

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 THE DISPOSAL OF THE PROPERTY

THE DISPOSAL

The Board announces that on 18 April 2019 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Provisional Agreement with the Purchaser; and on 19 April 2019, the parties entered into the Supplemental Agreement supplementing the Provisional Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Property for an aggregate consideration of HK\$60,500,000. Upon Completion, the Property will be delivered to the Purchaser subject to (a) the Shop A's Tenancy Agreement; and (b) a right of the Vendor to use Shop B under the Licence Agreement entered into between the Vendor and Purchaser for a term of 12 months commencing from the date of Completion subject to the terms thereunder.

GENERAL

As one of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purpose only

INTRODUCTION

The Board announces that on 18 April 2019 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Provisional Agreement with the Purchaser; and on 19 April 2019, the parties entered into the Supplemental Agreement supplementing the Provisional Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Property for the Consideration.

THE PROVISIONAL AGREEMENT

- Date** : 18 April 2019 (after trading hours)
- Vendor** : Sky Success Limited 悦生有限公司, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, which is principally engaged in property holding.
- Purchaser** : Asia Bright Enterprises Limited 明耀企業有限公司, a company incorporated in Hong Kong with limited liability, which is principally engaged in property development.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Purchaser and its ultimate 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.

- Asset to be disposed of** : Pursuant to the Provisional Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Property for the Consideration.

The Property is Shops A and B on the Ground Floor, No. 76B To Kwa Wan Road, Kowloon. The Property has a total saleable floor area of approximately 513.0 square feet.

The Property is currently leased to: (a) an indirect subsidiary of the Company as a retail shop under a tenancy agreement dated 9 October 2017 entered into between the Vendor and Wai Yuen Tong (Retail) Limited for a term of two years expiring on 14 August 2019 at a monthly rent of HK\$65,000 exclusive of rates and management fee; and (b) an Independent Third Party under the Shop A's Tenancy Agreement. Upon Completion: (i) the said tenancy agreement with the subsidiary of the Company will be terminated and Shop B will be used continuously by the Vendor subject to the Licence Agreement; and (ii) the rights of the Vendor under the Shop A's Tenancy Agreement will be assigned to the Purchaser.

Consideration : HK\$60.5 million

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the recent transactions of similar types of properties in the market.

Terms of payment : The Consideration has been paid/shall be payable by the Purchaser in the following manner:

- (a) a sum of HK\$1.0 million as deposit has been paid by the Purchaser to the Vendor upon the signing of the Provisional Agreement;
- (b) a sum of HK\$3.95 million as further deposit will be paid by the Purchaser to the Vendor upon the execution of the Formal Agreement, if any, which is expected to be on or before 10 May 2019; and
- (c) subject to the Security Deposit as referred to under the paragraph headed "The Licence Agreement" in this announcement, the balance payment of the Consideration in the sum of HK\$55.55 million (HK\$11.0 million of which being the compensation from the Purchaser to the Vendor for the fitting out/relocation expenses in connection with the Disposal as agreed between the parties under the Supplemental Agreement) will be paid by the Purchaser to the Vendor upon Completion.

Completion : Completion of the Disposal is expected to take place on 28 June 2019.

THE LICENCE AGREEMENT

Date : 18 April 2019 (after trading hours)

Licensee : Sky Success Limited, being the Vendor

Licensor : Asia Bright Enterprises Limited, being the Purchaser

Licence Fee : Nil.

The Vendor shall be responsible for all the outgoings in connection with Shop B including, electricity, water and gas charges; the government rent, rates and management fee (collectively, the "**Outgoings**")

Licence Term : 12 months commencing from the date of Completion (the “**Licence Term**”) subject to: (a) the right of the Purchaser to give a two-month prior notice (the “**two-month Notice**”) to the Vendor to vacate Shop B during the Licence Term if the Purchaser intends to demolish the Property within a short period for redevelopment (the “**Redevelopment**”); and (b) the right of the Vendor to extend the Licence Term for a further period of three to six months (subject to the two-month Notice) upon the expiry of the Licence Term if the Purchaser has not put into effect a timetable for the Redevelopment.

