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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 24 May 2022 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 B1/F, Kai Chuen Shopping Centre, Kai Chuen Court, Wong Tai Sin, Hong Kong with an area under lease of approximately 1,282 square metres, with separately 20.4 square metres for advertising light box. The total internal floor area to be actually used as market stalls is 510 square metres and shall not exceed 561 square metres in the event of modification of the layout of the market.

The Market is proposed to be operated as part of the Group's "Allmart"-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 option to renew, and the Operator cannot early terminate the Lease before its natural expiry. The term of the Lease would commence as specified in the Tenancy Agreement, which will be entered into between the Operator and the Hong Kong Housing Authority.

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 owner are third parties independent of the Company and its connected persons.

Rental and Rent-free period:

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 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 Lease by the Operator during the period of six months from the commencement of the Lease.

Termination:

If at any time during the Lease there is any breach of the terms of the Lease and the same is terminated by the Hong Kong Housing Authority in consequence of such breach, or if the Lease is terminated by the Operator prior to its expiration, 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 an amount equivalent to the rent for the period of three months from the commencement of the Lease. The Hong Kong Housing Authority may also terminate the Tenancy Agreement upon occurrence of certain events including a change of control of the Operator or takeovers, merger, liquidation of the Operator, or any director of the Operator ceasing to act as director for whatever reason, or any change in the trade name in which the Operator operates its business.

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\$76.8 million, which is calculated with reference to the present value of the aggregate rental payments to be made by the Operator under the Lease.

INFORMATION ON THE GROUP AND THE OPERATOR

The Company is an investment holding company. The Group is principally engaged in (i) the 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 markets operation 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 to be 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.

Apart from the Market, the Group also leases from the Hong Kong Housing Authority two other shops located at the ground floor of Kai Chuen Shopping Centre, Kai Chuen Court, Wong Tai Sin, Hong Kong. The right of use assets underlying these commitments are recognized/expected to be recognized as property, plant and equipment and lease liability in the Group's consolidated financial statements. The acquisitions of such right of use assets alone do not constitute a notifiable transaction of the Company and, when aggregated with the Lease, all applicable percentage ratios under Rule 14.07 of the Listing Rules are still below 25%.

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” branded fresh markets
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market”	The market (including an advertising light box) located at B1/F, Kai Chuen Shopping Centre, Kai Chuen Court, Wong Tai Sin, 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 Chinese wet 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, 24 May 2022

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

** For identification purpose only*