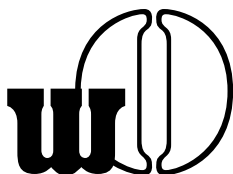

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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



WANG ON GROUP LIMITED

(incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

**PROPOSED SALE OF AN EFFECTIVE INTEREST
OF APPROXIMATELY 99.79% IN
LUXEMBOURG MEDICINE COMPANY LIMITED**

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DEFINITIONS

In this circular the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“2004 LMC Audited Profit”	the audited consolidated net profit after tax but before extraordinary items of the LMC Group for the year ending 31st March, 2004
“Agreement”	the agreement dated 8th July, 2003 entered into between WYT Holdings and Wang On in respect of the Disposal
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bio Chapter”	Bio Chapter Limited, a company incorporated in the British Virgin Islands on 8th November, 2001 and an indirect wholly-owned subsidiary of Wang On. Bio Chapter currently owns approximately 49.88% of the issued share capital of LMC
“Biomore Investments”	Biomore Investments Limited, a company incorporated in the British Virgin Islands on 12th October, 2000 and an indirect wholly-owned subsidiary of Wang On. Biomore Investments currently owns approximately 49.91% of the issued share capital of LMC
“Business Day”	a day (other than a Saturday or a Sunday) on which banks are open for business in Hong Kong
“Consideration Share(s)”	5,972,464,700 new WYT Holdings Share(s) to be issued to Wang On (or as it may direct) as part of the consideration for the Disposal at the issue price of HK\$0.01 per new WYT Holdings Share
“Conversion Share(s)”	the new WYT Holdings Share(s) which fall to be issued by WYT Holdings upon exercise of the conversion rights under the Convertible Notes
“Convertible Notes”	the 2% convertible notes having an aggregate principal amount of HK\$70,000,000 to be issued to Wang On (or as it may direct) by WYT Holdings as part of the consideration for the Disposal
“Directors”	directors of Wang On
“Disposal”	the disposal by Wang On of the entire issued share capital of each of Bio Chapter and Biomore Investments to WYT Holdings pursuant to the Agreement

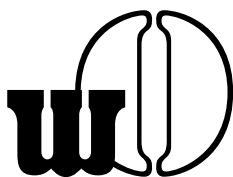
DEFINITIONS

“Existing Convertible Notes”	the 3.8% convertible notes in the aggregate principal amount of HK\$64,000,000 due on 8th July, 2005 issued by WYT Holdings on 9th July, 2002, which are currently held by a wholly-owned subsidiary of Wang On
“Guaranteed Profit”	HK\$11,500,000, being the amount of the audited consolidated net profit after tax but before extraordinary items of the LMC Group for the year ending 31st March, 2004 guaranteed by Wang On pursuant to the Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	the shareholders of WYT Holdings other than Wang On, the directors of WYT Holdings and their respective associates
“Issue Date”	the date of issue of the Convertible Notes
“Last Trading Day”	8th July, 2003, being the last trading day prior to the issue of the joint announcement by Wang On and WYT Holdings in relation to the Disposal
“Latest Practicable Date”	24th July, 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LMC”	Luxembourg Medicine Company Limited, a company incorporated in Hong Kong on 21st March, 1980 with limited liability
“LMC Group”	LMC and its subsidiaries
“Other Shareholders”	three individual shareholders of LMC (being the existing shareholders of LMC excluding Bio Chapter and Biomore Investments) who are independent of and not connected with the directors, chief executive and substantial shareholders of WYT Holdings or its subsidiaries or an associate of any of them
“PRC”	the People’s Republic of China (excluding, for the purpose of this circular only, Hong Kong, Macau or Taiwan)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share Options”	options to subscribe for shares of Wang On granted under the Share Option Scheme
“Share Option Scheme”	a share option scheme adopted by Wang On on 6th February, 1995, which was subsequently terminated on 3rd May, 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Town Health Group”	Town Health International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability the shares of which are listed on the Growth Enterprise Market of the Stock Exchange, and its subsidiaries
“Wang On”	Wang On Group Limited, a company incorporated in Bermuda with limited liability the shares of which are listed on the main board of the Stock Exchange
“Wang On Group”	Wang On and its subsidiaries
“Warrants”	2,000,000,000 unlisted warrants issued by Wang On on 3rd July, 2002 (following an announcement of Wang On dated 24th June, 2002) which entitled the holders thereof to subscribe for one share of Wang On (subject to adjustment) at an initial subscription price of HK\$0.017 (subject to adjustment) per share of Wang On at any time during the period from 3rd July, 2002 to 31st July, 2003 (both dates inclusive); as a result of a capital reorganisation of Wang On effected on 4th October, 2002, the number of warrants was reduced to 20,000,000 and the subscription price was increased to HK\$1.70 per share of Wang On
“WYT Holdings”	Wai Yuen Tong Medicine Holdings Limited, a company incorporated in Bermuda with limited liability the shares of which are listed on the main board of the Stock Exchange
“WYT Holdings Group”	WYT Holdings and its subsidiaries
“WYT Holdings Share(s)”	share(s) of HK\$0.01 each in the capital of WYT Holdings
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



