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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 TRANSACTIONS AND
CONTINUING CONNECTED TRANSACTIONS REGARDING
OFFICE SUB-LICENSING AGREEMENTS**

OFFICE SUB-LICENSING AGREEMENTS

On 19 September 2016, Daywin (an indirectly wholly-owned subsidiary of the Company) entered into the Office Sub-Licensing Agreements with each of WOM and WOPS in respect of the sub-licensing of the Office Premises to the WOG Group and the WOP Group, respectively for a term commencing from 18 September 2016 to 17 July 2019 (both dates inclusive).

IMPLICATIONS UNDER THE LISTING RULES

WOG (through its 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, thus both WOG and WOP (being a listed 75%-subsidiary of WOG) are connected persons of the Company. The transactions contemplated under the Office Sub-Licensing Agreements constitute continuing connected transactions 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 aggregate transactions contemplated under the Office Sub-Licensing Agreements and the Existing Licensing Agreements exceeds 5% and is below 25% and the aggregate annual licence fees together with other charges are less than HK\$10,000,000, the Office Sub-Licensing Agreements also constitute discloseable transactions for the Company which are subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders' approval requirement under the Listing Rules.

* *For identification purpose only*

OFFICE SUB-LICENSING AGREEMENTS

The principal terms of the WOG Office Sub-Licensing Agreement and the WOG Licensing Agreement are summarised as follows:

	WOG Office Sub-Licensing Agreement	WOG Licensing Agreement
Date:	19 September 2016	21 December 2015, as amended by a supplemental letter dated 22 December 2015
Parties:	<p>(1) Daywin, as licensor, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of the Company. It is principally engaged in provision of management services for the Group; and</p> <p>(2) WOM, as licensee, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of WOG. It is principally engaged in provision of management services for the WOG Group. The WOG Group is principally engaged in management and sub-licensing of Chinese wet markets and provision of finance in Hong Kong and the PRC. It is also, through its listed subsidiary, WOP, engaged in property investment and property development business in Hong Kong. It also has interests in the pharmaceutical business through its investments in the Company.</p>	<p>(1) the Company, as licensor; and</p> <p>(2) WOM, as licensee.</p>

Subject matter:	Daywin will sub-license the WOG Office Premises located at Units 02, 03, 05, 06 and 15, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong having a gross floor area of approximately 9,043 square feet, to WOM for office use purpose by the WOG Group.	The Company will license the office premises located at ground floor, the portion of upper ground floor, the first floor and portion of the fifth floor of Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong (including the sharing of office space, furnishings and facilities), to WOM for office use purpose by the WOG Group.
Term:	Commencing from 18 September 2016 and expiring on 17 July 2019 (both dates inclusive).	Commencing from 22 December 2015 to 26 March 2017 (both dates inclusive).
Licence fees:	HK\$188,940 per calendar month, exclusive of all rates, Government rent, management fees, air-conditioning charges and other outgoings, payable monthly in advance.	HK\$80,000 per calendar month, inclusive of all rates, Government rent, management fees and other outgoings, payable monthly in advance.
Other charges:	<p><i>Management fee and air-conditioning charge:</i></p> <p>HK\$45,758 per calendar month for the first financial year ending 31 March 2017 (subject to increment of not exceeding 5% for every following financial year)</p> <p><i>Rates:</i></p> <p>HK\$10,240 per calendar month for the first financial year ending 31 March 2017 (subject to increment of not exceeding 5% for every following financial year)</p> <p><i>Government rent:</i></p> <p>HK\$6,144 per calendar month for the first financial year ending 31 March 2017 (subject to increment of not exceeding 5% for every following financial year)</p>	Not applicable
Deposit:	HK\$502,164	HK\$80,000

The principal terms of the WOP Office Sub-Licensing Agreement and the WOP Licensing Agreement are summarised as follows:

	WOP Office Sub-Licensing Agreement	WOP Licensing Agreement
Date:	19 September 2016	21 December 2015, as amended by a supplemental letter dated 22 December 2015
Parties:	<p>(1) Daywin, as licensor, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of the Company. It is principally engaged in provision of management services for the Group; and</p> <p>(2) WOPS, as licensee, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of WOP. It is principally engaged in provision of management services for the WOP Group. The WOP Group is principally engaged in property investment and property development business in Hong Kong.</p>	<p>(1) the Company, as licensor; and</p> <p>(2) WOS, as licensee, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of WOP. It is principally engaged in provision of management services for the WOP Group.</p>
Subject matter:	Daywin will sub-license the WOP Office Premises located at Units 01 and 07 to 12, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong having a gross floor area of approximately 20,011 square feet, to WOPS for office use purpose by the WOP Group.	The Company will license the office premises located at portion of the fifth floor of Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong (including the sharing of office space, furnishings and facilities), to WOS for office use purpose by the WOP Group.
Term:	Commencing from 18 September 2016 and expiring on 17 July 2019 (both dates inclusive).	Commencing from 22 December 2015 to 26 March 2017 (both dates inclusive).

