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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 MARKET LEASE

The Board is pleased to announce that following a tender of proposal in respect of the Lease, the Operator (an indirect wholly-owned subsidiary of the Company) received on 11 February 2021 a letter from the Hong Kong Housing Authority indicating that the Hong Kong Housing Authority agrees to lease the Market to the Operator.

The Hong Kong Housing Authority is a statutory organisation tasked to develop and implement a public housing programme to help the Hong Kong Government achieve its policy objective on public housing.

THE LEASE

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

Location of the Market: The Market is located at G/F, Choi Fook Estate Phase 3, Kowloon, Hong Kong with an approximate area under lease of approximately 1,133 square metres.

The Market is proposed to be operated as part of the Group's existing "Allmart (萬有)" branded fresh markets and the Operator will be the Market's sole operator during the tenure of the Lease. The Market will be licensed to a mix of licensees in wet/dry goods and other trades in compliance with the requirements set by the Hong Kong Housing Authority.

Term: The Lease will run for a fixed term of six years without any option to renew. The term of the Lease would commence as specified in the Tenancy Agreement incorporating the terms of the Lease, which is expected to be entered into between the Operator and the Hong Kong Housing Authority within six months of the date of this announcement.

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

Rental: Rental (excluding rates and air-conditioning charges which are separately charged) will be payable by the Operator to the Hong Kong Housing Authority on a monthly basis subject to the rent-free period and rental adjustment mechanism described below.

Rent-free period and rental adjustment: The Operator will have a rent-free period of three months from the commencement of the tenancy. The rent-free period is to be granted subject to no breach of any terms and conditions of the Tenancy Agreement; and no termination of the tenancy by the Operator during the period of six months from the commencement of the tenancy.

As Phase 3 of the Choi Fook Estate is currently under development and intake for domestic tenants may be completed in batches, the Hong Kong Housing Authority will provide a rental rebate mechanism for a period of 36-months by reference to the percentage of flats occupied in the housing estate. The Operator is required to pass on the rent rebate to its licensees in proportion to the internal floor area of individual stall licensed.

Termination: If at any time during the tenancy there is /are any breach(es) of the terms of the tenancy and the tenancy is terminated by the Hong Kong Housing Authority in consequence of such breach(es), or if the tenancy is terminated by the Operator prior to the expiration of the tenancy, without prejudice to any other rights of the Hong Kong Housing Authority under the Tenancy Agreement, the Operator shall forthwith pay to the Hong Kong Housing Authority the amount of rent for the period of three months from the commencement of the tenancy.

RIGHT-OF-USE ASSET

Under the HKFRS 16, the Lease will be recognized in the Group's consolidated financial statements as an investment property and lease liability for an amount of approximately HK\$60.0 million, which is calculated with reference to the present value of the aggregate lease payments to be made by the Operator under the Lease.

INFORMATION ON THE GROUP

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 Operator is principally engaged in fresh market management and is an indirect wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE

The Lease forms part of the Group's existing principal business activities 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 operation of the Market will also represent an expansion of the Group's existing "Allmart" branded markets and expand the Group's foothold in the industry. As the Lease proposal is made by way as a bid in the tender process which is open to other bidders, the Directors consider that the Lease is on normal commercial terms that are fair and reasonable taking into account the location and the business potential of the Market, and is in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

Under 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 Lease 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 underlying 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:

“Board”	the board of 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
“Lease”	the lease of the Market by the Operator for the operation as part of the Group’s existing “Allmart (萬有)” branded fresh markets

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market”	The market located at G/F, Choi Fook Estate Phase 3, Kowloon, Hong Kong
“Operator”	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 market management
“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
“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 expected to be entered into between the Operator and the Hong Kong Housing Authority in respect of the Lease
“%”	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, 11 February 2021

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*