WANG ON GROUP LIMITED

(incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Tang Ching Ho
(Chairman and Managing Director)

Ms. Yau Yuk Yin
*(Deputy Chairman and
Deputy Managing Director)*

Mr. Chan Chun Hong, Thomas

Registered office:

Clarendon House
2 Church Street
41 Cedar Avenue
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Dr. Lee Peng Fei, Allen, CBE, JP

Mr. Wong Chun, Justein, MBE, JP

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

Head office and

principal place of business:

5th Floor
Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

30th July, 2003

*To the Shareholders and holders of the
Share Options and Warrants*

Dear Sirs,

DISCLOSEABLE TRANSACTION

PROPOSED SALE OF AN EFFECTIVE INTEREST OF APPROXIMATELY 99.79% IN LUXEMBOURG MEDICINE COMPANY LIMITED

INTRODUCTION

It was announced on 8th July, 2003 that Wang On entered into the Agreement with WYT Holdings on the same date pursuant to which Wang On has conditionally agreed to procure the sale of, and WYT Holdings has conditionally agreed to acquire, the entire issued share capital of each of Bio Chapter and Biomore Investments at an aggregate consideration of HK\$129,724,647. Bio Chapter and Biomore Investments are beneficially interested in

LETTER FROM THE BOARD

approximately 49.88% and 49.91% respectively (99.79% in aggregate) of the issued share capital of LMC. The aggregate consideration of HK\$129,724,647 for the Disposal will be satisfied as to HK\$70,000,000 by the issue of the Convertible Notes to Wang On (or as it may direct) and the balance of HK\$59,724,647 by the issue of 5,972,464,700 Consideration Shares to Wang On (or as it may direct).

The Disposal constitutes a discloseable transaction for Wang On under the Listing Rules, and the purpose of this circular is to give you information regarding, amongst other things, further details of the Agreement.

THE AGREEMENT DATED 8TH JULY, 2003

Parties and assets to be sold

Vendor : Wang On

Purchaser : WYT Holdings

Assets involved : the entire issued share capital of each of Bio Chapter and Biomore Investments

Bio Chapter and Biomore Investments are beneficially interested in approximately 49.88% and 49.91% respectively (99.79% in aggregate) in the issued share capital of LMC. Save for their respective interests in LMC, Bio Chapter and Biomore Investments do not carry on any business or have any material outstanding liabilities or assets.

Consideration : HK\$129,724,647 in aggregate

The consideration for the Disposal was arrived at after arm's length negotiations between all parties to the Agreement by reference to the following:

- the historical results of the LMC Group. For the fifteen months ended 31st March, 2001 and the year ended 31st March, 2002, the LMC Group recorded an audited profit attributable to shareholders of approximately HK\$10,644,000 and HK\$9,544,000 respectively. For the year ended 31st March, 2003, the LMC Group recorded an audited loss attributable to shareholders of approximately HK\$3,076,000;
- the expected future growth potential of the LMC Group after taking into account the LMC Group's well-known and long established brand name of "Madame Pearl's" and its future business expansion in the PRC; and
- the Guaranteed Profit (see the section headed "Guaranteed Profit" below).

LETTER FROM THE BOARD

Guaranteed Profit

Wang On has agreed to warrant, guarantee and undertake to WYT Holdings that the 2004 LMC Audited Profit shall not be less than HK\$11,500,000.

In the event that the 2004 LMC Audited Profit is less than the Guaranteed Profit, Wang On will pay to WYT Holdings a cash sum within seven Business Days of the date on which the audited financial statements of the LMC Group for the year ending 31st March, 2004 become available to Wang On (on or before 31st July, 2004), which is to be determined as follows:

$$(\text{HK\$11,500,000} - \text{2004 LMC Audited Profit}) \quad \times \quad \frac{\text{HK\$129,724,647}}{\text{HK\$11,500,000}}$$

Provided that the maximum liability of Wang On shall not exceed the amount of the consideration in respect of the Disposal.

