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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 AND CONNECTED  
TRANSACTION IN RELATION TO  
ACQUISITION OF PROPERTIES**



**WANG ON PROPERTIES LIMITED**

**宏安地產有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1243)**

**MAJOR AND CONNECTED  
TRANSACTION IN RELATION TO  
DISPOSAL OF PROPERTIES**

**THE AGREEMENT**

On 7 February 2018 (after trading hours), Guidepost Investments, an indirectly wholly-owned subsidiary of WYT, entered into the Agreement with WOP and East Run, an indirectly wholly-owned subsidiary of WOP, in respect of the sale by East Run and the purchase by Guidepost Investments of the entire issued share capital in, and all shareholder's loans owed by, each of the Target Companies. The sole assets of the Target Companies are the Properties. The Consideration for the Transaction is HK\$350.0 million, subject to adjustments by reference to the net current asset value of the Target Companies at completion.

**LISTING RULES IMPLICATIONS**

As at the date of this joint announcement, WOG is the indirect controlling shareholder (and hence a connected person) of both WOP and WYT holding, respectively, 75.0% and approximately 56.5% of all the issued shares in WOP and WYT. Accordingly, each of East Run and Guidepost Investments is an associate of WYT and WOP respectively for the purposes of the Listing Rules, and the transactions contemplated under the Agreement constitute a connected transaction for WYT and WOP. As the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Transaction exceed 25% and are below 100% for both WYT and WOP, the Agreement and the transactions contemplated thereunder constitute a connected transaction and a major transaction for WYT and WOP and are therefore subject to the reporting, announcement and the independent shareholders' approval requirements under Chapters 14A and 14 of the Listing Rules.

\* For identification purpose only

## **THE WYT IBC AND THE WOP IBC**

The WYT IBC comprising all the independent non-executive WYT Directors has been formed to advise the Independent WYT Shareholders on the Agreement and the transactions contemplated thereunder.

The WOP IBC comprising all the independent non-executive WOP Directors has been formed to advise the Independent WOP Shareholders on the Agreement and the transactions contemplated thereunder.

## **THE WYT SGM AND THE WOP SGM**

The WYT SGM will be held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. WOG and its associates will (and any other WYT Shareholders with material interest in the Agreement will be required to) abstain from voting on the resolution(s) to be proposed at the WYT SGM for approving the Agreement and the transactions contemplated thereunder.

The WOP SGM will be held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. WOG and its associates will (and any other WOP Shareholders with material interest in the Agreement will be required to) abstain from voting on the resolution(s) to be proposed at the WOP SGM for approving the Agreement and the transactions contemplated thereunder.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) further details of the Agreement, (ii) the recommendations of the WYT IBC to the Independent WYT Shareholders, (iii) the letter of advice from the WYT IFA to the WYT IBC and the Independent WYT Shareholders in respect of the Agreement and the transactions contemplated thereunder; and (iv) a notice convening the WYT SGM and the accompanying proxy form, is expected to be despatched to the WYT Shareholders on or before 2 March 2018.

A circular containing, among other things, (i) further details of the Agreement, (ii) the recommendations of the WOP IBC to the Independent WOP Shareholders, (iii) the letter of advice from the WOP IFA to the WOP IBC and the Independent WOP Shareholders in respect of the Agreement and the transactions contemplated thereunder; and (iv) a notice convening the WOP SGM and the accompanying proxy form, is expected to be despatched to the WOP Shareholders on or before 2 March 2018.

## **WARNING**

**SHAREHOLDERS AND POTENTIAL INVESTORS OF WYT AND WOP SHOULD BE AWARE THAT THE AGREEMENT IS SUBJECT TO A NUMBER OF CONDITIONS BEING SATISFIED, INCLUDING BUT NOT LIMITED TO THE APPROVAL OF THE AGREEMENT AT THE WYT SGM AND THE WOP SGM, AND CONSEQUENTLY, THE TRANSACTIONS UNDER THE AGREEMENT MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS OF WYT AND WOP ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF WYT AND/OR WOP.**

## **THE AGREEMENT**

On 7 February 2018 (after trading hours), Guidepost Investments, an indirectly wholly-owned subsidiary of WYT, entered into the Agreement with WOP and East Run, an indirectly wholly-owned subsidiary of WOP, in respect of the sale by East Run and the purchase by Guidepost Investments of the entire issued share capital in, and all shareholder's loans owed by, each of the Target Companies. The sole assets of the Target Companies are the Properties. A summary of the terms of the Agreement is set out as follows:

Date : 7 February 2018

Parties : East Run, as the vendor  
WOP, as the guarantor  
Guidepost Investments, as the purchaser

Subject Matter : Guidepost Investments agreed to acquire, and East Run agreed to dispose of, all the entire issued share capital in, and all shareholder's loans owed by, each of the Target Companies.

