursuant to Rule 7.19(1) of the Listing Rules, all rights issues must be fully underwritten under normal circumstances. The Subscription Price and the terms of the Underwriting Agreement have been agreed by the Company and the Underwriter after arm's length negotiations with reference to the market price of the Shares and the prevailing market conditions and we have been advised by the Company that such terms are the best available to the Company given that the maximum underwritten amount of approximately HK\$396.9 million.

Taking into account of the abovementioned and the Rights Issue (with the Bonus Issue) allows the Qualifying Shareholders (i) to maintain their proportional interests in the Company if they wish to do so; (ii) to have an option to sell the nil-paid rights in the market for economic benefits, subject to the then prevailing market conditions; and (iii) to increase their shareholdings in the Company, subject to availability, by acquiring additional nil-paid Rights Shares or applying for excess Rights Shares; we consider that the potential dilution effect on the existing shareholdings of the Company upon completion of the Rights Issue (with the Bonus Issue) is fair and reasonable.

### RECOMMENDATIONS

Having considered the principal factors discussed above, we would draw your attention to the following key factors in arriving at our conclusion:

- (i) the Rights Issue (with the Bonus Issue) would allow the Group to strengthen its capital base and help to meet some of its payment obligations as well as improving the working capital position of the Group;
- (ii) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue (with the Bonus Issue) to take up their provisional allotments in full to maintain their respective shareholdings in the Company;
- (iii) the Subscription Price has been determined based on arm's length negotiations between the Company and the Underwriter;
- (iv) the discounts as represented by the Effective Subscription Price fall within the LTD Range and the TERP Range which are in line with the recent market trends; and
- (v) the Rights Issue (with the Bonus Issue) will have positive impact on the net tangible assets and liquidity of the Group.

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## LETTER FROM BEIJING SECURITIES

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We consider the terms of the Rights Issue (with the Bonus Issue) are fair and reasonable so far as the Independent Shareholders are concerned and that the Rights Issue (with the Bonus Issue) is in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to approve the Rights Issue (with the Bonus Issue) at the SGM.

Yours faithfully,  
For and on behalf of  
**Beijing Securities Limited**  
**Charles Li**  
*Director*

### 1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 March 2008, 2009 and 2010 are disclosed in the annual reports of the Company for the years ended 31 March 2008 (pages 29 to 120), 2009 (pages 31 to 128) and 2010 (pages 32 to 123) respectively, which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company (<http://www.wangon.com>). The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 March 2008, 2009 and 2010.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2010 are disclosed in the interim report of the Company dated 17 November 2010, which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company (<http://www.wangon.com>).

On 29 November 2010 the Hong Kong Institute of Certified Public Accountants issued Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* (the "**Interpretation**"), which requires a term loan with clauses that allow the lender the unconditional right to demand for repayment at any time to be classified as a current liability in its entirety. It also provides guidance on the disclosures required in the maturity analysis under Hong Kong Financial Reporting Standard 7 *Financial Instruments: Disclosures*. The Interpretation is effective on issuance and shall be accounted for retrospectively in accordance with Hong Kong Accounting Standard 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

### 2. INDEBTEDNESS OF THE GROUP

As at the close of business on 30 November 2010, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the Group had outstanding bank loans of approximately HK\$990,614,000 and all of which were secured by the Group's investment properties and certain rental income generated therefrom, properties under development and properties held for sale. The carrying values of the Group's investment properties, properties under development and properties held for sale as at 30 November 2010, which were pledged to secure the Group's bank loans, amount to HK\$577,550,000, HK\$854,623,000 and HK\$557,231,000, respectively.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, as at the close of business 30 November 2010, the Group did not have any other debt securities issued and outstanding or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or material contingent liabilities.

### 3. WORKING CAPITAL STATEMENT

The Directors are satisfied after due and careful enquiry that after taking into account the Group's internally generated funds, available banking facilities and the estimated net proceeds from the Rights Issue (with the Bonus Issue) of the Company, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**5. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

The Group continues to be engaged in its principal businesses of property investment and development in Hong Kong, management and sub-licensing of Chinese wet markets in Hong Kong and the PRC, management and sub-licensing shopping centres and management of agricultural by-products wholesaling business in Hong Kong since 31 March 2010 (being the date on which the latest published audited consolidated financial statements of the Company were made up).

With the introduction of Special Stamp Duty on disposal of residential properties by the Financial Secretary of Hong Kong and the tightening of mortgage lending guidelines by Hong Kong Monetary Authority in November 2010, the residential properties market in Hong Kong had showed signs of slowdown which had been reflected by the substantial shrinkage in number of property transaction volume. However, the recent properties prices only slightly dropped and remained, in general, fairly stable. To some extent, the risk of burst of bubble is greatly reduced as the recent government measures are implemented. Under the environment of low mortgage interest rates, high inflation and abundant supply of hot money from the banking system around the world, we are positive on the properties market in Hong Kong. Besides, there is strong demand for quality housing and increasing purchasing power from PRC investors. Despite the short-term adverse effect, we believe the Hong Kong residential properties market will experience more steady and healthy growth in the long term.

As a major player in the Chinese wet markets in Hong Kong, the Group will continue to focus its resources in enhancing the performance of existing portfolio of markets. With solid expertise and in-depth management experience we will make use of our competitive edge and endeavor to secure more new contracts for the management of Chinese wet markets both in Hong Kong and PRC.

