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**WAI YUEN TONG MEDICINE HOLDINGS LIMITED**  
**(位元堂藥業控股有限公司\*)**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 897)**

**DISCLOSEABLE TRANSACTION**  
**IN RELATION TO DISPOSAL OF A SUBSIDIARY**

**THE DISPOSAL**

The Board announces that on 9 May 2019, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Company as the Vendor's guarantor, entered into the Provisional Agreement with the Purchaser, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell the Sale Share, and assign the benefit of the Shareholder Loan, for the consideration of HK\$52.8 million, subject to adjustments. Pursuant to the Provisional Agreement, the Vendor and the Purchaser will enter into a formal agreement in relation to the Disposal on or before 6 June 2019. The Target holds the Property located in Shau Kei Wan, Hong Kong, which is currently leased to an Independent Third Party for commercial purpose. Upon Completion, the Property will be delivered by the Vendor to the Purchaser subject to and with the benefit of the said existing lease.

**GENERAL**

As one of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the transaction contemplated under the Provisional Agreement constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements pursuant to Rule 14.06(2) of the Listing Rules.

**Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the Conditions Precedent. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in any securities of the Company.**

\* For identification purpose only

## THE PROVISIONAL AGREEMENT

### 1. Date

9 May 2019

### 2. Parties

- i. Vendor: Guidepost Investments Limited, an indirect wholly-owned subsidiary of the Company, as the Vendor, which is principally engaged in the business of property holding;
- ii. Vendor's guarantor: the Company and is principally engaged in investment holding, which guarantees and procures the performance of all obligations of the Vendor under the Provisional Agreement; and
- iii. Purchaser: Rich Faith Holdings Limited 誠豐集團有限公司, a company incorporated in Hong Kong with limited liability, which is principally engaged in property investment.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Purchaser and its beneficial owner(s) is an Independent Third Party and there was no previous transaction entered into between any member of the Group and the Purchaser prior to the date of the Provisional Agreement which will need to be aggregated with the Disposal.

### 3. Assets to be disposed of

Pursuant to the Provisional Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Share (representing the entire issued share capital of the Target as at the date of this announcement) and assign the benefit of the Shareholder Loan.

### 4. Consideration

The Consideration is HK\$52.8 million (subject to adjustments as more particularly referred to below), which was paid or shall be payable by the Purchaser in the following manner:

- (i) an initial deposit of HK\$2.5 million (the “**Initial Deposit**”) was paid by the Purchaser upon signing of the Provisional Agreement;

- (ii) a further deposit of HK\$2.78 million (the “**Further Deposit**”) will be paid by the Purchaser on or before 6 June 2019; and
- (iii) the balance of the Consideration of HK\$47.52 million (the “**Balance**”) will be paid upon Completion.

The Initial Deposit and the Further Deposit was paid or shall be payable by the Purchaser to the Vendor’s solicitors, as stakeholders, and will be released to the Vendor upon Completion.

Notwithstanding anything to the contrary in the Provisional Agreement, should the Purchaser fail to pay the Further Deposit in accordance with the terms contained in the Provisional Agreement, the Vendor shall be entitled to terminate the Provisional Agreement and forfeit the Initial Deposit absolutely as liquidated damages and then sell the Sale Share and the Shareholder Loan to anyone at its absolute discretion provided that the Vendor shall not take any further action to claim for damages or to enforce specific performance.

Pursuant to the Provisional Agreement, the Vendor shall deliver to the Purchaser or the Purchaser’s solicitors at least five (5) days prior to the Completion Date the proforma completion accounts (the “**Proforma Accounts**”) comprising a proforma profit and loss account of the Target for the period from the beginning of the current financial year to the Completion Date and a proforma balance sheet of the Target as at the Completion Date. If the NTAV (which means the aggregate of all tangible assets of the Target which are readily convertible into cash or cash equivalents (excluding the Property, any intangible assets and other fixed assets and deferred tax), less the aggregate of all liabilities (actual, contingent or otherwise but excluding the Shareholder Loan) and provisions of the Target as at the Completion Date) as shown in the Proforma Accounts is more or less than zero, the Balance shall be adjusted upwards or downwards (as the case be) accordingly in the manner as follows:

- (i) it shall be added to the Balance all current tangible assets of the Target as shown in the Proforma Accounts including rentals receivable (if applicable) (up to and inclusive of the Completion Date), utilities and other miscellaneous deposits, prepaid rates and government rent and other expenses relating to the Property (up to but exclusive of the Completion Date); and
- (ii) it shall be deducted from the Balance all liabilities of the Target as shown in the Proforma Accounts (other than the Shareholder Loan).

