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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)

**CONNECTED TRANSACTION
IN RELATION TO
THE TENANCY AGREEMENT**

THE TENANCY AGREEMENT

On 2 June 2021, WYT Retail, an indirect subsidiary of the Company, entered into the Tenancy Agreement with Success Vision, an indirect subsidiary of WOP, to lease the Property for a term of three years commencing from 3 June 2021 and expiring on 2 June 2024 for a monthly rental of HK\$115,000 (exclusive of government rates, rent, management fees, air-conditioning charge and all other outgoings of a non-capital and recurring nature).

LISTING RULES IMPLICATIONS

As at the date of this announcement, WOG is the indirect controlling shareholder of both the Company and WOP holding approximately 65.79% and 75.00% of the entire issued share capital of the Company and WOP, respectively. Success Vision, being an indirect subsidiary of WOP, is an associate of WOG. Accordingly, the acquisition by WYT Retail of the right-of-use assets under the Tenancy Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the total value of the right of use of the Property recognised by the Company under the Tenancy Agreement exceeds 0.1% but is below 5%, the transactions contemplated under the Tenancy Agreement constitute a connected transaction for the Company and are subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 2 June 2021, WYT Retail, an indirect subsidiary of the Company, entered into the Tenancy Agreement with Success Vision, an indirect subsidiary of WOP, to lease the Property for a term of three years commencing from 3 June 2021 and expiring on 2 June 2024 for a monthly rental of HK\$115,000 (exclusive of government rates, rent, management fees, air-conditioning charge and all other outgoings of a non-capital and recurring nature).

PRINCIPAL TERMS OF THE TENANCY AGREEMENT

Set out below is a summary of some key terms of the Tenancy Agreement:

Date : 2 June 2021

Parties : (i) Success Vision, as the landlord; and
(ii) WYT Retail, as the tenant.

Success Vision is an indirect subsidiary of WOP which in turn is owned by WOG as to 75%. It is principally engaged in property investment.

WOG and its subsidiaries are principally engaged in (i) management and sub-licensing of fresh markets and treasury management in Hong Kong and the PRC; (ii) property investment and property development in Hong Kong through WOP; (iii) manufacturing and retailing of pharmaceutical and health food products through the Company; and (iv) management and sale of properties in agricultural produce exchange markets in the PRC through China Agri-Products Exchange Limited (Stock Code: 149), a 53.37%-owned listed subsidiary of the Company.

WYT Retail is an indirect subsidiary of the Company and is principally engaged in retail and sale of Chinese pharmaceutical and health food product business.

- Property : a retail shop located at Portion A of Shop No. N77 on the Ground Floor of Nos. 1-11, 15-17 Mount Sterling Mall, Nos. 10-16 Lai Wan Road, Mei Foo Sun Chuen, Kowloon having a saleable area of approximately 900 square feet
- Term : three years from 3 June 2021 to 2 June 2024, both days inclusive
- Rental : HK\$115,000 per month (exclusive of government rates, rent, management fees, air-conditioning charge and all other outgoings of a non-capital and recurring nature, which are payable by WYT Retail) to be paid in advance without any deduction or set-off on the first day of each calendar month.
- Management charge : HK\$2,278 per month payable by WYT Retail subject to review by Success Vision.
- Air-conditioning charge : HK\$2,673 per month payable by WYT Retail subject to review by Success Vision.
- Rent free period : 3 June 2021 to 2 July 2021, both days inclusive
- Deposit : HK\$374,031, being 3 months' rent, management fee, air-conditioning charge and a quarter of government rates and government rent, is deposited with Success Vision to secure WYT Retail's performance of the Tenancy Agreement.

Taking into account the amount of rental payable by WYT Retail under the Tenancy Agreement and an estimate of cost to dismantle and remove the underlying asset, the total value of the right of use of the Property recognised by the Company amounts to approximately HK\$4.0 million, subject to review by the Company's auditors.

