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WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

CONNECTED TRANSACTION – TENANCY RENEWAL

On 8 December 2023 (after trading hours), WODS (an indirect wholly-owned subsidiary of the Company), as tenant, entered into the 2023 Tenancy Agreement with WOCO (an indirect wholly-owned subsidiary of the Company) and WOPS, as landlords, to renew the existing tenancy of the Premises for a fixed term of three years commencing from 1 January 2024 to 31 December 2026 (both dates inclusive).

As at the date of this announcement, the Premises is jointly owned by WOCO and WOPS as to 64.37% and 35.63% respectively.

Since WOPS is an indirect non-wholly-owned subsidiary of Kee Wai (BVI), a substantial shareholder of the Company, which in turn holds approximately 62.139% interest in the issued share capital of the Company, the 2023 Tenancy Agreement constitutes a connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios in respect of the aggregated value of the right-of-use asset to be recognised by the Group under the 2023 Tenancy Agreement pursuant to HKFRS 16 are more than 0.1% but less than 5%, the connected transaction is subject to announcement, reporting and annual review requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 TENANCY AGREEMENT

Reference is made to the announcements of the Company dated 8 December 2020 and 24 December 2020 in relation to the 2020 Tenancy Agreement concerning tenancy of the Premises. The 2020 Tenancy Agreement will expire on 31 December 2023.

On 8 December 2023 (after trading hours), WODS (an indirect wholly-owned subsidiary of the Company), as tenant, entered into the 2023 Tenancy Agreement with WOCO (an indirect wholly-owned subsidiary of the Company) and WOPS, as landlords, to renew the existing tenancy of the Premises upon expiry of the 2020 Tenancy Agreement. Major terms of the 2023 Tenancy Agreement are as follows:

Date:	8 December 2023
Landlords:	WOCO and WOPS
Tenant:	WODS

Premises:	Basement 1, Portion of Ground Floor and the whole of 1st to 6th Floors, Wing On Kowloon Centre, 345 Nathan Road, Kowloon, Hong Kong
Lettable area:	132,757 square feet, as agreed between the Landlords and the Tenant under the 2023 Tenancy Agreement
Use of the Premises:	Restricted for commercial use
Term:	Three years fixed term commencing from 1 January 2024 to 31 December 2026 (both dates inclusive)
Rent:	HK\$4,560,000 per month (exclusive of rates, air-conditioning charges, management fees and all other outgoings), to be settled by cash on a monthly basis

The above rental was determined based on, and represents, a 20% discount to the market rental value of the Premises of HK\$5,700,000 per month (as determined by the Valuer at the valuation date of 31 October 2023)

In determining the market rental value of the Premises, the Valuer has adopted the direct comparison method of valuation based on the findings from recent lettings of ground floor and upper floor comparable premises within the locality. Appropriate adjustments have been allowed in respect of location, building age, size, frontage, vertical circulation, exposure, rates and management fees and time to reflect the different characteristics between the Premises and the comparables. Upward adjustment has been made to the comparables if the Premises is better than the comparables for certain characteristics and vice versa

The maximum aggregate annual rental payable to WOPS would be HK\$19,496,736, and the total rental payable to WOPS under the three-year lease term would be HK\$58,490,208

Deposit:	The deposit of HK\$5,489,299 paid by WODS pursuant to the 2020 Tenancy Agreement shall continue to be held by the Landlords as guarantee for WODS' due performance and observation of the 2023 Tenancy Agreement, and (subject to further renewal of the tenancy) shall be returned to WODS, without interest, after the expiration of the 2023 Tenancy Agreement. The said deposit attributable to WOPS and WOCO would be HK\$1,955,837 and HK\$3,533,462, respectively
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REASONS FOR RENEWING THE TENANCY AGREEMENT

The Group is principally engaged in the operation of department stores and property investment. The Tenant, WODS, is principally engaged in the operation of department stores in Hong Kong and each of the Landlords, WOCO and WOPS, is principally engaged in, among other things, investment holding and property investment.

The Premises is currently occupied by WODS trading as the wing on *Plus* department store which is popular for shoppers in Kowloon and is a major and viable branch of the Group's department stores operation.

All the Directors, including the independent non-executive Directors, are of the view that it is commercially beneficial for WODS to renew the existing tenancy since the new rent is 20% below the market rental value determined by the Valuer. Furthermore, all of the independent non-executive Directors are of the opinion that the 2023 Tenancy Agreement had been entered into in the ordinary and usual course of the business of the Group on normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The new rent of HK\$4,560,000 per month (exclusive of rates, air-conditioning charges, management fees and all other outgoings) under the 2023 Tenancy Agreement represents the same rent as that payable under the 2020 Tenancy Agreement. The payment of the rent under the 2023 Tenancy Agreement will be funded by internal resources of the Group.