In the event that Wang On is required to make any payment to WYT Holdings as calculated above due to a profit shortfall, Wang On is entitled to elect to first set off, on a dollar for dollar basis, such liability against the principal amount then outstanding under the Convertible Notes held by it and thereafter against the principal amount (if any) then outstanding under the Existing Convertible Notes held by the Wang On Group; any balance of such liability remaining after such set-off shall be paid by Wang On in cash within seven Business Days of the date on which the audited financial statements of the LMC Group for the year ending 31st March, 2004 are made available to Wang On.

WYT Holdings and Wang On will make an announcement if the Guaranteed Profit has not been met as soon as practicable after the audited accounts of the LMC Group for the year ending 31st March, 2004 are available (which audited accounts are currently expected to be available by no later than 31st July, 2004). WYT Holdings and Wang On will disclose in their respective annual reports for the year ending 31st March, 2004 the following: (i) whether the Guaranteed Profit has been met; (ii) details of the profit shortfall (if any); and (iii) whether Wang On has fulfilled its payment obligations arising out of such profit shortfall (if applicable). WYT Holdings will also include the opinions of its independent non-executive directors on whether Wang On has fulfilled its obligations in its annual report for the year ending 31st March, 2004.

At completion of the Disposal, the consideration for the Disposal of HK\$129,724,647 will be satisfied as to HK\$70,000,000 by the issue of the Convertible Notes to Wang On (or as it may direct) and the balance of HK\$59,724,647 will be satisfied by the issue of 5,972,464,700 Consideration Shares to Wang On (or as it may direct) at a price of HK\$0.01 each. The 5,972,464,700 Consideration Shares represent approximately 37.82% of the existing issued share capital of WYT Holdings and approximately 27.44% of the issued share capital of WYT Holdings as enlarged by the issue of the 5,972,464,700 Consideration Shares.

LETTER FROM THE BOARD

The Consideration Shares will, upon issue, rank pari passu in all respects with all other WYT Holdings Shares then in issue.

Issue price and conversion price

The issue price of HK\$0.01 per Consideration Share and the initial conversion price of HK\$0.01 per Conversion Share both:

- represent the nominal amount of each Consideration Share and Conversion Share;
- are equivalent to the closing price of HK\$0.01 per WYT Holdings Share as quoted on the Stock Exchange on the Last Trading Day;
- are equivalent to the average closing price of HK\$0.01 per WYT Holdings Share for the 10 trading days up to and including the Last Trading Day;
- are equivalent to the average closing price of HK\$0.01 per WYT Holdings Share for the 30 trading days up to and including the Last Trading Day;
- are equivalent to the closing price of HK\$0.01 per WYT Holdings Share as quoted on the Stock Exchange on the Latest Practicable Date;
- are equivalent to the average closing price of HK\$0.01 per WYT Holdings Share for the 10 trading days up to and including the Latest Practicable Date; and
- are equivalent to the average closing price of HK\$0.01 per WYT Holdings Share for the 30 trading days up to and including the Latest Practicable Date.

Note: The WYT Holdings Shares may trade below HK\$0.01 under cross-trade arrangements and the system of the Stock Exchange does not record individual trading transactions that trade below HK\$0.01. In particular, out of the total trading turnover of 143,130,000 WYT Holdings Shares during the past 5 trading days up to and including the Latest Practicable Date, 97,400,000 WYT Holdings Shares and 45,380,000 WYT Holdings Shares were traded at HK\$0.005 and HK\$0.004 per WYT Holdings Share respectively.

The issue price of HK\$0.01 per Consideration Share and the initial conversion price of HK\$0.01 per Conversion Share both represent a premium of 100% and 150% to the prevailing trading price of HK\$0.005 and HK\$0.004 per WYT Holdings Share respectively under the cross-trade arrangements during the past 5 trading days up to and including the Latest Practicable Date.

As of 31st March, 2003, the audited consolidated deficiency in net tangible assets of WYT Holdings was approximately HK\$94.1 million, equivalent to a deficiency in net tangible assets of approximately 5.96 cents per WYT Holdings Share.

