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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)

ANNOUNCEMENT

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

THE TENANCY AGREEMENT

On 5 October 2022, WYT Retail, an indirect subsidiary of the Company, as tenant, entered into the Tenancy Agreement with Rich Idea, a joint venture company indirectly held by WOP, as landlord, to lease the Property for a term of 31 months commencing retrospectively on 3 October 2022 and expiring on 2 May 2025 (both dates inclusive) at a monthly rental of HK\$100,000 per month with the Additional Turnover Rent (exclusive of government rates, government rent, management charges and all other outgoings of a non-capital and recurring nature).

In addition to the Tenancy Agreement, WYT Retail, as licensee, had entered into the Licence Agreement with Rich Idea, as licensor, on 3 May 2022 for the grant of licence to use the Property for a term of five months commencing on 3 May 2022 and expiring on 2 October 2022 (both dates inclusive) at the licence fee of HK\$100,000 per month (exclusive of government rates, government rent, management charges, utility charges and all other outgoings of a non-capital and recurring nature).

LISTING RULES IMPLICATION

As at the date of this announcement, WOG is the indirect controlling shareholder of both the Company and WOP holding approximately 67.26% and 75.00% of the entire issued share capital of the Company and WOP, respectively. Rich Idea, being a 30%-controlled company indirectly held by 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 profits ratio) in respect of the total value of the right-of-use of the Property recognized by the Company under the Tenancy Agreement when aggregated with the total value of the right-of-use of the Property recognized by the Company under the Licence Agreement exceeds 0.1% but is below 5%, the transactions contemplated under the Tenancy Agreement and the Licence Agreement in aggregate 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 5 October 2022, WYT Retail, an indirect subsidiary of the Company, as tenant, entered into the Tenancy Agreement with Rich Idea, a joint venture company indirectly held by WOP, as landlord, to lease the Property for a term of 31 months commencing retrospectively on 3 October 2022 and expiring on 2 May 2025 (both dates inclusive) at a monthly rental of HK\$100,000 per month with the Additional Turnover Rent (exclusive of government rates, government rent, management charges and all other outgoings of a non-capital and recurring nature).

PRINCIPAL TERMS OF THE TENANCY AGREEMENT

The principal terms of the Tenancy Agreement are summarized below:

Date:	5 October 2022
Parties:	(i) Rich Idea, as landlord; and (ii) WYT Retail, as tenant
Property:	Shop 9 on G/F of the Parkville including the signage area(s) and air-conditioning area(s), No. 88 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories with a saleable area of approximately 646 square feet

Term:	31 months commencing on 3 October 2022 and expiring on 2 May 2025 (both dates inclusive)
Usage:	Retail shop
Rental:	HK\$100,000 per month (the “ Basic Monthly Rent ”) (exclusive of government rates, government rent, management charges 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 with additional turnover rent being an amount equivalent to the difference between 10% of the turnover of WYT Retail during the relevant calendar month and the Basic Monthly Rent for that calendar month (the “ Additional Turnover Rent ”). The turnover represents the aggregated amounts received or receivable in a calendar month through the operation of business at the Property by WYT Retail (the “ Turnover ”).
Management charges:	HK\$4,900 per month payable by WYT Retail subject to review by Rich Idea
Rent free period:	Nil
Deposit:	HK\$322,262, being 3 months’ rent, management charges and a quarter of government rates and government rent, is deposited with Rich Idea to secure WYT Retail’s performance of the Tenancy Agreement
Option to renew:	WYT Retail has the right to renew the term of the Tenancy Agreement for a further term of 3 years at a new basic monthly rent not less than HK\$100,000 per month but not more than HK\$110,000 per month (subject to the agreement between Rich Idea and WYT Retail) by giving not less than 6 months’ and not more than 7 months’ prior written notice to Rich Idea before the expiry date of the term of the Tenancy Agreement. Upon written confirmation by Rich Idea, a new tenancy agreement in respect of the Property will be signed by Rich Idea and WYT Retail.

The rental (including the Basic Monthly Rent and the Additional Turnover Rent) and other amounts payable by WYT Retail under the Tenancy Agreement are expected to be financed by the internal resources of the Group.

RIGHT-OF-USE ASSETS

The value of the right-of-use of the Property recognized by the Company under the Tenancy Agreement amounts to approximately HK\$2.92 million, which is the present value of total rental payable for the entire 31 months' term of the Tenancy Agreement in accordance with HKFRS 16.

In the 12-month period prior to the date of this announcement, in addition to the Tenancy Agreement, WYT Retail, as licensee, had entered into the Licence Agreement with Rich Idea, as licensor, on 3 May 2022 for the grant of licence to use the Property for a term of five months commencing on 3 May 2022 and expiring on 2 October 2022 (both dates inclusive) at the licence fee of HK\$100,000 per month (exclusive of government rates, government rent, management charges, utility charges and all other outgoings of a non-capital and recurring nature) having a licence fee free period of 3 months commencing on 3 May 2022 and expiring on 2 August 2022 (both dates inclusive).

The value of the right-of-use of the Property recognized by the Company under the Licence Agreement amounts to approximately HK\$0.28 million, which is the present value of total licence fees payable for the 2 months' of the term of the Licence Agreement (excluding the 3-month licence fee free period) and falls under the de minimis exemption under Rule 14A.76(1) of the Listing Rules.

