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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)



WANG ON PROPERTIES LIMITED
宏安地產有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1243)

JOINT ANNOUNCEMENT

**CONTINUING CONNECTED
TRANSACTIONS**

CONNECTED TRANSACTION

IN RELATION TO SUB-LICENSING AGREEMENTS

THE SUB-LICENSING AGREEMENTS

On 17 July 2019, Daywin, an indirect wholly-owned subsidiary of WYT, entered into the Sub-Licensing Agreements with each of WOPS, an indirect wholly-owned subsidiary of WOP, and WOMS, an indirect wholly-owned subsidiary of WOG, to continue the sub-licensing of the Premises for a term of further three years commencing from 18 July 2019 and expiring on 17 July 2022 (both dates inclusive).

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, WOG is the indirect controlling shareholder of both WOP and WYT holding 75.0% and approximately 58.08% of the entire issued share capital of WOP and WYT, respectively. Accordingly, each of WOP and WYT is an associate of WOG for the purposes of the Listing Rules, and the transactions contemplated under the Sub-Licensing Agreements constitute continuing connected transactions for WYT, and the transactions contemplated under the WOP Sub-Licensing Agreement constitute a connected transaction for WOP, under Chapter 14A of the Listing Rules.

* For identification purpose only

As all of the applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Sub-Licensing Agreements exceed 0.1% and are below 5% for WYT, the transactions contemplated under the Sub-Licensing Agreements constitute continuing connected transactions for WYT and are only subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) in respect of the total value of the right of use of the Premises recognised by WOP under the WOP Sub-Licensing Agreement exceed 0.1% and are below 5% for WOP, the transactions contemplated under the WOP Sub-Licensing Agreement constitute a connected transaction for WOP and are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND TO THE SUB-LICENSING AGREEMENTS

References are made to the announcement dated 19 September 2016 published by WYT and the announcement dated 24 April 2017 published by WOP. Daywin, an indirect wholly-owned subsidiary of WYT, has been sub-licensing the Premises to WOPS, an indirect wholly-owned subsidiary of WOP, and WOMS, an indirect wholly-owned subsidiary of WOG, pursuant to the Previous Sub-Licensing Agreements. The Previous Sub-Licensing Agreements will expire on 17 July 2019.

PRINCIPAL TERMS OF THE SUB-LICENSING AGREEMENTS

Set out below are the principal terms of the Sub-Licensing Agreements:

	WOG Sub-Licensing Agreement	WOP Sub-Licensing Agreement
Date:	17 July 2019	17 July 2019
Parties:	(i) Daywin, as licensor; and (ii) WOMS, as licensee.	(i) Daywin, as licensor; and (ii) WOPS, as licensee.

Daywin is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of WYT. Daywin is principally engaged in the provision of management services for the WYT Group.

WOG Sub-Licensing Agreement

WOP Sub-Licensing Agreement

WOMS is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of WOG. WOMS is principally engaged in the provision of management services for the WOG Group.

WOPS is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of WOP. WOPS is principally engaged in the provision of management services for the WOP Group.

Premises:	the office premises located at Units 02, 03, 05, 06 and 15, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong having a gross floor area of approximately 9,043 square feet, licensed to WOMS for office use purpose by the WOG Group.	the office premises located at Units 01 and 07 to 12, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong having a gross floor area of approximately 20,011 square feet, licensed to WOPS for office use purpose by the WOP Group.
Term:	For a term of further three years commencing from 18 July 2019 and expiring on 17 July 2022, both dates inclusive.	
Licence fee:	HK\$193,375 per calendar month, exclusive all rates, Government rent, management fee, air-conditioning charge and other outgoings, payable monthly in advance.	HK\$425,745 per calendar month, exclusive all rates, Government rent, management fee, air-conditioning charge and other outgoings, payable monthly in advance.
Other charges:	<i>Management fee and air-conditioning charge:</i> <ul style="list-style-type: none">– HK\$50,821 per calendar month from 18 July 2019 to 31 March 2020– HK\$54,378 per calendar month from 1 April 2020 to 31 March 2021– HK\$58,184 per calendar month from 1 April 2021 to 31 March 2022– HK\$62,257 per calendar month from 1 April 2022 to 17 July 2022	<i>Management fee and air-conditioning charge:</i> <ul style="list-style-type: none">– HK\$112,461 per calendar month from 18 July 2019 to 31 March 2020– HK\$120,333 per calendar month from 1 April 2020 to 31 March 2021– HK\$128,757 per calendar month from 1 April 2021 to 31 March 2022– HK\$137,770 per calendar month from 1 April 2022 to 17 July 2022