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**APPENDIX II      UNAUDITED PRO FORMA STATEMENT OF ADJUSTED  
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

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18th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

4 January 2011

The Directors  
Wang On Group Limited  
5th Floor, Wai Yuen Tong Medicine Building  
Kowloon Bay  
Kowloon  
Hong Kong

Dear Sirs

**Wang On Group Limited**  
**Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets**

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Wang On Group Limited (the “Company”) and its subsidiaries and jointly-controlled entities (hereafter collectively referred to as the “Group”), which has been prepared by the directors of the Company (the “Directors”) for illustrative purposes only, to provide information about how the proposed rights issue (including the associated bonus issue) of the Company (the “Rights Issue”) might have affected the consolidated net tangible assets of the Group if the Rights Issue had taken place at 30 September 2010, for inclusion in Appendix II to the circular of the Company dated 4 January 2011 (the “Circular”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Circular.

**Respective Responsibilities of the Directors and Reporting Accountants**

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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**APPENDIX II                      UNAUDITED PRO FORMA STATEMENT OF ADJUSTED  
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

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**Basis of opinion**

We conducted our engagement in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 September 2010 or any future dates; or
- the consolidated net tangible assets per share of the Group as at 30 September 2010 or any future dates.

**Opinion**

In our opinion:

- i) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- ii) such basis is consistent with the accounting policies of the Group; and
- iii) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong



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**APPENDIX II                      UNAUDITED PRO FORMA STATEMENT OF ADJUSTED  
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

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**(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET  
TANGIBLE ASSETS OF THE GROUP**

**INTRODUCTION**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to illustrate the effect of the Rights Issue (including the associated Bonus Issue) on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 September 2010.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the unaudited equity attributable to owners of the Company as at 30 September 2010, as extracted from the published interim report of the Company for the period ended 30 September 2010, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Rights Issue.

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**APPENDIX II                      UNAUDITED PRO FORMA STATEMENT OF ADJUSTED  
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

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	Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2010 <i>HK\$'000</i> <i>(Note 1)</i>	Less: Goodwill and other intangible asset <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2010 <i>HK\$'000</i>	Estimated net proceeds from the issue of the Rights Shares and the Bonus Shares <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after the completion of the issue of the Rights Shares and the Bonus Shares <i>HK\$'000</i>
Based on the minimum number of Rights Shares and Bonus Shares to be issued <i>(Note 3)</i>	<u>1,990,646</u>	<u>(10,466)</u>	<u>1,980,180</u>	<u>506,100</u>	<u>2,486,280</u>
Based on the maximum number of Rights Shares and Bonus Shares to be issued <i>(Note 3)</i>	<u>1,990,646</u>	<u>(10,466)</u>	<u>1,980,180</u>	<u>513,400</u>	<u>2,493,580</u>
Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share as at 30 September 2010 and prior to the completion of the Rights Issue <i>(Note 4)</i>					<u>3.035</u>
Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share upon the completion of the Rights Issue (based on the minimum number of Rights Shares and Bonus Shares to be issued) <i>(Note 5)</i>					<u>0.381</u>
Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share upon the completion of the Rights Issue (based on the maximum number of Rights Shares and Bonus Shares to be issued) <i>(Note 6)</i>					<u>0.377</u>

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## APPENDIX II                      UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

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*Notes:*

1. The unaudited equity attributable to owners of the Company as at 30 September 2010 is extracted from the published interim report of the Company for the period ended 30 September 2010.
2. Goodwill and other intangible asset represent the Group's goodwill and other intangible asset of HK\$1,376,000 and HK\$9,090,000, respectively, as at 30 September 2010. These figures are extracted from the published interim report of the Company for the period ended 30 September 2010.
3. The estimated net proceeds from the Rights Issue of the minimum number of Rights Shares of approximately HK\$506.1 million are based on 5,219,948,064 Rights Shares to be issued at the subscription price of HK\$0.1 per Rights Share and after deduction of estimated related expenses of HK\$15.8 million. The estimated net proceeds from the Rights Issue of the maximum number of Rights Shares of approximately HK\$513.4 million are based on 5,292,644,208 Rights Shares to be issued at the subscription price of HK\$0.1 per Rights Share and after deduction of estimated related expenses of HK\$15.9 million.
4. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share is based on 652,493,508 Consolidated Shares in issue as at 30 September 2010 (as adjusted by the Capital Reorganisation).
5. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share after the completion of the Rights Issue (based on the minimum number of Rights Shares to be issued and including the issue of the Bonus Shares) is calculated based on 6,524,935,080 Consolidated Shares in issue upon completion of the Rights Issue, which comprise the existing 652,493,508 Consolidated Shares in issue as at 30 September 2010, 5,219,948,064 Consolidated Shares to be issued pursuant to the Rights Issue and 652,493,508 Consolidated Shares upon the issue of the Bonus Shares.
6. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share after the completion of the Rights Issue (based on the maximum number of Rights Shares to be issued and including the issue of the Bonus Shares) is calculated based on 6,606,718,242 Consolidated Shares in issue upon completion of the Rights Issue, which comprise the existing 652,493,508 Consolidated Shares in issue as at 30 September 2010, 5,292,644,208 Consolidated Shares to be issued pursuant to the Rights Issue and 661,580,526 Consolidated Shares upon the issue of the Bonus Shares.
7. No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 30 September 2010.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL

### (a) Share Capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (with the Bonus Issue) (assuming no exercise of the outstanding Share Options before the Record Date and Time); and (iii) immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (with the Bonus Issue) (assuming exercise of all the outstanding Share Options before the Record Date and Time) were as follows:

#### (i) *As at the Latest Practicable Date*

<i>Authorised:</i>	<i>HK\$</i>
<u>8,000,000,000</u> Shares of HK\$0.05 each	<u>400,000,000.00</u>
<i>Issued and fully paid:</i>	<i>HK\$</i>
<u>3,262,467,540</u> Shares in issue	<u>163,123,377.00</u>