Licence fees:	HK\$414,672 per calendar month, exclusive of all rates, Government rent, management fees, air-conditioning charges and other outgoings, payable monthly in advance.	HK\$85,550 per calendar month, inclusive of all rates, Government rent, management fees and other outgoings, payable monthly in advance.
Other charges:	<p><i>Management fee and air-conditioning charge:</i> HK\$101,255 per calendar month for the first financial year ending 31 March 2017 (subject to increment of not exceeding 5% for every following financial year)</p> <p><i>Rates:</i> HK\$22,660 per calendar month for the first financial year ending 31 March 2017 (subject to increment of not exceeding 5% for every following financial year)</p> <p><i>Government rent:</i> HK\$13,596 per calendar month for the first financial year ending 31 March 2017 (subject to increment of not exceeding 5% for every following financial year)</p>	Not applicable
Deposit:	HK\$1,104,366	HK\$85,550

AGGREGATE ANNUAL CAPS

The annual caps for the aggregate maximum licence fees together with other ancillary charges paid/payable by the WOG Group (including the WOP Group) during their respective terms of the licensing/sub-licensing period for each of the years ending 31 March 2017, 2018, 2019 and 2020 will be as follows:

	For the period ending 31 March			
	2017	2018	2019	2020
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(in million)</i>	<i>(in million)</i>	<i>(in million)</i>	<i>(in million)</i>
Office Sub-Licensing Agreements	5.2	9.8	9.9	3.5 [#]
Existing Licensing Agreements	<u>2.0</u>	<u>–</u>	<u>–</u>	<u>–</u>
Annual Caps	<u>7.2</u>	<u>9.8</u>	<u>9.9</u>	<u>3.5</u>

[#] The term of the Office Sub-Licensing Agreements shall end on 17 July 2019.

The historical licence fees paid by the WOG Group (including the WOP Group) for the years ended 31 March 2014, 2015 and 2016 were HK\$1,848,000, HK\$1,848,000 and HK\$1,951,950, respectively.

The annual caps are determined with reference to the licensing and the sub-licensing fees together with other charges agreed under the Office Sub-Licensing Agreements and the Existing Licensing Agreements (which are also determined with reference to the prevailing market rent of comparable properties and the rental payable by Daywin to its landlord).

REASONS FOR AND BENEFITS OF ENTERING INTO THE OFFICE SUB-LICENSING AGREEMENTS

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.

The sharing of office spaces and expenses as contemplated under the Office Sub-Licensing Agreements enables the parties to enjoy savings in their operational costs. The terms of the Office Sub-Licensing Agreements were reached on an arm’s length basis with reference to the prevailing market rent of comparable properties and the rental per square feet payable by Daywin to its landlord. The Directors, including the independent non-executive Directors, consider that the Office Sub-Licensing Agreements (including the terms and the annual caps) are in the ordinary course of business of the Company, on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

WOG (through its 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, thus both WOG and WOP (being a listed 75%-subsidiary of WOG) are connected persons of the Company. The transactions contemplated under the Office Sub-Licensing Agreements constitute continuing connected transactions 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 aggregate transactions contemplated under the Office Sub-Licensing Agreements and the Existing Licensing Agreements exceeds 5% and is below 25% and the aggregate annual licence fees together with other charges are less than HK\$10,000,000, the Office Sub-Licensing Agreements also constitute discloseable transactions for the Company which are subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders’ approval requirement under the Listing Rules.

Mr. Tang Ching Ho (being the executive Director, the controlling Shareholder and the executive director of WOG) and Mr. Chan Chun Hong, Thomas (being the executive Director, the executive director of WOG and the non-executive director of WOP) did abstain from voting on the relevant Board resolution(s) in view of their material interests in the Office Sub-Licensing Agreements.

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, 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)
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Daywin”	Daywin Limited, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Existing Licensing Agreements”	collectively, the WOG Licensing Agreement and the WOP Licensing Agreement
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Office Premises”	collectively, the WOG Office Premises and the WOP Office Premises
“Office Sub-Licensing Agreements”	collectively, the WOG Office Sub-Licensing Agreement and the WOP Office Sub-Licensing Agreement
“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
“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)
“WOG”	Wang On Group Limited, 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)
“WOG Group”	WOG and its subsidiaries (excluding the WOP Group)
“WOG Licensing Agreement”	the licensing agreement dated 21 December 2015 entered into between the Company and WOM (as amended by a supplemental letter dated 22 December 2015) in respect of the licensing of the office premises located at ground floor, portion of upper ground floor, the first floor and portion of the fifth floor of Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong
“WOG Office Premises”	Units 02, 03, 05, 06 and 15, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong having a gross floor area of approximately 9,043 square feet for office use purpose

“WOG Office Sub-Licensing Agreement”	the sub-licensing agreement dated 19 September 2016 entered into between Daywin and WOM in respect of the WOG Office Premises
“WOM”	Wang On Management Limited, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of WOG
“WOP”	Wang On Properties Limited, 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: 1243), being a listed 75%-subsidiary of WOG
“WOP Group”	WOP and its subsidiaries
“WOP Licensing Agreement”	the licensing agreement dated 21 December 2015 entered into between the Company and WOS (as amended by a supplemental letter dated 22 December 2015) in respect of the licensing of the office premises located at portion of the fifth floor of Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong
“WOP Office Premises”	Units 01 and 07 to 12, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong having a gross floor area of approximately 20,011 square feet for office use purpose
“WOP Office Sub-Licensing Agreement”	the sub-licensing agreement dated 19 September 2016 entered into between Daywin and WOPS in respect of the WOP Office Premises
“WOPS”	Wang On Properties Services Limited, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of WOP

“WOS”

Wang On Services Limited, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of WOP

“%”

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, 19 September 2016

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. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Cho Wing Mou and Mr. Li Ka Fai, David.

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