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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)**

**MAJOR TRANSACTION  
MAIN CONTRACT  
RELATING TO THE PROPOSED PHARMACEUTICAL  
MANUFACTURING DEVELOPMENT  
AT YUEN LONG INDUSTRIAL ESTATE**

References are made to the announcements of the Company dated 12 December 2012 and 4 April 2014 relating to the grant of a lease of the Land by HKSTPC to the Group for the proposed construction of the Building to house its pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing so as to expand its pharmaceutical manufacturing business as well as previous construction contracts relating to the construction of the Building.

**MAIN CONTRACT**

The Board is pleased to announce that on 23 May 2014, New Supreme, an indirect wholly-owned subsidiary of the Company, entered into the Letter of Intent with the Contractor in relation to the award of the Advance Works and the conditional award of the Remaining Works as contemplated under the Main Contract for the proposed pharmaceutical manufacturing development at Yuen Long Industrial Estate for the Group.

Pursuant to the Letter of Intent, conditional upon completion of the Advance Works for a contract sum of not exceeding HK\$30,000,000 and the Shareholders' approval is being obtained, the Remaining Works as contemplated under the Main Contract will then be further awarded to the Contractor. The aggregate contract sum for the Construction Works under the Main Contract is HK\$363,687,086, which will be financed by the internal resources of, and banking facilities available to, the Group.

\* *For identification purpose only*

## **SUB-CONTRACT**

On 23 May 2014, New Supreme also entered into a letter of intent with Takasago Thermal Engineering (Hong Kong) Company Limited (a sub-contractor nominated by New Supreme to the Contractor), in relation to the subcontracting of the cleanroom fitting-out works embedded under the Main Contract for a contract sum of HK\$57,800,000 to Takasago Thermal Engineering (Hong Kong) Company Limited as the sub-contractor under the Main Contract.

## **GENERAL**

As the applicable percentage ratios (as defined in the Listing Rules) for the Main Contract are more than 25% but less than 100%, the Construction Works constitute major transactions for the Company under Chapter 14 of the Listing Rules and are subject to reporting, announcement and Shareholder's approval requirements set out in Chapter 14 of the Listing Rules.

A circular setting out, among others, further details of the Main Contract will be despatched to the Shareholders on or before 16 June 2014, together with the notice of the SGM.

References are made to the announcements of the Company dated 12 December 2012 and 4 April 2014 relating to the grant of a lease of the Land by HKSTPC to the Group for the proposed construction of the Building to house its pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing so as to expand its pharmaceutical manufacturing business as well as previous construction contracts relating to the construction of the Building. The Main Contract relates to the substantive construction works of the Building required by the Group.

## **MAIN CONTRACT**

The Main Contract has been conditionally awarded by public tender to the Contractor taking into account the detailed pricing documents submitted, proposed delivery schedule, construction means and methods specific to the project, experience, technical expertise, reputation and market position of the contractors, and the expected quality of the construction works for determination of the successful tenderer. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Contractor and its ultimate beneficial owners are independent third parties not connected with the Company and its connected persons. The principal business activities of the Contractor are construction of buildings and civil engineering works.

Pursuant to the Letter of Intent entered into between New Supreme and the Contractor dated 23 May 2014, the Contractor is appointed to carry out the Advance Works for the Building for a contract sum of not exceeding HK\$30,000,000, which shall be payable by quantum *meruit* to the work performed by the Contractor. The Remaining Works will be further awarded to the Contractor within two months from 2 June 2014 conditional upon:

- (i) the completion of the Advance Works;
- (ii) upon satisfaction of the architect that the Advance Works are completed; and

(iii) the Shareholders' approval is being obtained at the SGM.

The major terms of the Main Contract are set out as follows:

<b>Parties:</b>	(a) New Supreme; and  (b) the Contractor
<b>Specification of the Construction Works under the Main Contract:</b>	The Building is a five-storey factory building comprising warehouse, factory and office and associated external works with a gross floor area of the Building amounts to approximately 21,000 square metres.
<b>Scope of the Construction Works:</b>	<p><b>Advance Works:</b> the substructure works for the construction of the Building such as footings, ground slabs, including waterproofing system under ground slabs, substructure columns and walls and backfill not done by the previous contractor; and</p> <p><b>Remaining Works:</b> the substantive works for the construction of the Building such as (a) structural and architectural works, (b) facades, (c) interior and exterior finishes, and fit-out, (d) mechanical, electrical and plumbing installations, (e) external landscaping work, (f) underground drainage and utilities services work, and (g) other related construction works for the construction of the Building.</p>
<b>Contract sum and payment terms:</b>	<p>HK\$363,687,086 (including the contract sum of HK\$30,000,000 for the Advance Works) will be payable to the Contractor based on the progress of the Construction Works completed by the Contractor in accordance with the agreed payment terms of the Main Contract. The contract sum of which was based on the work as specified in the tender conducted by New Supreme for this purpose.</p> <p>There are also similar terms for liquidated damages for non-compliance should the Contractor fail to meet the target dates for the aforesaid milestone stages of works.</p>
<b>Performance guarantee:</b>	The Contractor will be required to provide a performance guarantee as a surety bond to New Supreme for any breach of its obligations under any term of the Main Contract.
<b>Variation of scope of work:</b>	Subject to the agreement by the parties, the scope of work and related consideration may be adjusted.

**Scheduled commencement and completion date for the Construction Works:** The tentative date for possession of the site shall be on 26 May 2014 and the Construction Works are scheduled to be commenced on 2 June 2014 and completed by 23 November 2015.

## **SUB-CONTRACT**

On 23 May 2014, New Supreme also entered into a letter of intent with Takasago Thermal Engineering (Hong Kong) Company Limited (a sub-contractor nominated by New Supreme to the Contractor) in relation to the sub-contracting of the cleanroom fitting-out works embedded under the Main Contract for a contract sum of HK\$57,800,000 to Takasago Thermal Engineering (Hong Kong) Company Limited as the sub-contractor under the Main Contract.

## **FUNDING**

The aggregate contract sum of HK\$363,687,086 for the Main Contract (inclusive of both the HK\$30,000,000 for the Advance Works and the HK\$57,800,000 for the sub-contract work embedded under the Main Contract) will be financed by the internal resources of, and banking facilities available to, the Group.

## **REASONS FOR AND BENEFITS OF THE MAIN CONTRACT**

Reference is made to the announcement of the Company on 12 December 2012 relating to the grant of a lease of the Land by HKSTPC to the Group for the construction of the Building so as to expand its pharmaceutical manufacturing business. The Main Contract relates to the substantive construction works of the Building required by the Group.

The Directors consider that the Main Contract are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **GENERAL**

New Supreme is principally engaged in property holding. The Group is principally engaged in (i) 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 applicable percentage ratios (as defined in the Listing Rules) for the Main Contract are more than 25% but less than 100%, the Construction Works constitute major transaction for the Company under Chapter 14 of the Listing Rules and are subject to reporting, announcement and Shareholder’s approval requirements set out in Chapter 14 of the Listing Rules.

A circular setting out, among others, further details of the Main Contract will be despatched to the Shareholders on or before 16 June 2014, together with the notice of the SGM.

## DEFINITIONS

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

“Advance Works”	the substructure works for the construction of the Building such as footings, ground slabs, including waterproofing system under ground slabs, substructure columns and walls and backfill not done by the previous contractor (as announced by the Company on 4 April 2014)
“Board”	the board of Directors
“Building”	a five-storey factory building comprising warehouse, factory and office and associated external works to be constructed at the Land to house the pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing of the Group
“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)
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Construction Works”	collectively, the Advance Works and the Remaining Works as contemplated under the Main Contract
“Contractor”	Cheung Kee Fung Cheung Construction Company Limited, a company incorporated in Hong Kong with limited liability and the Contractor under the Main Contract
“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” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC

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“HKSTPC”	Hong Kong Science and Technology Parks Corporation, a statutory body set up by the HKSAR government which operates the Hong Kong Science Park
“Land”	all those pieces or parcels of ground registered in the Land Registry as Extension to Subsection 1 of Section M of Yuen Long Town Lot No. 313 and Extensions Thereto at Yuen Long Industrial Estate with a total site area of approximately 8,545.56 square metres
“Letter of Intent”	the letter of intent regarding the conditional award of the Main Contract for the construction of the Building entered into between New Supreme and the Contractor on 23 May 2014
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Contract”	the main contract to be entered into between New Supreme and the Contractor in respect of the Construction Works
“New Supreme”	New Supreme Investment Limited, a company incorporated in Hong Kong with limited liability and a company indirectly wholly owned by the Company as at the date of this announcement
“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
“Remaining Works”	the remaining works for the construction of the Building to be carried out in accordance with the terms of the Main Contract
“SGM”	the special general meeting to be convened and held to approve, inter alia, the Main Contract 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)
“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)

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, 23 May 2014

*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. Yuen Chi Choi and Mr. Cho Wing Mou.*

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