#### (ii) *Immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (with the Bonus Issue) (assuming no exercise of the outstanding Share Options before the Record Date and Time)*

<i>Authorised:</i>	<i>HK\$</i>
<u>40,000,000,000</u> Adjusted Shares of HK\$0.01 each	<u>400,000,000.00</u>
<i>Issued and fully paid:</i>	<i>HK\$</i>
652,493,508 Adjusted Shares in issue before completion of the Rights Issue (with the Bonus Issue)	6,524,935.08
<u>5,872,441,572</u> Rights Shares and the Bonus Shares to be allotted and issued under the Rights Issue (with the Bonus Issue)	<u>58,724,415.72</u>
<u>6,524,935,080</u> Adjusted Shares in issue immediately after completion of the Rights Issue (with the Bonus Issue)	<u>65,249,350.80</u>

(iii) *Immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (with the Bonus Issue) (assuming exercise of all the outstanding Share Options before the Record Date and Time)*

<i>Authorised:</i>	<i>HK\$</i>
<u>40,000,000,000</u> Adjusted Shares of HK\$0.01 each	<u>400,000,000.00</u>
<i>Issued and fully paid:</i>	<i>HK\$</i>
661,580,526 Adjusted Shares in issue before completion of the Rights Issue (with the Bonus Issue)	6,615,805.26
5,954,224,734 Rights Shares and the Bonus Shares to be allotted and issued under the Rights Issue (with the Bonus Issue)	59,542,247.34
<u>6,615,805,260</u> Adjusted Shares in issue immediately after completion of the Rights Issue (with the Bonus Issue)	<u>66,158,052.60</u>

All of the Rights Shares to be issued will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Adjusted Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

The Shares are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Adjusted Shares (as the case may be) or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save as the Share Options, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

**(b) Options, derivatives, warrants and conversion rights:**

Set out below are the details of the outstanding Share Options granted under the Share Option Scheme as at the Latest Practicable Date:

<b>Date of grant</b>	<b>Number of underlying Shares which are the subject of the outstanding Share Options</b>	<b>Exercise price per Share HK\$</b>	<b>Exercisable period (Note)</b>
1 March 2007	28,116,770	1.4900	1/3/2007 - 28/2/2017
2 January 2008	645,538	1.7462	2/1/2009 - 1/1/2013
8 January 2009	1,472,784	0.2823	8/1/2010 - 7/1/2019
12 May 2010	15,200,000	0.1620	12/5/2011 - 11/5/2020
	<u>45,435,092</u>		

*Note:* The Share Options were vested as follows:

On 1st anniversary of the date of grant:	30% vest
On 2nd anniversary of the date of grant:	further 30% vest
On 3rd anniversary of the date of grant:	remaining 40% vest

As at the Latest Practicable Date, apart from Mr. Chan Chun Hong, Thomas who held outstanding Share Options representing 372,977 underlying Shares of the Company, other Directors, including Mr. Tang and parties acting in concert with him do not hold any outstanding Share Options.

Save as disclosed herein, there was no other outstanding options, derivatives, warrants or conversion rights affecting the Shares as at the Latest Practicable Date.

**3. DISCLOSURE OF INTERESTS****(a) Interests of Directors**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had any interest or short position in the Shares, Adjusted Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

(i) *Long positions in the Adjusted Shares:*

Name of Director	Number of Adjusted Shares held, capacity and nature of interest (Note a)					Total	Approximate percentage of the Company's total issued share capital %
	Personal interest	Family interest	Corporate interest	Other interest			
Tang Ching Ho	9,342,110	9,342,100 (Note b)	34,172,220 (Note c)	1,578,147,500 (Note d)	1,631,003,930		24.65
Yau Yuk Yin	9,342,100	43,514,330 (Note e)		1,578,147,500 (Note f)	1,631,003,930		24.65

(ii) *Long positions in underlying Shares of share options of the Company:*

Name of Director	Date of grant	Exercise price per Share HK\$	Number of Share Options outstanding	Exercisable period (Note g)	Number of underlying Shares	Number of total underlying Shares (Note g)	Approximate percentage of the Company's total issued share capital %
Chan Chun Hong, Thomas	2.1.2008	1.7462	124,323	2.1.2009 to 1.1.2013	124,323		
	8.1.2009	0.2823	248,654	8.1.2010 to 7.1.2019	248,654	372,977	0.01

*Notes:*

- (a) The interests are based on (i) the Capital Reorganisation has become effective; (ii) the Rights Issue (with the Bonus Issue) has completed on the basis that all outstanding Share Options have been exercised in full on the Record Date and Time; and (iii) 6,615,805,260 Adjusted Shares will be in issue upon the Capital Reorganisation and the Rights Issue (with the Bonus Issue) becoming effective.

- (b) Mr. Tang was taken to be interested in those Adjusted Shares in which his spouse, Ms. Yau, was interested.
- (c) Mr. Tang was taken to be interested in those Adjusted Shares in which Caister Limited, a company which is wholly and beneficially owned by him, was interested.
- (d) Mr. Tang was taken to be interested in those Adjusted Shares by virtue of being the founder of a discretionary trust, namely Tang's Family Trust.
- (e) Ms. Yau was taken to be interested in those Adjusted Shares in which her spouse, Mr. Tang, was interested.
- (f) Ms. Yau was taken to be interested in those Adjusted Shares by virtue of being a beneficiary of Tang's Family Trust.
- (g) These Adjusted Shares represent such Shares which may fall to be issued upon the exercise of the Share Options by Mr. Chan Chun Hong, Thomas during the period from 2 January 2009 to 7 January 2019, which number and exercise prices thereof are subject to adjustment in accordance with the Share Option Scheme as a result of the Capital Reorganisation and the Rights Issue (with the Bonus Issue).