LETTER FROM THE BOARD

Principal terms of the Convertible Notes

- Issuer : WYT Holdings
- Principal amount : HK\$70,000,000 in aggregate
- Maturity date : The date falling on the last day of a period of 3 years from the Issue Date
- Interest : 2% per annum, payable semi-annually in arrears
- Conversion : The conversion price will be HK\$0.01 per WYT Holdings Share, subject to adjustments, which was agreed after arm's length negotiations. Subject to the terms of the Convertible Notes, holders of the Convertible Notes have the right to convert the whole or any part representing HK\$500,000 or an integral multiple thereof of the outstanding principal amount of the Convertible Notes into Conversion Shares at any time from the Issue Date and prior to the maturity date of the Convertible Notes.
- Redemption : WYT Holdings may at any time after the Issue Date and before the maturity date, by giving written notice to the holder(s) of the Convertible Note(s), redeem all or part of the outstanding principal amount of the Convertible Note(s), without penalty.
- Wang On may, by giving written notice to WYT Holdings, require WYT Holdings to redeem such outstanding principal amount of the Convertible Note(s) on a dollar for dollar basis as may be sufficient to set off against any liability of Wang On to make payments to WYT Holdings in respect of the Guaranteed Profit.
- Conversion Shares : The Conversion Shares will rank pari passu in all respects with the WYT Holdings Shares in issue on the date on which notice of conversion is served by the holders of the Convertible Notes upon exercise of the conversion rights.

Assuming full conversion of the Convertible Notes at a conversion price of HK\$0.01 per WYT Holdings Share, WYT Holdings will allot and issue 7,000,000,000 Conversion Shares, which will represent (i) approximately 44.33% of the existing issued share capital of WYT Holdings; (ii) approximately 32.17% of the issued share capital of WYT Holdings as enlarged by the issue of the Consideration Shares arising from the Disposal; and (iii)

LETTER FROM THE BOARD

approximately 24.34% of the issued share capital of WYT Holdings as enlarged by the issue of the Consideration Shares arising from the Disposal and the Conversion Shares to be issued upon full conversion of the Convertible Notes.

- Voting rights : The holders of the Convertible Notes will not be entitled to attend or vote at any general meeting of WYT Holdings by reason only of them being the holders of the Convertible Notes.
- Transferability : Subject to all applicable laws and regulations, the Convertible Notes are freely transferable and may be transferred in their entirety or in parts representing a principal amount of HK\$500,000 or an integral multiple thereof.
- Events of default : Events of default include, among certain events which are common for transactions of a similar type, the cessation of the listing of the WYT Holdings Shares on the Stock Exchange or a recognised stock exchange for a continuous period of fourteen Business Days due to the default of WYT Holdings.**
- Listing : No listing of the Convertible Notes will be sought on the Stock Exchange or any other stock exchanges.

Conditions precedent

Completion of the Disposal is subject to, among other things, the following conditions being fulfilled:

- (a) the Independent Shareholders approving at the special general meeting of WYT Holdings the Agreement, the issue of the Consideration Shares, the Convertible Notes and (upon conversion of the Convertible Notes) the Conversion Shares and other transactions contemplated in or incidental to the Agreement in accordance with the Listing Rules; and
- (b) the Stock Exchange having granted listing of, and permission to deal in, the Consideration Shares and the Conversion Shares.

In the event that any of the above conditions has not been fulfilled on or before 30th September, 2003 (or such later date as may be agreed between the parties), WYT Holdings and Wang On shall not be bound to proceed with the Disposal and the Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Agreement. A separate announcement will be made if the Agreement lapses by reason of the non-fulfillment of the conditions.

LETTER FROM THE BOARD

Completion

Completion of the Disposal shall take place on the seventh Business Day after the fulfillment of the above conditions or such other date as the relevant parties may agree in writing prior to completion.

INFORMATION ON BIO CHAPTER AND BIOMORE INVESTMENTS

The entire issued share capital of each of Bio Chapter and Biomore Investments is beneficially owned by a wholly-owned subsidiary of Wang On. Bio Chapter and Biomore Investments are investment holding companies and their respective sole assets are 21,683,333 ordinary shares in LMC, representing approximately 49.88% of the issued share capital of LMC, and 21,699,333 ordinary shares in LMC, representing approximately 49.91% of the issued share capital of LMC. Together, they hold an approximately 99.79% shareholding in LMC in aggregate. Save for their respective interests in LMC, Bio Chapter and Biomore Investments do not carry on any business or have any material outstanding liabilities or other assets.

INFORMATION ON THE LMC GROUP

LMC is principally engaged in the sale of cough syrup under the brand name “Madame Pearl’s”, including “AntiHist Syrup”, “Cough Mixture” and “Dry Cough”, and other healthcare products in the form of tablets and capsules under the same brand name, including “Cold and Flu Capsules”, “Anti-dia Capsules” and “Analgesic Tablets”. Madame Pearl’s is a long established brand name in the Greater China Region. The predecessor of LMC, Luxembourg Medicine Factory, was established in Hong Kong in 1954 to produce Madame Pearl’s Cough Syrup and Madame Pearl’s Cough Syrup for children. In 1980, LMC was formally incorporated.