WOG Sub-Licensing Agreement**WOP Sub-Licensing Agreement***Rates:*

- HK\$9,544 per calendar month from 18 July 2019 to 31 March 2020
- HK\$10,212 per calendar month from 1 April 2020 to 31 March 2021
- HK\$10,927 per calendar month from 1 April 2021 to 31 March 2022
- HK\$11,692 per calendar month from 1 April 2022 to 17 July 2022

Rates:

- HK\$21,121 per calendar month from 18 July 2019 to 31 March 2020
- HK\$22,599 per calendar month from 1 April 2020 to 31 March 2021
- HK\$24,181 per calendar month from 1 April 2021 to 31 March 2022
- HK\$25,874 per calendar month from 1 April 2022 to 17 July 2022

Government rent:

- HK\$5,882 per calendar month from 18 July 2019 to 31 March 2020
- HK\$6,294 per calendar month from 1 April 2020 to 31 March 2021
- HK\$6,735 per calendar month from 1 April 2021 to 31 March 2022
- HK\$7,207 per calendar month from 1 April 2022 to 17 July 2022

Government rent:

- HK\$13,017 per calendar month from 18 July 2019 to 31 March 2020
- HK\$13,928 per calendar month from 1 April 2020 to 31 March 2021
- HK\$14,903 per calendar month from 1 April 2021 to 31 March 2022
- HK\$15,946 per calendar month from 1 April 2022 to 17 July 2022

Deposit: HK\$519,244

HK\$1,144,688

Taking into account the amount of licence fee, management fee and air-conditioning charge, rates and Government rent payable by WOPS under the WOP Sub-Licensing Agreement, the total value of the right of use of the Premises recognised by WOP amounts to approximately HK\$19.6 million, subject to auditor's further review and final confirmation.

The total amount of rental, management fee and air-conditioning charges, rates and Government rent payable under the tenancy agreement dated 18 May 2016 entered into between Daywin and the landlord in respect of the Premises for the term from 18 July 2019 to 17 July 2022 is approximately HK\$29.5 million.

ANNUAL CAPS

Based on the aforementioned licence fee, management fee and air-conditioning charge, rates and Government rent payable by WOPS as aggregated with WOMS under the Sub-Licensing Agreements, it is resolved by the WYT Board that the aggregate annual caps for the licence fee and other charges payable by the WOP Group and the WOG Group to the WYT Group for each of the financial years ending 31 March 2020, 2021, 2022 and 2023 are HK\$7.1 million, HK\$10.2 million, HK\$10.4 million and HK\$3.2 million[#], respectively.

The annual caps are determined with reference to the licensing and the sub-licensing fee together with other charges agreed under the Sub-Licensing Agreements (which are also determined with reference to the prevailing market rent of comparable properties and the rental payable by Daywin to its landlord of the Premises).

HISTORICAL FIGURES

The historical licence fees paid by the WOG Group and the WOP Group to the WYT Group under the Previous Sub-Licensing Agreements for the period from the date of the Previous Sub-Licensing Agreements to each of the three financial years ended 31 March 2017, 2018 and 2019 and for the period from 1 April 2019 to 17 July 2019 were approximately HK\$5,167,670, HK\$9,652,254, HK\$9,700,111 and HK\$2,898,305, respectively.

REASONS FOR AND BENEFITS OF THE SUB-LICENSING AGREEMENTS

The WYT 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”; and (iii) property investment.

The WOP Group is principally engaged in the businesses of developing residential and commercial properties for sale and investing in commercial and industrial properties for investment return and capital appreciation.

[#] *The term of the Sub-Licensing Agreements shall end on 17 July 2022.*

Since the Previous Sub-Licensing Agreements will expire on 17 July 2019, the Sub-Licensing Agreements are entered into between Daywin and each of WOPS and WOMS to continue the sub-licensing of the Premises for a term of further three years commencing from 18 July 2019 and expiring on 17 July 2022 (both dates inclusive).