As part of the ordinary course of the Group’s retail business, the Group from time to time evaluates the commercial merits of different leasing proposals available including location, rental and other lease terms, and may consider entering into lease arrangements with different parties (including its connected persons). During the 12 months preceding the date of the Tenancy Agreement, the Group has entered into lease arrangements with respect to two retail shops located in Hong Kong and one retail shop located in the PRC expiring in June 2021, June 2023 and April 2024 with associates of Mr. Tang Ching Ho, an executive Director who is a controlling shareholder of WOG. The right-of-use assets underlying these leasing arrangements, as recognized by the Company, on an aggregation basis and subject to review by the Company’s auditors, amount to approximately HK\$1.9 million, and they fall under the de minimis exemption under Rule 14A.76(1) of the Listing Rules.

REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENT

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 and personal care products under the brand names of “Madame Pearl’s” and “Pearl’s”; (iii) property investment; and (iv) management and sale of properties in agricultural produce exchange markets through its subsidiary, China Agri-Products Exchange Limited.

The entering into of the Tenancy Agreement will enable the Group to lease a retail space in a prime residential location in Hong Kong to attract local demand for its household medical care and health products from residents nearby. The terms of the Tenancy Agreement were reached on an arm’s length basis with reference to similar properties of size, terms (including rental rate), location and the prevailing market conditions in the vicinity. Having considered the foregoing, the Directors (including the independent non-executive Directors) consider that the entering into of the Tenancy Agreement to be in the ordinary course of business of the Group and on normal commercial terms which are fair and reasonable, and that the Tenancy Agreement and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, WOG is the indirect controlling shareholder of both the Company and WOP holding approximately 65.79% and 75.00% of the entire issued share capital of the Company and WOP, respectively. Success Vision, being an indirect subsidiary of WOP, is an associate of WOG. Accordingly, the acquisition by WYT Retail of the right-of-use assets under the Tenancy Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the total value of the right of use of the Property recognised by the Company under the Tenancy Agreement exceeds 0.1% but is below 5%, the transactions contemplated under the Tenancy Agreement constitute a connected transaction for the Company and are subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In light of Mr. Tang Ching Ho being the controlling shareholder of WOG (which in turn is the indirect holding company of WOP) and that Ms. Tang Wai Man is the daughter of Mr. Tang Ching Ho, they have both abstained from being counted towards the quorum and voting on the relevant resolution(s) of the Board approving the Tenancy Agreement and the transactions contemplated thereunder.

Save as disclosed above, none of the other members of the Board has any material interest in the Tenancy Agreement.

DEFINITIONS

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

“associate”	has the meaning as ascribed thereto under the Listing Rules
“Board”	the board of 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 and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 897) and a 65.79%-owned subsidiary of WOG

“controlling shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, does not include Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Property”	a retail shop located at Portion A of Shop No. N77 on the Ground Floor of Nos. 1-11, 15-17 Mount Sterling Mall, Nos. 10-16 Lai Wan Road, Mei Foo Sun Chuen, Kowloon having a saleable area of approximately 900 square feet
“Shareholders”	the holder(s) of the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Success Vision”	Success Vision Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of WOP, being the landlord under the Tenancy Agreement
“Tenancy Agreement”	the tenancy agreement dated 2 June 2021 entered into between WYT Retail and Success Vision in respect of the lease of the Property

“WOG”	Wang On Group Limited (宏安集團有限公司)*, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1222)
“WOP”	Wang On Properties Limited 宏安地產有限公司, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1243) and a 75%-owned subsidiary of WOG
“WYT Retail”	Wai Yuen Tong (Retail) Limited, a company incorporated in Hong Kong with limited liability and an indirect subsidiary of the Company, being the tenant under the Tenancy Agreement
“%”	per cent.

By Order of the Board
WAI YUEN TONG MEDICINE HOLDINGS LIMITED
 (位元堂藥業控股有限公司*)
Tang Ching Ho
Chairman and Managing Director

Hong Kong, 2 June 2021

As at the date of this announcement, the Board comprises Mr. Tang Ching Ho, Ms. Tang Wai Man and Ms. Law Man Yee, Anita, as executive Directors and Mr. Siu Man Ho, Simon, Mr. Leung Wai Ho, Mr. Cho Wing Mou and Mr. Li Ka Fai, David, as independent non-executive Directors.

** For identification purpose only*