The audited consolidated results of the LMC Group for the two years ended 31st March, 2003 are set out below:

	Year ended	
	31st March, 2002	31st March, 2003
	HK\$'000	HK\$'000
Turnover	42,215	28,182
Profit (loss) before taxation	11,324	(3,076)
Profit (loss) attributable to shareholders	9,544	(3,076)

The deterioration in operating results of LMC for the year ended 31st March, 2003 was mainly attributable to (i) the decrease in turnover generated in the PRC market; and (ii) the increase in the staff and operating expenses during the period.

LETTER FROM THE BOARD

Since the beginning of the financial year 2002/2003, the management of LMC took an active approach to explore the PRC market. LMC engaged a new distributor in the PRC in December 2001 with a view to having better coverage of its products in the PRC market. At the same time, LMC started to set up sales offices to coordinate its PRC sales activities with its PRC distributor and to prepare for future expansion in the PRC market by its own sales team as and when the appropriate opportunities arise. The engagement of the new distributor by LMC resulted in the decline in sales in the PRC for the year ended 31st March, 2003 as the new distributor required time to set up and optimise its operations for the distribution of LMC's products in the PRC.

In terms of staff and operating expenses, given LMC's active approach to explore the PRC market, resources such as additional staff and offices were deployed in the PRC and this has therefore inevitably resulted in the increase in staff and operating expenses in the year ended 31st March, 2003.

In view of the operating losses made in the first three quarters of the financial year 2002/2003, the management of LMC licensed the manufacture of all of its products to an independent third party in December 2002 in order to reduce costs.

With the completion of the setting up of additional new sales offices in the PRC during the financial year 2002/2003 and the management's familiarisation with operating in the PRC market, coupled with the engagement of a new distributor in the PRC in April 2003, the results of the LMC Group began to improve since early 2003. In particular, based on its management accounts, the LMC Group has generated a net profit of approximately HK\$2.3 million for the 2 months ended 31st May, 2003. It should be noted that such profit is based on unaudited accounts and is set out herein purely for reference only. Shareholders of Wang On shall not place undue reliance on it.

The audited consolidated net tangible assets of the LMC Group as at 31st March, 2002 and 31st March, 2003 were approximately HK\$10,520,000 (comprising total tangible assets of approximately HK\$25,973,000 and total liabilities of approximately HK\$15,453,000) and HK\$270,000 (comprising total tangible assets of approximately HK\$7,918,000 and total liabilities of approximately HK\$7,648,000) respectively. The drop in consolidated net tangible assets of LMC Group is mainly attributable to the net loss for the year of approximately HK\$3.1 million and the payment of dividend of approximately HK\$7.2 million during the year.

LMC is owned as to approximately 49.88% by Bio Chapter, as to approximately 49.91% by Biomore Investments and as to the remaining balance of approximately 0.21% by the Other Shareholders. Each of the Other Shareholders is independent of and not connected with the directors, chief executive and substantial shareholders of WYT Holdings or its subsidiaries or any of their respective associates.

LETTER FROM THE BOARD

The Wang On Group acquired approximately 19.01%, 3.56%, 19.01%, 5.95% and 52.26% equity interests in LMC in April 2001, November 2001, December 2001, March 2002 and March 2003 respectively.

Currently, the board of directors of LMC consists of four members, out of which two members are representatives of Wang On, of whom one is also a director of WYT Holdings, and the remaining two members are employees of LMC.

After completion of the Disposal, WYT Holdings will have an approximately 99.79% effective interest in LMC. The remaining approximately 0.21% interest in the issued share capital of LMC will continue to be held by the Other Shareholders.

REASONS FOR THE DISPOSAL

The Wang On Group is principally engaged in the management of Chinese wet markets, shopping centers, car parks and property investment. It also has interests in the pharmaceutical business through its investment in LMC and WYT Holdings.

In July 2002, the Wang On Group completed its disposal of an effective 75.79% equity interest in Wai Yuen Tong Medicine Company Limited, which was then its major investment in the pharmaceutical business apart from its then 47.53% equity interest in LMC, to WYT Holdings. In March 2003, the Wang On Group acquired a further 52.26% equity interest in LMC. After the aforesaid disposal and acquisition, the Wang On Group's remaining major investments in the pharmaceutical business are in LMC and its current approximately 30.87% equity interest in WYT Holdings and the holding of the Existing Convertible Notes.