Mr. Karl C. Kwok, Mr. Lester Kwok, Dr. Bill Kwok and Mr. Mark Kwok, being substantial shareholders and directors of Kee Wai (BVI), are considered to have a material interest in the 2023 Tenancy Agreement, and therefore they have abstained from voting on the Board resolution approving the 2023 Tenancy Agreement.

LISTING RULES IMPLICATION

As at the date of this announcement, the Premises is jointly owned by WOCO and WOPS as to 64.37% and 35.63% respectively.

Since WOPS is an indirect non-wholly-owned subsidiary of Kee Wai (BVI), a substantial shareholder of the Company, which in turn holds approximately 62.139% interest in the issued share capital of the Company, the 2023 Tenancy Agreement constitutes a connected transaction of the Company under the Listing Rules.

Pursuant to HKFRS 16, the Group, as the lessee, shall recognise the lease as a right-of-use asset in the consolidated statement of financial position of the Group. The value of the right-of-use asset to be recognised by the Group in connection with the 2023 Tenancy Agreement is approximately HK\$52,320,404, which comprises the initial amount of the lease liability recognised at the present value of the lease payments payable over the lease term discounted using a relevant incremental borrowing rate, which reflects the fixed rate at which the Tenant could borrow an amount similar to the value of the right-of-use-asset, in the same currency and for a three-year term. The recognition of a right-of-use asset in respect of the transaction will be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) and Rule 14A.24(1) of the Listing Rules and treated as a connected transaction.

As the applicable percentage ratios in respect of the aggregated value of the right-of-use asset to be recognised by the Group under the 2023 Tenancy Agreement pursuant to HKFRS 16 are more than 0.1% but less than 5%, the connected transaction is subject to announcement, reporting and annual review requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context required otherwise.

“2020 Tenancy Agreement”	the tenancy agreement dated 8 December 2020 entered into between WODS, as tenant and WOCO and WOPS, as landlords for the Premises for the period from 1 January 2021 to 31 December 2023 (both dates inclusive), the details of which are set out in the Company’s announcements dated 8 December 2020 and 24 December 2020
“2023 Tenancy Agreement”	the tenancy agreement dated 8 December 2023 entered into between WODS, as tenant and WOCO and WOPS, as landlords for the Premises for the period from 1 January 2024 to 31 December 2026 (both dates inclusive)
“Board”	the board of Directors of the Company
“Company”	Wing On Company International Limited, a company incorporated in Bermuda and the shares of which are listed on The Stock Exchange of Hong Kong Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Kee Wai (BVI)”	Kee Wai Investment Company (BVI) Limited, a company incorporated in the British Virgin Islands. Mr. Karl C. Kwok, Mr. Lester Kwok, Dr. Bill Kwok and Mr. Mark Kwok, together control 100% of the voting rights in Kee Wai (BVI)
“Landlords”	WOCO and WOPS
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Premises”	Basement 1, Portion of Ground Floor and the whole of 1st to 6th Floors, Wing On Kowloon Centre, 345 Nathan Road, Kowloon, Hong Kong
“substantial shareholder”	has the meaning as given in the Listing Rules
“Tenant”	WODS
“Valuer”	Cushman & Wakefield Limited, an independent property valuer

“WOCO”	The Wing On Company Limited, an indirect wholly-owned subsidiary of the Company, a company incorporated in Hong Kong. Its principal activities are investment holding and property investment
“WODS”	The Wing On Department Stores (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, a company incorporated in Hong Kong. Its principal activity is the operation of department stores in Hong Kong
“WOPS”	The Wing On Properties and Securities Company Limited, an indirect non-wholly-owned subsidiary of Kee Wai (BVI), a company incorporated in Hong Kong. Its principal activities are investment holding, property investment and securities trading
“%”	per cent

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 8 December 2023

As at the date of this announcement, the executive Directors are Mr. Karl C. Kwok (Chairman), Mr. Lester Kwok (Deputy Chairman and Chief Executive Officer), Dr. Bill Kwok and Mr. Mark Kwok, and the independent non-executive Directors are Miss Maria Tam Wai Chu, Mr. Leung Wing Ning and Mr. Nicholas James Debnam.