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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 AND CONNECTED TRANSACTIONS  
IN RELATION TO ACQUISITION OF PROPERTIES IN HONG KONG**

**THE ACQUISITION**

The Board announces that on 13 November 2015, the Purchaser, an indirect wholly-owned subsidiary of the Company entered into the Agreement with the Vendor for the acquisition of the Sale Shares and the Shareholder Loans of the Target Companies at the Consideration of HK\$70.0 million (subject to adjustment).

The principal assets of the Target Companies are the Properties, which are located in Tsuen Wan and Shum Shui Po, respectively, and are currently leased to an associate and a subsidiary of the Company for operating of “Wai Yuen Tong” stores.

**GENERAL**

WOG (through its indirect wholly-owned subsidiary) currently holds approximately 22.08% of the total issued share capital of the Company and is the substantial shareholder of the Company. The Vendor is an indirect wholly-owned subsidiary of WOG and is therefore a connected person of the Company. The Acquisition constitutes a connected transaction for the Company for the purpose of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% and is below 25%, the Acquisition constitutes a discloseable transaction and a non-exempt connected transaction of the Company and will be subject to the reporting, announcement and the independent shareholders’ approval requirement under the Listing Rules.

\* *For identification purpose only*

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Agreement and to advise the Shareholders as to whether the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed to advise the Independent Board Committee and the Shareholders in this regard.

A circular containing, among others, (i) details of the Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Shareholders in respect of the entering into the Agreement; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Shareholders; (iv) a notice convening the SGM; and (v) other information required under the Listing Rules will be despatched to the Shareholders on or before 4 December 2015.

## **THE AGREEMENT**

### **1. Date**

13 November 2015

### **2. Parties**

- i. Guidepost Investments Limited, an indirect wholly-owned subsidiary of the Company, as the Purchaser, which is principally engaged in investment holding; and
- ii. East Run Investments Limited, a company indirectly wholly owned by WOG, as the Vendor, which is principally engaged in investment holding.

### **3. Assets to be acquired**

The Sale Shares and the Shareholder Loans.

### **4. Consideration**

The Consideration is HK\$70.0 million (subject to adjustment), of which an amount equal to the Shareholder Loans outstanding at Completion shall be the consideration for the Shareholder Loans and the balance shall be the consideration for the Sale Shares, which shall be paid upon Completion.

The Consideration shall be further adjusted upwards or downwards within 20% with reference to the valuation of the Properties as at the date of Completion to be valued by an independent valuer jointly appointed by the parties.

The Purchaser or the Vendor (as appropriate) shall make the adjustment payment to the other in accordance with the abovementioned adjustment mechanism within seven business days after the date on which the said valuation report is issued.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the valuation of the Properties and the prevailing market price of similar properties in similar locations. The Acquisition will be financed by the internal resources of, and the banking facilities available to, the Group.

## **5. Conditions**

Completion of the Acquisition shall be conditional upon the fulfilment (or waiver, if applicable) of the following conditions:

- (i) the Purchaser being satisfied as to its due diligence findings of each of the Target Companies; and
- (ii) the passing by the Independent Shareholders by way of poll of all necessary resolution(s) at the SGM approving the Agreement and the transactions contemplated thereunder.

If any of the above conditions has not been fulfilled or waived (item (i) only) on or before 31 December 2015 (or such later date as the parties may mutually agree in writing), the Agreement shall automatically terminate. In such event, neither party shall have any claim of any nature whatsoever against the other party under the Agreement (save in respect of any rights and liabilities of the parties which have accrued prior to termination).

## **6. Completion**

Pursuant to the Agreement, Completion will take place within five business days upon the fulfilment (or waiver, if applicable) of the above condition(s).

## **INFORMATION OF THE TARGET COMPANIES**

The Target Companies are wholly-owned subsidiaries of the Vendor and are the legal and beneficial owners of the Properties, being (1) Shop B on Ground Floor including the Cockloft, Yan Oi House, No. 237 Sha Tsui Road, Nos. 87 & 89 Chuen Lung Street, Tsuen Wan, New Territories having an area of approximately 936 square feet for retail purpose (held by Sunbo); and (2) All that Shop on Ground Floor with the Cockloft, 60A Yen Chow Street, Kowloon having an area of approximately 989 square feet for retail purpose (held by Good Excellent).

