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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 LEASE RENEWAL**

LEASE RENEWAL

The Board is pleased to announce that on 22 August 2023, the Tenant, an indirect wholly-owned subsidiary of the Company, received from the Landlord the Renewal Tenancy Agreement signed by the Landlord, pursuant to which the Landlord and the Tenant agreed to renew the Lease in respect of the Market for a term of six (6) years commencing on 1 February 2023 and expiring on 31 January 2029 (both dates inclusive). The right-of-use asset to be acquired under the Lease Renewal will be accounted for under HKFRS 16 as an investment property and lease liability in the amount of approximately HK\$78.2 million.

LISTING RULES IMPLICATION

In accordance with HKFRS 16, the right-of-use asset to be acquired under the Lease Renewal will be recognised in the Group's consolidated financial statements as an investment property and lease liability. Accordingly, the transaction under the Lease Renewal will constitute an asset acquisition transaction for the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the value of the right-of-use asset recognised by the Company under the Lease Renewal exceeds 5% but is below 25%, the Lease Renewal 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.

INTRODUCTION

The Board is pleased to announce that on 22 August 2023, the Tenant, an indirect wholly-owned subsidiary of the Company, received from the Landlord the Renewal Tenancy Agreement signed by the Landlord, pursuant to which the Landlord and the Tenant agreed to renew the Lease in respect of the Market for a term of six (6) years commencing on 1 February 2023 and expiring on 31 January 2029 (both dates inclusive). The right-of-use asset to be acquired under the Lease Renewal will be accounted for under HKFRS 16 as an investment property and lease liability in the amount of approximately HK\$78.2 million.

PRINCIPAL TERMS OF THE LEASE RENEWAL

The principal terms of the Renewal Tenancy Agreement are summarised below:

Date	:	11 July 2023
Landlord	:	Link Properties Limited, as Landlord
Tenant	:	Wang On Majorluck Limited, as Tenant
Premises	:	The Market on the Ground Floor of Chung On Shopping Centre, Chung On Estate, Sai Sha Road, Sha Tin, New Territories, Hong Kong with the stall area of approximately 11,737 square feet
Term	:	Six (6) years commencing on 1 February 2023 and expiring on 31 January 2029 (both dates inclusive)
Usage	:	Operation of a fresh market with the Tenant's right to license to the licensees to operate businesses of wet/dry goods and other trades at the Market in compliance with the requirements set by the Landlord for generation of licence fee income for the Group

Rent : Rental (exclusive of government rates and utilities charges) payable by the Tenant to the Landlord comprises the base rental and the additional turnover rental. The amounts of the monthly base rental are as follows:

For year 1 to year 3 : HK\$1,249,100
(from 1 February 2023 to
31 January 2026 both days
inclusive)

For year 4 to year 6 : HK\$1,436,500
(from 1 February 2026 to
31 January 2029 both days
inclusive)

The additional turnover rental is calculated by reference to 20% of the portion of total monthly licence fees, management fees and/or air-conditioning charge received or receivable by the Tenant from its licensees of a month in excess of HK\$3,500,000 for the same month for year 1-3 and HK\$4,000,000 for the same month for year 4-6 respectively.

The amounts payable by the Tenant under the Renewal Tenancy Agreement will be satisfied by internal resources of the Group.

Deposit : A bank guarantee in the sum equivalent to three (3) months' of the base rental (being the highest base rental) in favour of the Landlord is required to be delivered to the Landlord.

Rent-free period : 45 days from the commencement of the term of the Lease Renewal.

RIGHT-OF-USE ASSET

Pursuant to HKFRS 16, the right-of-use asset under the Lease Renewal will be recognised in the Group's consolidated financial statements as an investment property and lease liability, subject to review by the Company's auditors, in the amount of approximately HK\$78.2 million, which is measured at the present value of the aggregate base rental payable during the term of the Lease Renewal. The additional turnover rental payments (if any) will not be recognised as an acquisition of right-of-use asset but will be charged as expenses in the Group's financial statements.

INFORMATION ON THE LANDLORD

The Landlord is an indirect wholly-owned subsidiary of 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.

As at the date of this announcement, to the best knowledge, information and belief of the Board, having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties.

INFORMATION ON THE COMPANY, THE GROUP AND THE TENANT

The Company is a company incorporated in Bermuda with limited liability and 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, property development and asset management 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 69.19%-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 Tenant is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in fresh markets operation.

REASONS FOR AND BENEFITS OF THE LEASE RENEWAL

The Group leased the Market under the Tenancy Agreement and the leasing term of which expired on 31 January 2023. The Lease Renewal 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 Lease Renewal will provide business continuation for the Group in the local wet/dry market sector and is in the ordinary and usual course of business of the Group.

The terms of the Lease Renewal (including the aggregate rent payable) were determined after arm's length negotiation between the parties and with reference to the term 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 Board considers that it is a justifiable business decision to continue operating at the Market under the terms of the Lease Renewal. On this basis, the Board considers that the Lease Renewal is on normal commercial terms that are fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

In accordance with HKFRS 16, the right-of-use asset to be acquired under the Lease Renewal will be recognised in the Group's consolidated financial statements as an investment property and lease liability. Accordingly, the transaction contemplated under the Lease Renewal will constitute an asset acquisition transaction for the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the value of the right-of-use asset recognised by the Company under the Lease Renewal exceeds 5% but is below 25%, the Lease Renewal 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:

“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
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any entity(ies) or person(s) which or who is/are not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“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 authorised 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
“Lease Renewal”	renewal of the Lease of the Market for a term of six (6) years commencing on 1 February 2023 and expiring on 31 January 2029 (both dates inclusive)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market”	the market on the Ground Floor of Chung On Shopping Centre, Chung On Estate, Sai Sha Road, Sha Tin, 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
“Renewal Tenancy Agreement”	the formal tenancy agreement dated 11 July 2023 entered into between the Landlord and the Tenant in respect of the Lease Renewal

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“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 8 August 2016 entered into between the Landlord and the Tenant in respect of the Lease and the leasing term of which expired on 31 January 2023
“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, 22 August 2023

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