The Target Companies are the respective registered owner of the Properties, which are commercial properties subject to mortgage:

<b>Registered owner</b>	<b>Address</b>	<b>Saleable floor area (square feet)</b>	<b>Original acquisition costs to WOP (HK\$ million)</b>
Shiny World	Shop B on Ground Floor, Nos. 106–108 Shau Kei Wan Road, Hong Kong	791	13.0
Wang To	Shop 3 on Level 1, Jade Plaza, No. 3 On Chee Road, Tai Po, New Territories	712	19.7
Oriental Sino	Shop AB on Ground Floor, Po Wing Building, Nos. 61, 63, 65, 67, 71 & 73 Lee Garden Road, Nos. 108, 110, 112, 116, 118 & 120 Percival Street, Hong Kong	1,204	210.0
Precious Investments	Ground and Mezzanine Floor, No. 166 Sai Yeung Choi Street South, Kowloon	1,318	83.3

The Properties are currently subject to existing tenancies with the WYT Group (in respect of the Properties owned by Oriental Sino) and independent third parties (in respect of the Properties owned by Shiny World, Wang To and Precious Investments).

Consideration : The Consideration in respect of the Transaction is HK\$350.0 million, which is payable in cash subject to adjustments by reference to the net current asset value (excluding, for adjustment purposes, the Properties, deferred tax, shareholder's loans and the existing bank loans) of the Target Companies at completion. Guidepost Investments has paid a deposit of HK\$35.0 million, being 10% of the Consideration, to East Run upon signing of the Agreement and the balance of the Consideration (subject to adjustments) is payable on completion.

The Consideration was determined after arm's length negotiation between the vendor and the purchaser under the Agreement on normal commercial terms after taking into account a number of factors including (i) the portfolio of Properties held by the Target Companies, and (ii) the indicative preliminary valuation prepared by independent professional valuers in respect of the Properties.

Conditions Precedent : Completion of the transactions under the Agreement is conditional upon the satisfaction of the following conditions:

- (i) Guidepost Investments having completed its due diligence findings against the Properties and the business, financial, tax, legal and other aspects of each of the Target Companies and being reasonably satisfied in all respects with then results thereof;
- (ii) the Independent WYT Shareholders having approved the Agreement and the transactions contemplated thereunder at the WYT SGM; and
- (iii) the Independent WOP Shareholders having approved the Agreement and the transactions contemplated thereunder at the WOP SGM.

Conditions (ii) and (iii) above are incapable of being waived.

Completion : Subject to the fulfilment (or waiver, as the case may be) of the conditions stated above, completion of the transaction under the Agreement is expected to take place on or before 29 March 2018 (or such other date as East Run and Guidepost Investments may agree in writing), upon which the Target Companies will cease to be subsidiaries of WOP and will become subsidiaries of WYT.

Guarantee : WOP agreed to provide a guarantee and indemnity in favour of Guidepost Investments in respect of East Run's obligations under the Agreement and other related documents underlying the Transaction.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT**

### **WYT**

The principal businesses of the WYT Group primarily comprise (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; and (ii) the processing and retailing of western pharmaceutical, health food and personal care products under the brand names of "Madame Pearl's".

The Properties owned by Oriental Sino is subject to a tenancy with the WYT Group and the other three Properties owned by Precious Investments, Shiny World and Wang To are subject to existing tenancies with independent third parties which will expire in February 2018, August 2019 and September 2019, respectively. The Transaction presents an opportunity for the WYT Group to further entrench and expand its business presence at strategic retail locations, as the Properties are situated at locations which the WYT Board considers suitable for the WYT Group's medicine retail business. Accordingly, WYT intends to maintain the Properties for self-use (upon expiry of tenancies in the case of the Properties owned by Precious Investments, Shiny World and Wang To) upon completion of the Transaction. The Consideration is also attractive, being at a discount of approximately 8.9% to the preliminary valuation of the Properties conducted by an independent valuer arrived at using the market approach.

Taking into account the foregoing, the WYT Directors (other than the members of the WYT IBC whose view will be set out in the circular to be issued by WYT after considering the advice from the WYT IFA) are of the view that the Agreement is on normal commercial terms and are fair and reasonable, and that the Transaction is in the ordinary and usual course of business of the WYT Group and in the interests of WYT and the WYT Shareholders as a whole.

### **WOP**

The principal businesses of the WOP Group primarily comprise (i) development of residential and commercial properties for sale; and (ii) investment in industrial and commercial premises for rent or for sale.