The Directors consider that it is in the interest of the Wang On Group to consolidate its investments in the pharmaceutical business under WYT Holdings. The disposal of the Wang On Group's entire effective interest in its remaining direct major investment in the pharmaceutical business, being LMC, to WYT Holdings will enable the Wang On Group to streamline its internal resources, which can then be allocated more cost effectively, and to focus on the Wang On Group's existing principal businesses of the management of Chinese wet markets, shopping centers and car parks and property investment.

Further, as disclosed in the 2002/2003 annual report of Wang On, as at 31st March, 2003, apart from the Existing Convertible Notes, Wang On Group had advances to WYT Holdings in the aggregate amount of HK\$82,714,000, which were all unsecured. As disclosed in the 2002/2003 annual report of WYT Holdings, Wai Yuen Tong Medicine Company Limited, which had been acquired by WYT Holdings from the Wang On Group and the Town Health Group in July 2002, made a profit contribution of approximately HK\$15.5 million to the results of WYT Holdings for the year ended 31st March, 2003. Despite the aforesaid profit contribution from Wai Yuen Tong Medicine Company Limited, WYT Holdings continued to make audited net loss of approximately HK\$28.9 million for the year ended 31st March, 2003.

LETTER FROM THE BOARD

In view of the loss making position of WYT Holdings and the financial exposure of the Wang On Group to the WYT Holdings Group through the Existing Convertible Notes and the above advances, which in aggregate amounted to approximately HK\$146,714,000 as at 31st March, 2003, the Directors consider it is essential for the Wang On Group to continue to assist the WYT Holdings Group to improve its financial performance so that it can repay its indebtedness to the Wang On Group. Taking into account the growth prospects of the LMC Group, the Directors are of the view that the acquisition of LMC by WYT Holdings should be able to bring additional cash flows and earnings to it, thereby improving its financial position.

The Wang On Group is currently interested in approximately 30.87% of the existing issued share capital of WYT Holdings and will be interested in approximately 49.84% of the issued share capital of WYT Holdings as enlarged by the issue of the Consideration Shares. Therefore, after completion of the Disposal, the Wang On Group can still indirectly participate in the profits generated by the LMC Group through its shareholding in WYT Holdings. Wang On currently intends to continue to hold its existing WYT Holdings Shares, and to hold the Consideration Shares it will receive upon completion of the Disposal, as long-term investment. It is the intention of Wang On to maintain the listing status of WYT Holdings after the Disposal. The Directors estimate that a loss on disposal of approximately HK\$0.8 million will arise as a result of the Disposal (subject to adjustment on the relevant pre-completion profit of the LMC Group and the cost incurred in the Disposal). The Directors do not intend to appoint further directors to the board of WYT Holdings following completion of the Disposal. Wang On has been advised by WYT Holdings that the aggregate of the remuneration payable to and benefits in kind receivable by the directors of WYT Holdings will not be varied in consequence of the acquisition of the equity interest in Bio Chapter and Biomore Investments by WYT Holdings from the Wang On Group.

As the Convertible Notes carry an interest rate of 2% per annum which is better than the current interest rates obtainable on bank deposits, the Directors consider that the disposal of its existing interest in the LMC Group partly in exchange for the Convertible Notes is fair and reasonable.

The Directors note that WYT Holdings Shares were traded at below their par value of HK\$0.01 per share under cross-trade arrangements for the 10 trading days up to and including the Last Trading Day. In particular, out of the total trading turnover of 88,704,000 WYT Holdings Shares during the past 5 trading days up to and including the Last Trading Day, 34,200,000 WYT Holdings Shares and 33,900,000 WYT Holdings Shares were traded at HK\$0.003 and HK\$0.002 per WYT Holdings Share respectively. Therefore, the issue price of HK\$0.01 per Consideration Share is above the general trading price of each WYT Holdings Share under the cross-trade arrangements prevailing at the time of execution of the Agreement and, on its own, may not be fair and reasonable. However, after considering the factors mentioned above, the Directors consider that the terms of the Disposal, viewed as a whole, are fair and reasonable and in the interests of Wang On and its shareholders as a whole.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The shareholding of the Wang On Group in WYT Holdings (including the number of WYT Holdings Shares held and the approximate percentage of shareholding) prior to and immediately upon completion of the Disposal and assuming full conversion of the Convertible Notes and the Existing Convertible Notes both at the initial conversion price of HK\$0.01 per WYT Holdings Share, are presented as follows:

	A		B		C		D	
Wang On Group	4,874,001,605	30.87%	10,846,466,305	49.84%	17,846,466,305	62.05%	24,246,466,305	68.96%
Town Health Group (Note)	4,711,944,395	29.84%	4,711,944,395	21.65%	4,711,944,395	16.38%	4,711,944,395	13.40%
Public	<u>6,203,973,864</u>	<u>39.29%</u>	<u>6,203,973,864</u>	<u>28.51%</u>	<u>6,203,973,864</u>	<u>21.57%</u>	<u>6,203,973,864</u>	<u>17.64%</u>
Total	<u>15,789,919,864</u>	<u>100.00%</u>	<u>21,762,384,564</u>	<u>100.00%</u>	<u>28,762,384,564</u>	<u>100.00%</u>	<u>35,162,384,564</u>	<u>100.00%</u>

- A. The existing shareholding structure of WYT Holdings.
- B. After the issue of 5,972,464,700 Consideration Shares to Wang On (or as it may direct) pursuant to the Agreement.
- C. After B above and the issue of 7,000,000,000 Conversion Shares to Wang On assuming full conversion of the Convertible Notes.
- D. After C above and the issue of 6,400,000,000 WYT Holdings Shares to Wang On assuming full conversion of the Existing Convertible Notes.

Note: Town Health Group is a party acting in concert with Wang On. Together, the concert group now hold approximately 60.71% in aggregate of the WYT Holdings Shares now in issue and will, immediately following the issue of the Consideration Shares to Wang On upon completion of the Agreement, hold approximately 71.49% in aggregate of the WYT Holdings Shares which will then be in issue. Within the concert group, Wang On presently has a higher shareholding interest in WYT Holdings than Town Health Group, and will continue to do so immediately following the issue of the Consideration Shares upon completion of the Agreement. Taking into account the foregoing, Wang On has been, and will be, the leader of the group immediately following the issue of the Consideration Shares upon completion of the Agreement. Accordingly the increase in the shareholding of Wang On in WYT Holdings resulting from the issue of the Consideration Shares does not give rise to an offer obligation under Rule 26 of the Takeovers Code.

The Stock Exchange has stated that, if less than 25% of the issued WYT Holdings Shares are in public hands following the completion of the Agreement and after the issue of the Conversion Shares to Wang On (or as it may direct), or if the Stock Exchange believes that a false market exists or may exist in the trading of WYT Holdings Shares or there are insufficient WYT Holdings Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in WYT Holdings Shares.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSAL ON THE EARNINGS OF THE WANG ON GROUP

At present, the Wang On Group is interested in approximately 30.87% and 99.79% of the issued share capital of WYT Holdings and LMC respectively, and WYT Holdings is accounted for as an associate of Wang On while LMC is treated as a subsidiary of Wang On. Immediately after completion of the Agreement, (i) LMC will cease to be a subsidiary of Wang On and Wang On will cease to consolidate the results of the LMC Group into its own results; and (ii) the Wang On Group will be interested in approximately 49.84% of the issued share capital of WYT Holdings and WYT Holdings will continue to be accounted for as an associate of Wang On. Therefore, after completion of the Agreement, the Wang On Group's percentage share of profit/loss from WYT Holdings will increase from 30.87% to 49.84%.

The Directors consider that at this stage, it is not in the interests of Wang On to have more than 50% equity interest in WYT Holdings after completion of the Disposal. The Directors note that the WYT Holdings Group is principally engaged in the manufacture and sale of watches and bags and pharmaceutical business, and they consider that such business is not in line with the business objective of the Wang On Group, which is to engage in the management of Chinese wet markets, shopping centers and car parks and property investment. If WYT Holdings is accounted for as a subsidiary of Wang On, the results of WYT Holdings would have to be consolidated into those of Wang On. As a result, disclosure in the financial statements of Wang On in areas such as business segment information and turnover and revenue would need to also include the businesses of the WYT Holdings Group including the assembly of watches and manufacture of watch cases, the retail of complete watches and bags and sales of pharmaceutical products, which would blur the corporate image of the Wang On Group as a listed issuer with a clear focus on the business of management of Chinese wet markets, shopping centers and car parks and property investment. This is particularly the case since the turnover from the business of manufacture and sale of watches and bags and pharmaceutical business of the WYT Holdings Group is substantial when compared with the turnover of the Wang On Group. According to the 2003 annual report of WYT Holdings, for the year ended 31st March, 2003, the aggregate turnover from the business of manufacture and sale of watches and bags and pharmaceutical business of the WYT Holdings Group amounted to approximately HK\$260 million, which is equivalent to approximately 89% of the total turnover of the Wang On Group for the same period of approximately HK\$292 million as disclosed in the 2003 annual report of Wang On. Therefore, the Directors consider that by continuing to account for WYT Holdings as an associate, Wang On can clearly distinguish the abovementioned businesses of the WYT Holdings Group from the existing principal business of the Wang On Group, thereby differentiating the corporate image of Wang On.

