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WANG ON GROUP LIMITED

(宏安集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 1222)

**DISCLOSEABLE TRANSACTION IN RELATION TO
ACQUISITION OF RIGHT-OF-USE ASSET
UNDER TENANCY AGREEMENT**

THE TENANCY AGREEMENT

The Board announces that the Company was informed on 14 April 2022 that the Landlord has entered into the Tenancy Agreement on 1 April 2022 in respect of the leasing of the Market under which the right-of-use asset to be acquired under the Tenancy Agreement will be accounted for under HKFRS 16 as an investment property and lease liability in the amount of approximately HK\$94.2 million.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the value of the right-of-use asset recognized under the Lease exceeds 5% but all are less than 25%, the Lease constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

The Board announces that the Company was informed on 14 April 2022 that the Landlord has entered into the Tenancy Agreement on 1 April 2022 in respect of the leasing of the Market for a term of three (3) years.

THE TENANCY AGREEMENT

A summary of certain principal terms of the Tenancy Agreement is set out as follows:

- Date:** 1 April 2022
- Parties:** (1) Link Properties Limited, as Landlord; and
(2) Wang On Majorluck Limited, as Tenant
- Premises:** The Market on the First Floor of the Choi Ming Shopping Centre, Choi Ming Court, 1 Choi Ming Street, Tseung Kwan O, Sai Kung, New Territories, Hong Kong, with a floor area to be used by the Tenant as market stalls not exceeding 11,816 square feet. The Market premises has been licensed by the Tenant to a portfolio of licensees engaging in wet/dry goods and other trades in compliance with the requirements set by the Landlord for generation of license fee income for the Group.
- Term:** Three (3) years from and including 8 December 2021 to 7 December 2024.
- Rent:** The Tenant shall pay to the Landlord monthly rental comprising a base rental (exclusive of rates and air-conditioning fees) and a variable rental calculated by reference to the total monthly license fees, management fees and/or air-conditioning charge received or receivable by the Tenant from its licensees.
- Deposit:** A bank guarantee equivalent to three (3) months' of the base rental and air-conditioning charge, is required to be delivered to the Landlord within thirty (30) days after entering into of the Tenancy Agreement or prior to the commencement of the term of the Lease (whichever is earlier).

RIGHT-OF-USE ASSET

Pursuant to the HKFRS 16, the right-of-use asset under the Tenancy Agreement will be recognized in the Group's consolidated financial statements as an investment property and lease liability in the amount of approximately HK\$94.2 million, which is calculated with reference to the present value of the aggregate base rental payments to be made by the Tenant under the Tenancy Agreement. The variable rent payments (if any) will not be recognized as an acquisition of right-of-use asset but will be charged as expenses in the Group's financial statements.

INFORMATION ON THE GROUP AND THE LANDLORD

The Company is an investment holding company. The Group is principally engaged in (i) management and sub-licensing of fresh markets and treasury management in Hong Kong and the PRC; (ii) property investment and property development in Hong Kong through Wang On Properties Limited (Stock code: 1243), its 75%-owned listed subsidiary; (iii) manufacturing and/or retailing of pharmaceutical and health food products through Wai Yuen Tong Medicine Holdings Limited (Stock code: 897), its 65.79%-owned listed subsidiary; and (iv) management and sale of properties in agricultural produce exchange markets in the PRC through China Agri-Products Exchange Limited (Stock code: 149), a 53.37%-owned listed subsidiary of Wai Yuen Tong Medicine Holdings Limited.

The Landlord is indirectly wholly-owned by Link Real Estate Investment Trust, which is a collective investment scheme authorised under section 104 of the SFO and whose units are listed on the Main Board of the Stock Exchange (Stock code: 823). The Landlord is principally engaged in property holding and leasing.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the counterparty under the Tenancy Agreement and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE LEASE

The Lease forms part of the Group's existing principal business activities of wet/dry market management and the proposed terms therein are made taking into consideration the development potential of the Market, the potential customers of the Market and their demand for wet/dry market products, and stall licensing fees considered achievable by the Company's management based on their experiences in operating other markets in Hong Kong. The Group has been managing and sub-licensing fresh market stalls at the Market since 2008 and the entering into of the Tenancy Agreement will provide business continuation for the Group in the local wet/dry market sector.

The terms of the Tenancy Agreement (including the aggregate rent payable) were determined after arm's length negotiation between the parties and with reference to the terms under the historical tenancy agreement with the Landlord and prevailing conditions of the Market. Given that the Group has been managing the Market and therefore has knowledge of the prevailing conditions of the Market including the mix of licensees and expected licence fee income which may be generated, the Directors consider that it is a justifiable business decision to continue operating at the Market under the terms of the Tenancy Agreement. On this basis, the Directors consider that the Tenancy Agreement is on normal commercial terms that are fair and reasonable and is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

Pursuant to the HKFRS16, the Lease will be recognized in the Group's consolidated financial statements as an investment property and lease liability. As such, the entering into of the Tenancy Agreement constitutes an asset acquisition transaction for the Company under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the value of the right-of-use asset recognized under the Lease exceeds 5% but all are less than 25%, the Lease constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

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| “Board” | the board of the Directors |
| “Company” | Wang On Group Limited (宏安集團有限公司)*, an exempted company incorporated in Bermuda with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1222) |
| “connected person(s)” | has the meaning as ascribed thereto under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “HKFRS” | the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Landlord” | Link Properties Limited, a company incorporated in the Cayman Islands with limited liability, indirectly wholly-owned by Link Real Estate Investment Trust, which is a collective investment scheme authorized under section 104 of the SFO and whose units are listed on the Main Board of the Stock Exchange (Stock code: 823) |
| “Lease” | the lease of the Market by the Landlord to the Tenant under the Tenancy Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “Market” | The market located on the First Floor of the Choi Ming Shopping Centre, Choi Ming Court, 1 Choi Ming Street, Tseung Kwan O, Sai Kung, New Territories, Hong Kong |
| “PRC” | the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) |
| “Tenancy Agreement” | the formal tenancy agreement dated 1 April 2022 entered into between the Tenant and the Landlord in respect of the Lease |
| “Tenant” | Wang On Majorluck Limited, an indirect wholly-owned subsidiary of the Company and a company incorporated in Hong Kong with limited liability, which is principally engaged in fresh markets operation |
| “%” | per cent |

By Order of the Board
WANG ON GROUP LIMITED
(宏安集團有限公司)*
Tang Ching Ho
Chairman and Executive Director

Hong Kong, 14 April 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Ms. Stephanie; and three independent non-executive Directors, namely Mr. Wong Chun, Justein, Mr. Siu Kam Chau and Mr. Chan Yung.

** For identification purpose only*