On an aggregation basis, the total value of the right-of-use assets recognized by the Company in connection with the Tenancy Agreement and the Licence Agreement, subject to review by the Company's auditors, amount to approximately HK\$3.20 million in accordance with HKFRS 16.

ANNUAL CAPS AND BASIS OF DETERMINATION

The payment of the Additional Turnover Rent constitutes a continuing connected transaction of the Company under Chapter 14A.31 of the Listing Rules.

Save and except for the licence fee paid by WYT Retail in an aggregated amount of HK\$0.20 million under the Licence Agreement, there is no historical amount for the transaction in respect of the leasing of the Property under the Tenancy Agreement.

The proposed annual caps for the Additional Turnover Rent during the term of the Tenancy Agreement are set out below:

	Additional Turnover Rent <i>(HK\$)</i>
For the period from 3 October 2022 to 31 March 2023	60,000
For the year ending 31 March 2024	120,000
For the year ending 31 March 2025	120,000
For the period from 1 April 2025 to 2 May 2025	10,000

In arriving the above proposed annual caps, which falls under the de minimis exemption under Rule 14A.76(1) of the Listing Rules, the Directors have taken into account of the following factors: (a) the estimated amount of the Turnover with reference to the expected occupancy rate and the customer flow in respect of the other shop units in the Parkville; (b) provision of buffer for increase in the Turnover and the market improvement; and (c) the prevailing market variable rent of comparable properties in vicinity.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) the manufacturing and retailing of traditional Chinese pharmaceutical and health food products, including Chinese medicinal products sold under the brand name of “Wai Yuen Tong”, mainly in the PRC and Hong Kong; (ii) the manufacturing and sale of Western pharmaceutical and health food 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 in the PRC through China Agri-Products Exchange Limited (“CAP”, Stock Code: 149), a 53.37%-owned listed subsidiary of the Company. The Company is held by WOG as to approximately 67.26%.

WYT Retail is an indirect non-wholly owned subsidiary of the Company indirectly held as to approximately 99.8% by the Company and as to approximately 0.2% by Mr. Poon Chun Wing, Mr. Ho Wai Gay and Mr. Poon Shu Keung, and is principally engaged in retail and sale of Chinese pharmaceutical and health food products business.

INFORMATION ON WOG, WOP AND RICH IDEA

WOG

WOG together with 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, property development and asset management in Hong Kong through WOP; (iii) manufacturing and/or 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 CAP.

WOP

WOP is a company incorporated in Bermuda with limited liability and it together with its subsidiaries are principally engaged in the businesses of developing residential and commercial properties for sale and investing in commercial and industrial property for capital appreciation and asset management in Hong Kong.

Rich Idea

Rich Idea is a company incorporated in Hong Kong with limited liability principally engaged in property investment and a joint venture company indirectly held as to 64% by WOP on a non-consolidation basis in the financial statements of either WOG and its subsidiaries or WOP and its subsidiaries. The remaining 30% is held by Mr. Chiu Lon Ronald, 3.35% by a trustee of a family trust (of which Mr. Bryan Southergill and his family members are beneficiaries) and 2.65% by Mr. Choi Raymond Yat-Hong, all Independent Third Parties.

REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENT

The Property is prominently situated at Tuen Mun, the New Territories with other residential developments and various public transport facilities in the vicinity. Therefore, leasing of the Property as a retail shop of the Group will enable the Group to attract the demand for its household medical care and health products from the residents nearby and in the northwest of the New Territories. As the Property has been used by the Group as a retail shop since May 2022, the entering into of the Tenancy Agreement will enable the Group to continue to use the Property for operation of its retail business.

The terms of the Tenancy Agreement (including the rental and fees payable thereunder) were determined after arm's length negotiations between Rich Idea and WYT Retail with reference to similar properties of size, terms (including rental rate), location, the prevailing market conditions in the vicinity and the licence fees or rental made available to the Group in relation to similar properties available in the market offered by independent third parties.

Having taken into account of the above reasons and benefits, the Directors (including the independent non-executive Directors) are of the view that the entering into of the Tenancy Agreement is in the ordinary course of business of the Group and on normal commercial terms which are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

As at the date of this announcement, WOG is the indirect controlling shareholder of both the Company and WOP holding approximately 67.26% and 75.00% of the entire issued share capital of the Company and WOP, respectively. Rich Idea, being a 30%-controlled company indirectly held by 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.

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In light of Mr. Tang Ching Ho being the controlling shareholder of WOG, which in turn is the indirect holding company of WOP, and Ms. Tang Wai Man being 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 hereunder.

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:

“30%-controlled company”	has the meaning as ascribed thereto under the Listing Rules
“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 67.26%-owned subsidiary of WOG
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“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(ies)”	any entity(ies) (together with its ultimate beneficial owner(s)) or person(s) which or who is/are, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“Licence Agreement”	the licence agreement dated 3 May 2022 entered into between Rich Idea as licensor and WYT Retail as licensee for licensing the Property during the period from 3 May 2022 to 2 October 2022 at the monthly rental of HK\$100,000

“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”	Shop 9 on G/F of the Parkville including the signage area(s) and air-conditioning area(s), No. 88 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories
“Rich Idea”	Rich Idea Limited, a company incorporated in Hong Kong with limited liability and a joint venture company indirectly held by WOP together with other Independent Third Parties
“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)
“Tenancy Agreement”	the tenancy agreement dated 5 October 2022 entered into between Rich Idea and WYT Retail in respect of the tenancy 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 Wai Man
Executive Director

Hong Kong, 5 October 2022

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*