In addition, interest at the rate of 2% per annum on the outstanding principal amount of the Convertible Notes held by the Wang On Group will be receivable by it. The Directors estimate that a loss on disposal of approximately HK\$0.8 million will arise as a result of the Disposal (subject to adjustment on the relevant pre-completion profit of the LMC Group and the cost incurred in the Disposal).

LETTER FROM THE BOARD

FURTHER INFORMATION

Your attention is also drawn to the appendix to this circular.

By order of the Board
Wang On Group Limited
Tang Ching Ho
Chairman and Managing Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

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

Interests in shares

Name of Director	Capacity in which such interests are held	Number of shares of Wang On (Note 1)	Approximate % of the issued share capital
Mr. Tang Ching Ho ("Mr. Tang")	Corporate (Note 2)	2,178,840 (L)	1.84%
	Personal (Note 3)	1,249,658 (L)	1.06%
	Family (Note 4)	1,249,658 (L)	1.06%
	Other (Note 5)	21,490,372 (L)	18.19%
Ms. Yau Yuk Yin ("Ms. Yau")	Personal (Note 3)	1,249,658 (L)	1.06%
	Family (Note 6)	24,918,870 (L)	21.09%

Notes:

- The letter "L" denotes a long position in shares.
- Mr. Tang was interested in these shares through Caister Limited, a company which is wholly and beneficially owned by him.

3. Each of Mr. Tang and Ms. Yau has been granted an option to subscribe for 10,900,000 shares of HK\$0.01 each in the capital of Wang On at an exercise price of HK\$0.13 each by Wang On under the Share Option Scheme before it was terminated and replaced by a new share scheme of Wang On adopted on 3rd May, 2002. As a result of a rights issue of Wang On completed in February 2002 and a capital reorganisation of Wang On implemented in October 2002, relevant adjustments were made to the Share Options. Accordingly, the number of Share Options held by each of Mr. Tang and Ms. Yau were adjusted to 654,000 Share Options with an exercise price of HK\$2.17 per share. Out of 1,249,658 shares held by each of Mr. Tang and Ms. Yau, 654,000 shares are the shares issuable upon exercise of the 654,000 Share Options owned by each of them.
4. Mr. Tang was taken to be interested under the SFO in those shares in which his spouse, Ms. Yau, was interested.
5. Agreements (the “Agreements”) were entered into between Middlemore Limited, a company wholly and beneficially owned by Mr. Tang, and (i) Ms. Tang Mui Fong; (ii) Ms. Tang Mui Fun and (iii) Mr. Yau Yuk Tong, all being the relatives of Mr. Tang, as a result of which, and for the purpose of sections 317(1)(a) and 318 of the SFO, Mr. Tang was taken to be interested in the shares owned by them.
6. Ms. Yau was taken to be interested under the SFO in those shares in which her spouse, Mr. Tang, was interested.

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

3. PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of Wang On, the following persons (not being a Director or chief executive of Wang On) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of Wang On which would fall to be disclosed to Wang On 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 Wang On Group or had any option in respect of such capital:

Interests in shares

Name of shareholder	Number of shares of Wang On (Note 1)	Approximate % of the issued share capital
Caister Limited	26,168,528 (L) (Note 2)	22.14%
Mr. Tang	26,168,528 (L) (Note 2)	22.14%
Ms. Yau	26,168,528 (L) (Note 2)	22.14%
Ms. Tang Mui Fong	26,168,528 (L) (Note 2)	22.14%
Mr. Yau Yuk Tong	26,168,528 (L) (Note 2)	22.14%
Ms. Tang Mui Fun	26,168,528 (L) (Note 2)	22.14%

Notes:

1. The letter “L” denotes a long position in shares.
2. Pursuant to the Agreements, Caister Limited, Mr. Tang, Ms. Yau, Ms. Tang Mui Fong, Mr. Yau Yuk Tong and Ms. Tang Mui Fun were taken to be interested in the 26,168,528 shares for the purpose of sections 317(1)(a) and 318 of the SFO.

Save as disclosed above, none of the Directors knows of any person (not being a Director or chief executive of Wang On) who had an interest or short position in shares or underlying shares which would fall to be disclosed to Wang On under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Wang On Group or held any option in respect of such capital.

4. LITIGATION

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

5. SERVICE CONTRACTS

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

6. GENERAL

1. The company secretary of Wang On is Mr. Chan Chun Hong, Thomas. He graduated from the Hong Kong Polytechnic University with a degree in accountancy. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Society of Accountants.
2. The English text of this circular shall prevail over the Chinese text in the case of inconsistency.