Further, under the Provisional Agreement, the Vendor shall deliver to the Purchaser or the Purchaser's solicitors within 30 days from the Completion Date the audited financial statements (the "**Completion Accounts**") of the Target for the period from the date after the last audited financial statements to the Completion Date. If the NTAV as shown in the Completion Accounts is more or less than the NTAV as shown in the Proforma Accounts, the Purchaser or the Vendor (as the case may be) shall pay the difference to the other party within five (5) days from the date of receipt of the Completion Accounts.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the net asset value of the Target, the prevailing market price of similar properties in similar locations and the prevailing rental yield as compared to the Property held by the Target.

## **5. Conditions Precedent to the Provisional Agreement**

Completion is conditional upon:

- (i) the Purchaser having completed his due diligence review on the business, financial, legal and other aspects of the Target and satisfied with the result thereof; and
- (ii) the Vendor having proved that the Target has and is capable of giving a good title to the Property in accordance with sections 13A and 13 of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) free from all encumbrances and possess all title documents of the Property.

If any of the Conditions Precedent is not fulfilled (or waived by the Purchaser) on or before the Completion Date, the Purchaser may cancel the transactions under the Provisional Agreement whereupon the Initial Deposit and the Further Deposit shall be returned by the Vendor's solicitors to the Purchaser or the Purchaser's solicitors forthwith.

## **6. Formal Agreement**

Pursuant to the Provisional Agreement, the Vendor and the Purchaser will enter into a formal agreement in relation to the Disposal on or before 6 June 2019. The said formal agreement will incorporate the terms, warranties and representations ordinary to transactions similar to the one contemplated under the Provisional Agreement based on the principal terms set out in the Provisional Agreement. In the event that the Vendor and the Purchaser shall fail to reach agreement on the terms of the said formal agreement on or before 6 June 2019, the Provisional Agreement shall remain valid and in full force and effect and the Vendor and the Purchaser shall comply with their respective obligations thereunder.

## 7. Completion

Pursuant to the Provisional Agreement, subject to fulfilment (or waiver, as the case may be) of the Conditions Precedent, Completion will take place on or before 15 August 2019, or such later date as the Vendor and the Purchaser may agree in writing.

### INFORMATION ON THE TARGET

The Target is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of property holding. As at the date of this announcement, the Target is directly and wholly owned by the Vendor.

The Target is principally holding the Property — being the property of Shop B on Ground Floor, Nos. 106–108 Shau Kei Wan Road, Hong Kong, with a total saleable floor area of approximately 824.0 square feet.

The Property is currently leased to an Independent Third Party for commercial purpose for a term of three years commenced from 7 August 2016 and expiring on 6 August 2019 at a monthly rental of HK\$122,000 exclusive of rates and management fee. The aggregate annual rental income derived from the Property amounted to approximately HK\$1.46 million.

Upon Completion, the Property will be delivered by the Vendor to the Purchaser subject to and with the benefit of the said existing lease.

Set out below is the audited financial information of the Target for the two financial years ended 31 March 2017 and 2018 extracted from the audited financial statements of the Target which are prepared under the generally accepted accounting principles in Hong Kong and the unaudited management account for the six months period ended 30 September 2018:

	<b>For the six months ended 30 September 2018</b>	<b>For the year ended 31 March</b>	
	<i>HK\$ million</i> (unaudited)	<i>HK\$ million</i> (audited)	<i>HK\$ million</i> (audited)
Revenue	0.73	1.46	1.46
Net profit before taxation	0.67	19.92	2.98
Net profit after taxation	0.56	19.80	2.90

As at 31 March 2019, the unaudited net asset value of the Target recorded in the Group amounted to approximately HK\$27.85 million.