The Properties are currently leased to an associate and a subsidiary of the Company with details as follows:

	<b>Premise A</b>	<b>Premise B</b>
<b>Date:</b>	10 July 2014	14 November 2013
<b>Landlord:</b>	Sunbo	Good Excellent
<b>Tenant:</b>	Creation Sino Limited, a company incorporated in Hong Kong with limited liability and is an associate of the Company	Wai Yuen Tong (Retail) Limited, a company incorporated in Hong Kong with limited liability and is a subsidiary of the Company
<b>Term:</b>	Three years from 1 June 2014 to 31 May 2017, both dates inclusive (with an option to renew for further two years at the discretion of the tenant)	Two years from 4 October 2013 to 3 October 2015, both dates inclusive  As at the date of this announcement, this tenancy agreement has already expired and the parties have been negotiating on the terms of renewal
<b>Rental:</b>	HK\$106,250 per month, exclusive of management fees and rates, payable monthly in advance	HK\$68,750 per month, exclusive of management fee and rates, payable monthly in advance

Set out below is the financial information of the Target Companies for the two financial years ended 31 March 2015 prepared under Hong Kong Financial Reporting Standards:

**Sunbo**

	<b>For the year ended 31 March</b>	
	<b>2015</b>	<b>2014</b>
	audited	audited
	<i>HK\$'000</i>	<i>HK'000</i>
Turnover	1,233	1,020
Profit/(loss) before tax	286	(27)
Profit/(loss) after tax	151	(357)

## Good Excellent

### For the year ended 31 March

	2015	2014
	audited	audited
	HK\$'000	HK'000
Turnover	825	787
Profit/(loss) before tax	2,449	(1,962)
Profit/(loss) after tax	2,459	(2,041)

As at 30 September 2015, the unaudited net liabilities of Sunbo and net asset values of Good Excellent amounted to approximately HK\$0.5 million and HK\$4.2 million, respectively. As indicated by an independent valuer, the valuation of the Properties as at 31 October 2015 is of an aggregate of approximately HK\$70.0 million. The original acquisition costs of Sunbo and Good Excellent are HK\$24.8 million and HK\$15.8 million, respectively.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

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, health food and personal care products under the brand names of “Madame Pearl’s” and “Pearl’s”; and (iii) property investment.

As the Properties are currently leased to an associate and a subsidiary of the Group for retail purpose, and in view of the continuous increase in rental expenses by the Group, the Group has opted to switch from renting to owning the Properties to save future rental expenses.

The Directors, (excluding the independent non-executive Directors whose view will be expressed in the circular), consider that the terms of the Agreement are on normal commercial terms, fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## GENERAL

WOG (through its indirect wholly-owned subsidiary) currently holds approximately 22.08% of the total issued share capital of the Company and is the substantial shareholder of the Company. The Vendor is an indirect wholly-owned subsidiary of WOG and is therefore a connected person of the Company. The Acquisition constitutes a connected transaction for the Company for the purpose of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% and is below 25%, the Acquisition constitutes a discloseable transaction and a non-exempt connected transaction of the Company and will be subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules.

Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas (both being the executive directors of WOG) did abstain from voting on the relevant Board resolution(s) in view of their material interests in the Acquisition.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Agreement and to advise the Shareholders as to whether the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed to advise the Independent Board Committee and the Shareholders in this regard.

A circular containing, among others, (i) details of the Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Shareholders in respect of the entering into the Agreement; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Shareholders; (iv) a notice convening the SGM; and (v) other information required under the Listing Rules will be despatched to the Shareholders on or before 4 December 2015.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Sale Shares and the Shareholder Loans by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 13 November 2015 entered into between the Purchaser and the Vendor in relation to the Acquisition
“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 Acquisition

\* *For identification purpose only*

“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$70.0 million (subject to adjustment)
“Director(s)”	the director(s) of the Company
“Good Excellent”	Good Excellent Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of WOG, which is principally engaged in property holding
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors
“Independent Shareholders”	the Shareholders other than WOG and its respective associates (to the extent if any of them holds any Shares as at the date of the SGM)
“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
“Premise A”	being Shop B on Ground Floor including the Cockloft, Yan Oi House, No. 237 Sha Tsui Road, Nos. 87 & 89 Chuen Lung Street, Tsuen Wan, New Territories having an area of approximately 936 square feet for retail purpose
“Premise B”	being All that Shop on Ground Floor with the Cockloft, 60A Yen Chow Street, Kowloon having an area of approximately 989 square feet for retail purpose

“Properties”	collectively, the Premise A and the Premise B
“Purchaser”	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 investment holding
“Sale Shares”	one share of Sunbo and one share of Good Excellent, represent the entire issued and paid up share capital of the Target Companies
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shareholder Loans”	the benefit of the loan(s) owing by the Target Companies to the Vendor as at Completion, being an unsecured and interest free debt owed by the Target Companies to the Vendor
“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)
“Sunbo”	Sunbo Investment Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of WOG, which is principally engaged in property holding
“Target Companies”	collectively, Good Excellent and Sunbo
“Vendor”	East Run Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of WOG, which is principally engaged in investment holding



“WOG”

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)

“%”

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**  
*Managing Director*

Hong Kong, 13 November 2015

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

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