The exercisable period of the above Share Options beneficially held by Mr. Chan Chun Hong, Thomas was vested as follows:

On 1st anniversary of the date of grant	30% vest
On 2nd anniversary of the date of grant	Further 30% vest
On 3rd anniversary of the date of grant	Remaining 40% vest



(b) **Persons who have interests or short positions in the Shares or underlying Shares which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person had, or were deemed or taken to have interests or short positions in the Adjusted Shares or underlying Adjusted Shares 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:

(i) *Long positions in the Adjusted Shares*

Name of Shareholders	Capacity	Number of Adjusted Shares (Note 1)	Approximate percentage of the Company's total issued share capital %
Accord Power (Note 2)	Beneficial owner	1,578,147,500	23.85
Trustcorp Limited (Note 2)	Interest of controlled corporation	1,578,147,500	23.85
Newcorp Ltd. (Note 3)	Interest of controlled corporation	1,578,147,500	23.85
Chu Yuet Wah	Interest of controlled corporation	4,464,721,197	67.49
Active Dynamic Limited	Interest of controlled corporation	4,464,721,197	67.49
Kingston Capital Asia Limited	Interest of controlled corporation	4,464,721,197	67.49
Galaxy Sky Investments Limited	Interest of controlled corporation	4,464,721,197	67.49
Kingston Securities Limited	Beneficial owner	4,464,721,197	67.49

*Notes:*

- 1 The interests are based on (i) the Capital Reorganisation has become effective; (ii) the Rights Issue (with the Bonus Issue) has completed on the basis that all outstanding Share Options have been exercised in full on the Record Date and Time; and (iii) 6,615,805,260 Adjusted Shares will be in issue upon the Capital Reorganisation and the Rights Issue (with the Bonus Issue) becoming effective.
- 2 Accord Power 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 Adjusted Shares held by Accord Power.

- 3 Trustcorp Limited is a wholly-owned subsidiary of Newcorp Ltd. and, accordingly, Newcorp Ltd. was taken to be interested in those Adjusted Shares in which Trustcorp Limited was interested.

(ii) *Interests in subsidiary of the Company*

Name of subsidiary	Name	Capacity	Approximate percentage of the Company's total issued share capital %
Wang To Vegetables Wholesale Company Limited	Wong Wang To	Beneficial owner	49

#### 4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (i) As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business which competes with or may compete with the business of the Group.
- (ii) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.
- (iii) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 March 2010, being the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### 5. EXPERTS

The following are the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
Beijing Securities	A corporation licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, none of Beijing Securities and Ernst & Young had any direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company, Beijing Securities and Ernst & Young or any of their respective subsidiaries, respectively, since 31 March 2010, the date to which the latest published audited financial statements of the Group were made up.

Each of Beijing Securities and Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

## 6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

## 7. LITIGATION

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

## 8. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2010, being the date of which the latest published audited financial statements of the Group were made up.

## 9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group after the date falling two years prior to 13 December 2010, being the date of the Announcement, and up to the Latest Practicable Date and are or may be material:

- (a) the Underwriting Agreement;
- (b) a supplemental agreement dated 14 September 2010 entered into between True Noble Limited (“**True Noble**”), an indirect wholly-owned subsidiary of the Company, Shiney Day Investments Limited (“**Shiney Day**”), a wholly-owned subsidiary of China Agri-Products Exchange Limited (“**China Agri-Products**”), Super Treasure Holdings Limited (“**Super Treasure**”), a wholly-owned subsidiary of China Agri-Products, and China Agri-Products, pursuant to which True Noble agreed to extend the repayment date of the Shiney Day Loan (as detailed in item (u) below) for further 24 months from 14 September 2010;

- (c) a deed of guarantee executed between the Company, East Run Investments Limited (“**East Run**”), an indirect wholly-owned subsidiary of the Company, and Guidepost Investments Limited (“**Guidepost**”) under which the Company provided a corporate guarantee in favour of Guidepost for the obligations of East Run under a sale and purchase agreement dated 6 August 2010 (the “**August S&P Agreement**”) entered into between East Run, as the vendor, and Guidepost, as the purchaser, for the sale and purchase of the five Hong Kong companies, each of which held a property in Hong Kong (the “**Disposal of Five Target Companies**”);
- (d) the August S&P Agreement dated 6 August 2010 entered into between East Run and Guidepost in respect of the Disposal of Five Target Companies for an initial consideration of HK\$114.3 million;
- (e) an irrevocable undertaking executed by Rich Time Strategy Limited (“**Rich Time**”), an indirect wholly-owned subsidiary of the Company, on 5 August 2010 under which Rich Time irrevocably undertook to WYT and Kingston Securities Limited, the underwriter to WYT, to subscribe for its entitlement of 105,401,860 rights shares (with bonus shares) at a price of HK\$0.207 per share pursuant to the terms of the rights issue offered by WYT (the “**WYT Rights Issue**”) and apply, by way of excess application, for 380 million rights shares under the WYT Rights Issue;
- (f) a provisional sale and purchase agreement dated 18 June 2010, entered into between Antic Investment Limited (“**Antic**”), a property holding company and an indirect wholly-owned subsidiary of the Company, as the purchaser, and Yun Fung Tsak Company Limited, a property holding company and an independent third party, as the vendor, in relation to the acquisition of a property located at Ground Floor (including the Cockloft), Foon Shing Building, No. 732 Nathan Road, Kowloon, Hong Kong at a consideration of HK\$51 million;
- (g) a loan agreement and a share charge dated 30 April 2010 executed by Ready Leader Limited (“**Ready Leader**”), an indirect wholly-owned subsidiary of the Company, and Cheng Yu, pursuant to which Ready Leader agreed to grant a loan facility of HK\$10 million to Cheng Yu at an interest rate of 10% per annum for a period of one year from the date of the loan agreement;
- (h) a loan agreement and a share charge dated 30 April 2010 executed by Ready Leader and Liang Yun, pursuant to which Ready Leader agreed to grant a loan facility of HK\$10 million to Liang Yun at an interest rate of 10% per annum for a period of one year from the date of the loan agreement;
- (i) a framework agreement dated 1 April 2010 entered into between Mega Day Limited (“**Mega Day**”), an indirect wholly-owned subsidiary of the Company, as the vendor, and 常州凌家塘投資發展有限公司 (Changzhou Lingjatong Investment and development Company Limited<sup>#</sup>) (“**LJT**”), a company established in the PRC, as the purchaser, pursuant to which, Mega Day has agreed to dispose of, and LJT has agreed to acquire 40% equity interest in