The sharing of office spaces and expenses as contemplated under the Sub-Licensing Agreements enables the parties to enjoy savings in their operational costs. The terms of the Sub-Licensing Agreements were reached on an arm's length basis with reference to the prevailing market rent of comparable properties. In light of the above, (i) the WYT Directors, including their independent non-executive directors, consider that the terms of the Sub-Licensing Agreements are on normal commercial terms and are fair and reasonable, and the entering into of the Sub-Licensing Agreements is in the ordinary course of business of WYT and in the interests of WYT and the WYT Shareholders as a whole; and (ii) the WOP Directors, including their independent non-executive directors, consider that the terms of the WOP Sub-Licensing Agreement are on normal commercial terms and are fair and reasonable, and the entering into of the WOP Sub-Licensing Agreement is in the ordinary course of business of WOP and in the interests of WOP and the WOP Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, WOG is the indirect controlling shareholder of both WOP and WYT holding 75.0% and approximately 58.08% of the entire issued share capital of WOP and WYT, respectively. Accordingly, each of WOP and WYT is an associate of WOG for the purposes of the Listing Rules, and the transactions contemplated under the Sub-Licensing Agreements constitute continuing connected transactions for WYT, and the transactions contemplated under the WOP Sub-Licensing Agreement constitute a connected transaction for WOP, under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Sub-Licensing Agreements exceed 0.1% and are below 5% for WYT, the transactions contemplated under the Sub-Licensing Agreements constitute continuing connected transactions for WYT and are only subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) in respect of the total value of the right of use of the Premises recognised by WOP under the WOP Sub-Licensing Agreement exceed 0.1% and are below 5% for WOP, the transactions contemplated under the WOP Sub-Licensing Agreement constitute a connected transaction for WOP and are only subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In light of Mr. Tang Ching Ho's shareholding interest in WOG (which in turn is the indirect holding company of WOP) and Mr. Chan Chun Hong's directorship in WOP, they have abstained from voting on the relevant resolution(s) of the WYT Board approving the Sub-Licensing Agreements in view of their material interests therein.

In light of Mr. Chan Chun Hong's overlapping directorship on the WOP Board and the WYT Board, he has abstained from voting on the relevant resolution(s) of the WOP Board approving the WOP Sub-Licensing Agreement. In addition, Mr. Tang Ho Hong has also voluntarily abstained from voting on the relevant resolution(s) of the WOP Board approving the WOP Sub-Licensing Agreement.

DEFINITIONS

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

“associate(s)” or “controlling shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Daywin”	Daywin Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of WYT
“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”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	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
“Premises”	collectively the WOG Premises and the WOP Premises

“Previous Sub-Licensing Agreements”	collectively the WOG Previous Sub-Licensing Agreement and the WOP Previous Sub-Licensing Agreement
“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)
“Sub-Licensing Agreements”	collectively the WOG Sub-Licensing Agreement and the WOP Sub-Licensing Agreement
“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)
“WOG Group”	WOG and its subsidiaries, for the purpose of this joint announcement, excludes the WOP Group and the WYT Group
“WOG Premises”	office premises located at Units 02, 03, 05, 06 and 15, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong
“WOG Previous Sub-Licensing Agreement”	sub-licensing agreement dated 19 September 2016 entered into between Daywin and WOMS in respect of the WOG Premises
“WOG Sub-Licensing Agreement”	supplemental sub-licensing agreement dated 17 July 2019 entered into between Daywin and WOMS to continue the sub-licensing in respect of the WOG Premises for a term of further three years commencing from 18 July 2019 and expiring on 17 July 2022, both dates inclusive
“WOMS”	Wang On Management Services Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of WOG

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“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 listed subsidiary of WOG
“WOP Board”	board of the WOP Directors
“WOP Director(s)”	director(s) of WOP
“WOP Group”	WOP and its subsidiaries
“WOP Premises”	office premises located at Units 01, 07 to 12, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong
“WOP Previous Sub-Licensing Agreement”	sub-licensing agreement dated 19 September 2016 entered into between Daywin and WOPS in respect of the WOP Premises
“WOPS”	Wang On Properties Services Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of WOP
“WOP Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.001 (each) in the issued share capital of WOP
“WOP Sub-Licensing Agreement”	supplemental sub-licensing agreement dated 17 July 2019 entered into between Daywin and WOPS to continue the sub-licensing in respect of the WOP Premises for a term of further three years commencing from 18 July 2019 and expiring on 17 July 2022, both dates inclusive
“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) and a 58.08%-owned listed subsidiary of WOG
“WYT Board”	board of the WYT Directors

* For identification purpose only

“WYT Director(s)”	director(s) of WYT
“WYT Group”	WYT and its subsidiaries
“WYT Shareholder(s)”	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 and Managing Director

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

Hong Kong, 17 July 2019

As at the date of this joint announcement, the WYT Board comprises Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas, Ms. Tang Mui Fun and Ms. Tang Wai Man, 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, Mr. Tang Ho Hong and Ms. Ching Tak Won Teresa, 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.

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