WOP Group's property development business has proved to be more profitable than its property investment business. The WOP Board therefore intends to focus the deployment of WOP Group's resources to its property development segment. The Transaction allows the WOP Group to reduce its gearing ratio and further optimising WOP Group's capital structure. Although the Consideration is at a discount of approximately 12.4% to the preliminary valuation of the Properties conducted by an independent valuer arrived at using the market approach, the WOP Board considers that the WOP Group can realise all the four Properties simultaneously through the Transaction and thereby diverting its resources in the more profitable property development segment.

After deducting from the Consideration the outstanding mortgage loans in respect of the Properties and transaction costs including the estimated stamp duty and professional fees, the net proceeds to WOP from the Transaction is estimated to be approximately HK\$192.1 million which the WOP Group intends to apply towards working capital and property development purposes.

Taking into account the foregoing, the WOP Directors (other than the members of the WOP IBC whose view will be set out in the circular to be issued by WOP after considering the advice from the WOP IFA) are of the view that the Agreement is on normal commercial terms and are fair and reasonable, and the Transaction is in the ordinary and usual course of business of the WOP Group and in the interests of WOP and the WOP Shareholders as a whole.

#### **INFORMATION ON THE PARTIES TO THE AGREEMENT AND THE TARGET COMPANIES**

Each of Guidepost Investments and East Run is principally engaged in investment holding and the Target Companies are principally engaged in the holding of the respective Properties.

The below table sets out the unaudited aggregate net profits/(loss) before and after taxation attributable to the Target Companies for the years ended 31 March 2016 and 31 March 2017 based on their respective audited financial statements:

	<b>For the year ended 31 March</b>	
	<b>2016</b>	<b>2017</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net profit/(loss) before taxation	(4,080.3)	9,948.3
Net profit/(loss) after taxation	(4,942.1)	8,925.7

According to the unaudited financial statements of the Target Companies, the unaudited aggregate net asset value of the Target Companies as at 30 September 2017 is HK\$72.7 million.

Taking into account the Consideration, the carrying value of the Target Companies as at 30 September 2017, shareholder's loans owed by the Target Companies and the related transaction costs, WOP expects to record a loss on disposal of approximately HK\$73.7 million, subject to the valuation of the Properties as at the date of completion and further review by WOP's auditor.

## **LISTING RULES IMPLICATIONS**

As at the date of this joint announcement, WOG is the indirect controlling shareholder (and hence a connected person) of both WOP and WYT holding, respectively, 75.0% and approximately 56.5% of all the issued shares in WOP and WYT. Accordingly, each of East Run and Guidepost Investments is an associate of WYT and WOP respectively for the purposes of the Listing Rules, and the transactions contemplated under the Agreement constitute a connected transaction for WYT and WOP. As the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Transaction exceed 25% and are below 100% for both WYT and WOP, the Agreement and the transactions contemplated thereunder constitute a connected transaction and a major transaction for WYT and WOP and are therefore subject to the reporting, announcement and the independent shareholders' approval requirements under Chapters 14A and 14 of the Listing Rules.

## **THE WYT IBC AND THE WOP IBC**

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The WOP IBC comprising all the independent non-executive WOP Directors has been formed to advise the Independent WOP Shareholders on the Agreement and the transactions contemplated thereunder.

## **THE WYT SGM AND THE WOP SGM**

The WYT SGM will be held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. WOG and its associates will (and any other WYT Shareholders with material interest in the Agreement will be required to) abstain from voting on the resolution(s) to be proposed at the WYT SGM for approving the Agreement and the transactions contemplated thereunder.

The WOP SGM will be held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. WOG and its associates will (and any other WOP Shareholders with material interest in the Agreement will be required to) abstain from voting on the resolution(s) to be proposed at the WOP SGM for approving the Agreement and the transactions contemplated thereunder.



## DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Agreement, (ii) the recommendations of the WYT IBC to the Independent WYT Shareholders, (iii) the letter of advice from the WYT IFA in respect of the Agreement and the transactions contemplated thereunder to the WYT IBC and the Independent WYT Shareholders; and (iv) a notice convening the WYT SGM and the accompanying proxy form, is expected to be despatched to the WYT Shareholders on or before 2 March 2018.

A circular containing, among other things, (i) further details of the Agreement, (ii) the recommendations of the WOP IBC to the Independent WOP Shareholders, (iii) the letter of advice from the WOP IFA in respect of the Agreement and the transactions contemplated thereunder to the WOP IBC and the Independent WOP Shareholders; and (iv) a notice convening the WOP SGM and the accompanying proxy form, is expected to be despatched to the WOP Shareholders on or before 2 March 2018.