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

- 常州凌家塘宏進物流發展有限公司 (Changzhou Lingjatong Hong Jing Logistics Development Company Limited<sup>#</sup>), a company established in the PRC, at a consideration of RMB63,541,638 and a formal sale and purchase agreement has been entered into on 15 April 2010;
- (j) a framework agreement dated 1 April 2010 entered into between Top Level Limited (“**Top Level**”), an indirect wholly-owned subsidiary of the Company, as the vendor, and 常州市武進鄒區實業總公司 (Changzhou City Wu Jing Chao Qiu Company Limited<sup>#</sup>) (“**ZQ**”), a company established in the PRC, as the purchaser, pursuant to which, Top Level has agreed to dispose of, and ZQ has agreed to acquire 10% equity interest in 常州凌家塘宏進物流發展有限公司 (Changzhou Lingjatong Hong Jing Logistics Development Company Limited<sup>#</sup>), a company established in the PRC, at a consideration of RMB15,885,409 and a formal sale and purchase agreement has been entered into on 15 April 2010;
- (k) an underwriting agreement dated 12 January 2010 entered into between the Company and the Underwriter (as amended by an amendment agreement dated 14 January 2010) in relation to the rights issue of not less than 1,631,233,962 rights Shares and not more than 1,660,480,104 rights Shares on the basis of three rights Shares for every one consolidated Share of the Company at the subscription price of HK\$0.185 per rights Share with bonus Shares in the proportion of two bonus Shares for every three rights Shares taken up under the rights issue;
- (l) a loan agreement dated 11 January 2010 entered into between Fully Finance Limited (“**Fully Finance**”), an indirect wholly-owned subsidiary of the Company, and LeRoi Holdings Limited (“**LeRoi**”) (now known as PNG Resources Holdings Limited (“**PNG**”), pursuant to which Fully Finance agreed to grant a loan facility of not exceeding a sum of HK\$65 million to LeRoi for a period of three years from the date of the loan agreement;
- (m) a loan agreement dated 4 November 2009 entered into between LeRoi and Fully Finance in respect of a loan of HK\$10 million advanced by Fully Finance to LeRoi for a term of two years from the date of drawdown(s);
- (n) a conditional placing agreement dated 13 October 2009 entered into between the Company and the Underwriter, pursuant to which the Company, through the Underwriter placed, up to 453 million Shares, on a best effort basis, to not less than six independent placees, under a general mandate approved and granted to the Directors to allot and issue Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the resolution(s) at the annual general meeting of the Company held on 26 August 2009, as set out in an announcement of the Company dated 13 October 2009;

<sup>#</sup> Denotes English translation of a Chinese company or entity name and is provided for identification purposes only.

- (o) a provisional sale and purchase agreement dated 10 July 2009, entered into between Full Gainer Investment Limited, a property holding company and an indirect wholly-owned subsidiary of the Company, as the purchaser, and China Sky (HK) Investment Limited, a property holding company and an independent third party, as the vendor, in relation to the acquisition of a property located at Shop B, G/F and portion of the yard 66, 68, 70 and 72 Tai Wai Road, Shatin, New Territories, Hong Kong at a consideration of HK\$30 million, satisfied partially in cash by internal resources of the Group and partially by bank borrowing;
- (p) a licence agreement dated 30 June 2009 entered into between WYT, as the licensor, and Wang On Management Limited (“**Wang On Management**”), a wholly-owned subsidiary of the Company, as the licensee, in respect of the sub-lease of certain portions of G/F and 5/F of Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong with a gross floor area of approximately 1,487 square meters to Wang On Management for a monthly rental of HK\$140,000 for a term of three years commencing from 1 July 2009;
- (q) a loan agreement dated 16 June 2009 entered into between LeRoi and Fully Finance in respect of a loan of HK\$20 million advanced by Fully Finance to LeRoi for a term of two years from the date of the loan agreement;
- (r) an assignment agreement dated 5 June 2009 between the Active Day and True Noble that Active Day assigned the Shiney Day Loan (as detailed in item (u) below) to True Noble Limited;
- (s) a provisional sale and purchase agreement dated 15 May 2009 entered into between Win Regent Limited, a property holding company and an indirect wholly-owned subsidiary of the Company, as the purchaser, and So Chi Chung, an independent third party as the vendor, for the acquisition of a property located at Shop 23, G/F., Grandway Garden, No. 16 Mei Tin Road and Nos. 15 and 35 Tsuen Nam Road, Shatin, New Territories, Hong Kong at a consideration of HK\$18,800,000, which was satisfied partially in cash by internal resources of the Group and partially by bank borrowing;
- (t) a top-up placing and subscription agreement dated 11 May 2009 entered into between Rich Time, an indirect wholly-owned subsidiary of the Company, the Underwriter and WYT in connection with the placing of an aggregate of 165 million shares of WYT held by Rich Time to independent third parties at a price of HK\$0.088 per share, as set out in an announcement of the Company dated 11 May 2009;
- (u) a loan agreement dated 25 March 2009 entered into between (i) Active Day, as the lender; (ii) Shiney Day, as the borrower; and (iii) Super Treasure and China Agri-Products, together as the guarantors, pursuant to which Active Day agreed to advance a secured loan of HK\$238.2 million to Shiney Day for a term of 18 months from the day of the loan agreement (the “**Shiney Day Loan**”);

<sup>#</sup> Denotes English of a Chinese company or entity name and is provided for identification purposes only.