Principal terms : On Completion, the Vendor shall set aside HK\$6.05 million from the balance of the Consideration as security (the “**Security Deposit**”) and deposit the same with the Vendor’s solicitors as escrow agent. Within seven days of the delivery of Shop B back to the Purchaser upon the expiry or early termination of the Licence Term, the Purchaser shall through the Purchaser’s solicitors notify the Vendor’s solicitors to either: (a) release 90% of the Security Deposit to the Vendor; and the remaining 10% of the Security Deposit shall be released to the Vendor by the Vendor’s solicitors upon the confirmation from the Purchaser’s solicitors that all the Outgoings have been duly paid by the Vendor; or (b) release 100% of the Security Deposit to the Vendor provided that the Purchaser’s solicitors has confirmed that all the Outgoings have been duly paid by the Vendor at the time of the delivery of Shop B back to the Purchaser upon the expiry or early termination of the Licence Term.

INFORMATION ON THE GROUP

The Group is principally engaged in (a) 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; (b) processing and retailing of western pharmaceutical products and personal care products under the brand names of “Madame Pearl’s” and “Pearl’s”; and (c) property investment. The Vendor is principally engaged in property holding.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability which is principally engaged in the business of property development.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group acquired the Property at HK\$40.3 million in August 2014. The unaudited carrying value of the Property was approximately HK\$26.3 million as at 28 February 2019.

The Directors believe that the Disposal represents a good opportunity for the Company to realise the value of the Property at a reasonable price and the proceeds from the Disposal will improve the liquidity and financial position and increase the general working capital of the Group.

The terms of the Provisional Agreement and the Supplemental Agreement were arrived at by the Vendor and the Purchaser after arm's length negotiations and were on normal commercial terms between the parties. The Directors, including the independent non-executive Directors, consider that the terms of the Provisional Agreement and the Supplemental Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

The net proceeds arising from the Disposal of approximately HK\$54.05 million (after deducting the Security Deposit and other expenses in relation to the Disposal) will be used for repaying bank loans and general working capital of the Group.

Based on, *inter alia*, the Consideration, the unaudited carrying value of the Property as at 28 February 2019, and the related expenses for the Disposal, the Group currently expects to record a gain on disposal of approximately HK\$33.8 million upon Completion.

GENERAL

As one of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“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
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration of HK\$60.5 million (inclusive of HK\$11.0 million, being the compensation from the Purchaser to the Vendor for the fitting out/relocation expenses in connection with the Disposal as agreed between the parties under the Supplemental Agreement) for the sale and purchase of the Property
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Property contemplated under the Provisional Agreement as supplemented by the Supplemental Agreement
“Formal Agreement”	the formal agreement to be entered into between the Vendor and the Purchaser, if any, on or before 10 May 2019 in relation to the Disposal
“Group”	the Company and its subsidiaries
“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 independent of the Company and its connected person(s)
“Licence Agreement”	the licence agreement dated 18 April 2019 entered into between the Purchaser and the Vendor, pursuant to which the Purchaser agreed to grant to the Vendor a right to use the Property for 12 months commencing from the date of Completion subject to the terms therein provided

* For identification purpose only

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Provisional Agreement”	the binding provisional sale and purchase agreement dated 18 April 2019 entered into between the Vendor and the Purchaser in relation to the disposal of the Property
“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”	Shops A and B on Ground Floor, No. 76B To Kwa Wan Road, Kowloon with a total saleable floor area of approximately 513.0 square feet
“Purchaser”	Asia Bright Enterprises Limited 明耀企業有限公司, a company incorporated in Hong Kong with limited liability and is principally engaged in property development
“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 Share(s)
“Shop A’s Tenancy Agreement”	the tenancy agreement dated 6 September 2018 entered into between the Vendor and an Independent Third Party for a term of two years expiring on 14 August 2020 at a monthly rent of HK\$57,500 exclusive of rates, government rent and management fee
“Shop B”	Shop B on Ground Floor, No. 76B To Kwa Wan Road, Kowloon with a total saleable area of approximately 355.0 square feet
“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)
“Supplemental Agreement”	the binding agreement supplementing the Provisional Agreement dated 19 April 2019 entered into between the Vendor and the Purchaser

“Vendor” Sky Success Limited 悦生有限公司, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement, 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, 19 April 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.

* *For identification purpose only*