## WARNING

**SHAREHOLDERS AND POTENTIAL INVESTORS OF WYT AND WOP SHOULD BE AWARE THAT THE AGREEMENT IS SUBJECT TO A NUMBER OF CONDITIONS BEING SATISFIED, INCLUDING BUT NOT LIMITED TO THE APPROVAL OF THE AGREEMENT AT THE WYT SGM AND THE WOP SGM, AND CONSEQUENTLY, THE TRANSACTIONS UNDER THE AGREEMENT MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS OF WYT AND WOP ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF WYT AND/OR WOP.**

## DEFINITIONS

In this joint announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Agreement”	a sale and purchase agreement dated 7 February 2018 entered into between East Run as vendor and Guidepost Investments as purchaser in respect of the Transaction
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“BVI”	the British Virgin Islands
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Transaction, being HK\$350.0 million

“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“East Run”	East Run Investments Limited, a company incorporated in the BVI and an indirectly wholly-owned subsidiary of WOP, and the vendor under the Agreement
“Guidepost Investments”	Guidepost Investments Limited, a company incorporated in the BVI and an indirectly wholly-owned subsidiary of WYT, and the purchaser under the Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent WOP Shareholders”	WOP Shareholders other than (i) WOG and its associates, and (ii) those other WOP Shareholders who are required to abstain from voting on the resolution(s) to be proposed at the WOP SGM
“Independent WYT Shareholders”	WYT Shareholders other than (i) WOG and its associates, and (ii) those other WYT Shareholders who are required to abstain from voting on the resolution(s) to be proposed at the WYT SGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Oriental Sino”	Oriental Sino Investments Limited, a company incorporated in Hong Kong and a directly wholly-owned subsidiary of East Run as at the date of this joint announcement
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement, does not include Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Precious Investments”	Precious Investments Limited, a company incorporated in Hong Kong and a directly wholly-owned subsidiary of East Run as at the date of this joint announcement
“Properties”	the respective commercial properties held by the Target Companies as set out above in this joint announcement

“Shiny World”	Shiny World Investment Limited, a company incorporated in Hong Kong and a directly wholly-owned subsidiary of East Run as at the date of this joint announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Companies”	collectively, Shiny World, Wang To, Oriental Sino and Precious Investments
“Transaction”	sale and purchase of all the shares in, and shareholder’s loans owed by, the Target Companies pursuant to the Agreement
“Wang To”	Wang To Investments Limited, a company incorporated in Hong Kong and a directly wholly-owned subsidiary of East Run as at the date of this joint announcement
“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)
“WOP Board”	the board of the WOP Directors
“WOP Director(s)”	the director(s) of WOP
“WOP Group”	WOP and its subsidiaries
“WOP IBC”	an independent committee of the WOP Board comprising all of the independent non-executive WOP Directors formed for the purpose of advising the Independent WOP Shareholder(s) on the Agreement and the transactions contemplated thereunder
“WOP IFA”	the independent financial adviser to be appointed to advise the WOP IBC and the Independent WOP Shareholders on the Agreement and the transactions contemplated thereunder, and as to voting at the WOP SGM

\* For identification purpose only

“WOP SGM”	the special general meeting of WOP to be convened and held to consider and approve, among other things, the Agreement and the transactions contemplated thereunder
“WOP Shareholder(s)”	the holder(s) of ordinary share(s) of HK\$0.001 each in the issued share capital of WOP
“WYT”	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)
“WYT Board”	the board of the WYT Directors
“WYT Director(s)”	the director(s) of WYT
“WYT Group”	WYT and its subsidiaries
“WYT IBC”	an independent committee of the WYT Board comprising all of the independent non-executive WYT Directors formed for the purpose of advising the Independent WYT Shareholder(s) on the Agreement and the transactions contemplated thereunder
“WYT IFA”	the independent financial adviser to be appointed to advise the WYT IBC and the Independent WYT Shareholders on the Agreement and the transactions contemplated thereunder, and as to voting at the WYT SGM
“WYT SGM”	the special general meeting of WYT to be convened and held to consider and approve, among other things, the Agreement and the transactions contemplated thereunder
“WYT Shareholder(s)”	the holder(s) of the ordinary share(s) of HK\$0.01 each in the issued share capital of WYT
“%”	per cent.

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

By Order of the WOP Board  
**WANG ON PROPERTIES LIMITED**  
宏安地產有限公司  
**Chan Chun Hong**  
*Chairman*

Hong Kong, 7 February 2018

\* For identification purpose only

*As at the date of this joint announcement, the WYT Board comprises Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas and Ms. Tang Mui Fun, as executive WYT Directors; and Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Cho Wing Mou and Mr. Li Ka Fai, David, as independent non-executive WYT Directors.*

*As at the date of this joint announcement, the WOP Board comprises Mr. Wong Yiu Hung Gary and Mr. Tang Ho Hong, as executive WOP Directors; Mr. Chan Chun Hong as a non-executive WOP Director; and Mr. Li Wing Sum Steven, Mr. Sung Tze Wah and Sr Dr. Leung Tony Ka Tung, as independent non-executive WOP Directors.*