- (v) a conditional sale and purchase agreement dated 13 February 2009 entered into between Loyal Fame International Limited and Wang On Enterprises (BVI) Limited, a direct wholly-owned subsidiary of the Company, in respect of the sale and purchase of the entire issued share capital in Everlong Limited and a shareholder's loan of approximately HK\$81.9 million at an aggregate consideration of HK\$63.4 million;
- (w) a conditional sale and purchase agreement dated 12 February 2009 entered into between Active Day and Super Treasure in respect of the sale and purchase of the entire issued share capital in Shiney Day at a consideration of HK\$150 million; and
- (x) an underwriting agreement dated 10 February 2009 entered into between the Company, Accord Power and the Underwriter in relation to an open offer of not less than 1,132,861,635 offer Shares and not more than 1,180,639,635 offer Shares at HK\$0.1 per offer Share with bonus Shares in the proportion of 2 bonus Shares for every 3 offer Shares taken up under the open offer.

Save as disclosed above, none of the members of the Group had entered into any contracts after the date falling two years prior to 13 December 2010 and up to the Latest Practicable Date which are not in the ordinary course of business and which are or may be material.

## 10. CORPORATE INFORMATION

### **Board of Directors**

#### *Executive Directors*

Mr. Tang Ching Ho  
5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

Ms. Yau Yuk Yin  
5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

Mr. Chan Chun Hong, Thomas  
5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

*Independent Non-executive Directors*

Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*  
5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

Mr. Wong Chun, Justein, *MBE, JP*  
5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*  
5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

Mr. Siu Kam Chau  
5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

**Audit Committee**

Mr. Siu Yim Kwan, Sidney, *S.B.St.J., Chairman*,  
Mr. Wong Chun, Justein, *MBE, JP*  
Mr. Siu Kam Chau

**Remuneration Committee**

Mr. Wong Chun, Justein, *MBE, JP, Chairman*  
Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP*  
Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*  
Mr. Siu Kam Chau  
Mr. Tang Ching Ho  
Ms. Yau Yuk Yin  
Mr. Chan Chun Hong, Thomas



**Nomination Committee**

Dr. Lee Peng Fei, Allen, *CBE, BS, FHKIE, JP, Chairman*

Mr. Wong Chun, Justein, *MBE, JP*

Mr. Siu Yim Kwan, Sidney, *S.B.S.J.*

Mr. Siu Kam Chau

Mr. Tang Ching Ho

Ms. Yau Yuk Yin

Mr. Chan Chun Hong, Thomas

**Company Secretary**

Ms. Mak Yuen Ming, Anita, *ACIS, ACS*

**Registered Office**

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

**Head Office and Principal  
Place of Business in Hong Kong**

5/F., Wai Yuen Tong Medicine Building

9 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

**Branch Share Registrar and  
Transfer Office in Hong Kong**

Tricor Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

**Principal Bankers**

China Construction Bank (Asia)  
Corporation Limited

Suite 2508-11, 25/F

The Gateway, Harbour City

Kowloon

Hong Kong

China Construction Bank Corporation  
44-45/F., Tower One Lippo Centre  
89 Queensway, Admiralty  
Hong Kong

DBS Bank (Hong Kong) Limited  
Unit 1209-18, Miramar Tower  
132-134 Nathan Road  
Tsimshatsui  
Hong Kong

The Bank of East Asia, Limited  
18/F., 10 Des Voeux Road Central  
Hong Kong

The Hongkong and Shanghai Banking  
Corporation Limited  
Level 10, HSBC Main Building  
1 Queen's Road Central  
Hong Kong

**Auditors**

Ernst & Young  
18/F., Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

**Legal Advisers**

DLA Piper Hong Kong  
17/F., Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

Freshfields Bruckhaus Deringer  
11/F., Two Exchange Square  
Central  
Hong Kong

Gallant Y.T. Ho & Co.  
5/F., Jardine House  
1 Connaught Place  
Central  
Hong Kong

K&L Gates  
44/F., Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

Morrison & Foerster  
33/F., Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

**Authorised Representatives**

Mr. Tang Ching Ho  
5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

Mr. Chan Chun Hong, Thomas  
5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

**Homepage**

<http://www.wangon.com>

**Stock Code**

1222

**11. PARTIES INVOLVED IN THE RIGHTS ISSUE (WITH THE BONUS ISSUE)**

<b>Financial adviser to the Company</b>	Kingston Corporate Finance Limited Suite 2801, 28/F One International Finance Centre 1 Harbour View Street Central Hong Kong
<b>Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders</b>	Beijing Securities Limited Room 2907-08, China Resources Building 26 Harbour Road Wanchai Hong Kong
<b>Underwriter</b>	Kingston Securities Limited Suite 2801, 28/F One International Finance Centre 1 Harbour View Street Central Hong Kong
<b>Legal adviser to the Company</b>	<i>As to Hong Kong Law:</i> K&L Gates 44/F., Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong  <i>As to Bermuda Law:</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
<b>Reporting accountants</b>	Ernst & Young 18/F., Two International Finance Centre 8 Finance Street Central Hong Kong
<b>Branch share registrar and transfer office in Hong Kong</b>	Tricor Tengis Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