## **POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

Immediately after Completion, the Target will cease to be a subsidiary of the Company and the financial results of the Target will no longer be consolidated into the Group's financial statements.

The net proceeds arising from the Disposal of approximately HK\$51.59 million will be used for the repayment of bank loans and general working capital of the Group.

Based on, *inter alia*, the Consideration, the unaudited net asset value as at 31 March 2019, the Shareholder Loan of approximately HK\$24.12 million owed by the Target to the Vendor and the related expenses for the Disposal, the Group currently expects to record a loss on disposal of approximately HK\$0.38 million upon Completion.

**Shareholders should note that the above figures are for illustrative purpose only. The actual loss on disposal may be different from the above and will be determined based on the financial position of the Target on the Completion Date and the review by the Company's auditor.**

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group is principally engaged in (i) the manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of "Wai Yuen Tong" and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong; (ii) the processing and retailing of western pharmaceutical products and personal care products under the brand names of "Madame Pearl's" and "Pearl's"; and (iii) property investment. The Vendor is principally engaged in property holding.

The Directors are of the view that the Disposal would benefit the Group by indirectly realising its investment in the Property and also improve the liquidity and overall financial position of the Group.

The Directors, including the independent non-executive Directors, consider that the terms of the Provisional Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

## **GENERAL**

As one of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the transaction contemplated under the Provisional Agreement constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements pursuant to Rule 14.06(2) of the Listing Rules.

**Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the Conditions Precedent. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in any securities of the Company.**

## **DEFINITIONS**

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

“Board”	the board of the Directors
“Company”	Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), 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: 897)
“Completion”	completion of the Disposal
“Completion Date”	date of Completion, which shall be on or before 15 August 2019 (or such later date as the Vendor and the Purchaser may agree in writing)
“Conditions Precedent”	the conditions precedent set out in the sub-section headed “Conditions Precedent to the Provisional Agreement” in this announcement
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the total cash consideration for the Disposal, being HK\$52.8 million, which is payable in cash subject to adjustments
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share, and assignment of the Shareholder Loan owing by the Target to the Vendor, to the Purchaser pursuant to the Provisional Agreement
“Group”	the Company and its subsidiaries

\* *For identification purpose only*

“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”	a party, who is a third party independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Property”	being Shop B on Ground Floor, Nos. 106–108 Shau Kei Wan Road, Hong Kong, with a total saleable floor area of approximately 824.0 square feet
“Provisional Agreement”	the conditional provisional agreement dated 9 May 2019 entered into between the Purchaser and the Vendor in relation to the Disposal
“Purchaser”	Rich Faith Holdings Limited 誠豐集團有限公司, a company incorporated in Hong Kong with limited liability and is principally engaged in property investment
“Sale Share”	one issued ordinary share of the Target, representing the entire issued share capital of the Target beneficially held by the Vendor
“Shareholder Loan”	the loan owing by the Target to the Vendor on the Completion Date (the principal amount of such loan being approximately HK\$24.12 million as at 31 March 2019 which may be varied before Completion), being an interest free loan and repayable on demand and which, subject to and on the terms and conditions of the Provisional Agreement, shall be assigned by the Vendor to the Purchaser on Completion

“Share(s)”	the ordinary share(s) of HK\$0.01 (each) in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“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)
“Target”	Shiny World Investment Limited 光暉投資有限公司, a company incorporated in Hong Kong with limited liability and is directly and wholly owned by the Vendor as at the date of this announcement, which is principally engaged in property holding
“Vendor”	Guidepost Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company, which is principally engaged in property holding
“%”	per cent.

By Order of the Board  
**WAI YUEN TONG MEDICINE HOLDINGS LIMITED**  
 (位元堂藥業控股有限公司\*)  
**Chan Chun Hong, Thomas**  
*Executive Director*

Hong Kong, 9 May 2019

*As at the date of this announcement, the executive Directors are Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas, Ms. Tang Mui Fun and Ms. Tang Wai Man, and the independent non-executive Directors are Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Cho Wing Mou and Mr. Li Ka Fai, David.*

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