## 12. PROFILES OF DIRECTORS

### Executive Directors

**Mr. Tang Ching Ho**, aged 48, is a co-founder of the Group (which was established in 1987), and the chairman of the Company since November 1993. He is also a member of remuneration committee and nomination committee of the Company. Mr. Tang is responsible for the strategic planning, policy making and business development of the Group. He has extensive experience in corporate management. He is also the chairman of WYT. Mr. Tang is also appointed as a standing committee member of the tenth CPPCC Guangxi Zhuang Autonomous Region Committee and a standing committee member of the third CPPCC Guangxi Yulin City Committee. He is the husband of Ms. Yau Yuk Yin, the deputy chairman of the Company.

**Ms. Yau Yuk Yin**, aged 48, is a co-founder of the Group and the deputy chairman of the Company since November 1993. She is also a member of remuneration committee and nomination committee of the Company. Ms. Yau is responsible for the overall human resources and administration of the Group. She has over 12 years of experience in human resources and administration management. She is the wife of Mr. Tang Ching Ho, the chairman of the Company.

**Mr. Chan Chun Hong, Thomas**, aged 46, joined the Group in March 1997 as an executive Director and was re-designated as the managing Director in September 2005. He is also a member of remuneration committee and nomination committee of the Company. Mr. Chan is currently responsible for managing the overall operations of the Group. He is also the managing director of WYT, the chairman and managing director of PNG, the chairman and chief executive officer of China Agri-Products and an independent non-executive director of Shanghai Prime Machinery Company Limited, all of which are companies listed on the main board of the Stock Exchange. He graduated from the Hong Kong Polytechnic University (then known as the Hong Kong Polytechnic) with a bachelor's degree in accountancy and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

### Independent Non-executive Directors

**Dr. Lee Peng Fei, Allen**, *CBE, BS, FHKIE, JP*, aged 70, joined the Group in November 1993 as an independent non-executive Director. He is a member of remuneration committee and the chairman of nomination committee of the Company. Dr. Lee holds an honorary doctoral degree in engineering from The Hong Kong Polytechnic University and an honorary doctoral degree in laws from The Chinese University of Hong Kong. He is currently an independent non-executive director of AMS Public Transport Holdings Limited, Giordano International Limited, ITE (Holdings) Limited, Playmates Holdings Limited, Sam Woo Holdings Limited and VXL Capital Limited, all of which are companies listed on the Stock Exchange.

**Mr. Wong Chun, Justein**, *MBE, JP*, aged 57, Wong, Justein Chun MBE, JP has been an independent non-executive Director of Wang On Group Ltd. since November 1993. Mr. Wong is currently an Executive Councilor of N.T. Heung Yee Kuk, a member of Joint Committee on Student Finance and Council on Professional Conduct in Education. He served as the Chairman of Quality Education Fund Assessment and Monitoring Committee, a Member of the Legal Aid Services Council, Energy Advisory Committee, Shatin District Council, the Advisory Committee Against Narcotics and other government advisory bodies. He is an Observer of The Independent Police Complaints Council and Advisor to Pok Oi Hospital. Mr. Wong is an Awardee of The Ten Outstanding Young Persons Selection in 1986. He is a Fellow of Institute of Canadian Bankers. Mr. Wong holds a Bachelor degree in Commerce and Computing Science from Simon Fraser University, Canada.

**Mr. Siu Yim Kwan, Sidney**, *S.B.St.J.*, aged 64, joined the Group in November 1993 as an independent non-executive Director. He is the chairman of audit committee of the Company and a member of nomination committee and remuneration committee of the Company. Mr. Siu is also an executive member of a number of charitable organisations and sports associations and an independent non-executive director of B.A.L. Holdings Limited, a listed company in Hong Kong.

**Mr. Siu Kam Chau**, aged 46, joined the Group in September 2004 as an independent non-executive Director. Mr. Siu holds a bachelor's degree in accountancy from The City University of Hong Kong. He is a member of audit committee, nomination committee and remuneration committee of the Company. Mr. Siu is a Certified Public Accountant (Practising) and a fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He retired as an executive director of Hong Kong Health Check and Laboratory Holdings Company Limited (now known as China Gogreen Assets Investment Limited), a listed company in Hong Kong, after the conclusion of its 2009 annual general meeting held on 28 August 2009.

### 13. GENERAL

- (a) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between the Underwriter and any other persons whereby the Shares to be acquired under the Rights Issue will be transferred, charged or pledged to any other persons.
- (b) The English texts of this circular and the accompanying form of proxy shall prevail over their Chinese texts in case of inconsistencies.

### 14. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission, financial advisory fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$15.8 million on the basis of 5,219,948,064 Rights Shares (with the Bonus Shares) to be issued or approximately HK\$15.9 million on the basis of 5,292,644,208 Rights Shares (with the Bonus Shares) to be issued, and will be payable by the Company.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on any Business Day from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and the Bye-laws;
- (b) the letter from the Board, the text of which is set out on pages 9 and 34 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 35 and 36 of this circular;
- (d) the letter of advice from Beijing Securities to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 37 to 55 of this circular;
- (e) the letter from Ernst & Young, the reporting accountants, in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this circular;
- (f) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this Appendix;
- (g) the written consents referred to in the paragraph under the heading “Experts” in this Appendix;
- (h) the annual reports of the Company for the three financial years ended 31 March 2008, 2009 and 2010; and
- (i) the interim report of the Company for the six months ended 30 September 2010.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)

**NOTICE IS HEREBY GIVEN** that the special general meeting of Wang On Group Limited (宏安集團有限公司)\* (the “**Company**”) will be held at 44/F., Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong on Thursday, 27 January 2011, at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as special and ordinary resolutions of the Company:

#### SPECIAL RESOLUTION

1. “**THAT**, conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Adjusted Shares (as defined below) and (ii) the compliance by the Company with the requirements of section 46(2) of the Companies Act 1981 of Bermuda to effect the Capital Reduction (as defined below), with effect from 5:00 p.m. on the day of passing of this resolution by the shareholders of the Company;
  - (a) every five (5) existing shares of par value of HK\$0.05 each in the issued share capital of the Company be consolidated into one (1) share of par value of HK\$0.25 (the “**Consolidated Share(s)**”) (the consolidation of the issued shares in the manner described, the “**Share Consolidation**”);
  - (b) (i) the par value of all the issued Consolidated Shares be reduced from HK\$0.25 each to HK\$0.01 each and the issued share capital of the Company accordingly be reduced to the extent of HK\$0.24 per Consolidated Share in issue (the “**Adjusted Shares**”); and (ii) any fraction in the issued share capital of the Company arising from the Share Consolidation be reduced and cancelled (the “**Capital Reduction**”);
  - (c) every one (1) authorised but unissued share of the Company of par value HK\$0.05 be subdivided into five (5) shares of HK\$0.01 each (the subdivision of the authorised but unissued shares in the manner described, the “**Share Subdivision**”);
  - (d) the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company and the directors of the Company (the “**Director(s)**”) be and are hereby authorised to apply the amount in the contributed surplus account in any manner

\* For identification purposes only

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## NOTICE OF SPECIAL GENERAL MEETING

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permitted by the laws of Bermuda and the bye-laws of the Company (the “**Bye-laws**”) without further authorisation from the Shareholders (together with the Share Consolidation, the Capital Reduction and the Share Subdivision are herein referred to as the “**Capital Reorganisation**”); and

- (e) any one Director be and is authorised to approve, sign and execute such documents and take any and all steps, and to do and/or procure to be done any and all acts and things which in his/her opinion may be necessary, desirable or expedient to implement and carry into effect this resolution.”

### ORDINARY RESOLUTIONS

#### 2. “THAT

- (a) subject to and conditional upon the passing of the resolutions numbered 1 and 3 and conditional upon fulfillment of the conditions of the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;

For the purpose of this resolution, “Rights Issue” means the proposed issue by way of Rights Issue of not less than 5,219,948,064 Adjusted Shares and not more than 5,292,644,208 Adjusted Shares (the “**Rights Shares**”) at a subscription price of HK\$0.10 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Excluded Shareholders**”) with addresses on the register of members of the Company are outside Hong Kong whom the Directors, after making enquiries, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of eight (8) Rights Shares for every one (1) Adjusted Share then held and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**” including all supplemental agreements relating thereto) (a copy of which has been produced to this Meeting marked “A” and initialled by the chairman of this Meeting for the purpose of identification) dated 10 December 2010 and made between the Company, and Kingston Securities Limited as underwriter (the “**Underwriter**”);

- (b) any Director of the Company be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that (a) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Excluded Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the Bye-laws or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (b) Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Excluded Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares;



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## NOTICE OF SPECIAL GENERAL MEETING

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- (c) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriter) be and are hereby approved; and
- (d) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

### 3. “**THAT**

- (a) subject to and conditional upon the passing of the resolutions numbered 1 and 2 and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Bonus Shares (as defined below), the issue (the “**Bonus Issue**”) of new Adjusted Shares (the “**Bonus Shares**”), credited as fully paid, to the first registered holders of the Adjusted Shares on the basis of one (1) Bonus Share for every eight (8) Rights Shares taken up under the Rights Issue be and is hereby approved;
- (b) any Director be and is hereby authorised to allot and issue the Bonus Shares pursuant to or in connection with the Bonus Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the existing shareholders of the Company and, in particular, the Directors be and are hereby authorised to make such exclusion or other arrangements in relation to fractional entitlements or Excluded Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the Bye-laws or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and
- (c) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Bonus Issue (including the appropriation of such sum from the share premium account of the Company in paying up in full the Bonus Shares) or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Bonus Issue and the transactions contemplated thereunder.”

By Order of the Board  
**WANG ON GROUP LIMITED**  
(宏安集團有限公司)\*  
**Mak Yuen Ming, Anita**  
*Company Secretary*

Hong Kong, 4 January 2011

\* *For identification purposes only*

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## NOTICE OF SPECIAL GENERAL MEETING

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*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of business:*

5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

*Notes:*

- (1) A member entitled to attend and vote at the special general meeting convened by the above notice is entitled to appoint one or, if he is holder of more than one share, more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, a form of proxy, together with any power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time for holding of the special general meeting or any adjournment thereof (as the case may be).
- (3) Completion and delivery of the form of proxy will not preclude members from attending and voting at the special general meeting or any adjournment thereof (as the case may be) should they so wish and in such event, the form of proxy will be deemed to be revoked.
- (4) Where there are joint holders of any shares, any one of such holders may vote at the special general meeting either personally or by proxy in respect of such shares as if he/she was solely entitled thereto provided that if more than one of such joint holders be present at the special general meeting whether personally or by proxy, the person whose name stands first on the register of members of the Company in respect of such shares shall be accepted to the exclusion of the votes of the other joint holders.
- (5) All resolutions proposed at the special general meeting will be voted by way of a poll by the shareholders or independent shareholders of the Company.