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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)

DISCLOSEABLE TRANSACTION IN RELATION TO A DISPOSAL OF A SUBSIDIARY

THE DISPOSAL

The Board announces that on 28 February 2019, the Vendor, an indirect wholly-owned subsidiary of the Company entered into the Provisional Agreement with the Purchaser, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell the Sale Share and assign the benefit of the Shareholder Loan for the consideration of HK\$53,088,000. The Target holds the Property located in Kwun Tong, Kowloon, which is currently leased to an independent third party for commercial purpose. Upon Completion, the Property will be delivered by the Vendor to the Purchaser subject to and with the benefit of the said existing lease.

GENERAL

As one of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the transaction contemplated under the Provisional Agreement constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements pursuant to Rule 14.06(2) of the Listing Rules.

* *For identification purpose only*

THE PROVISIONAL AGREEMENT

1. Date

28 February 2019

2. Parties

- i. Guidepost Investments Limited, an indirect wholly-owned subsidiary of the Company as at the date of this announcement, as the Vendor, which is principally engaged in the business of investment holding; and
- ii. individual persons, as the Purchaser.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser is third party individual(s) independent of the Company and its connected persons and there was no previous transaction entered into between the Company and the Purchaser prior to the date of the Provisional Agreement which will need to be aggregated with the Disposal.

3. Assets to be disposed of

Pursuant to the Provisional Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Share (representing the entire issued share capital of the Target as at the date of this announcement) and assign the benefit of the Shareholder Loan.

4. Consideration

The Consideration is HK\$53,088,000, which was/will be paid by the Purchaser in the following manner:

- (i) an initial deposit of HK\$2,000,000 (the “**Initial Deposit**”) was paid by the Purchaser upon signing of the Provisional Agreement;
- (ii) a second deposit of HK\$3,308,800 (the “**Second Deposit**”) will be paid by the Purchaser on or before 12 March 2019; and
- (iii) the balance of the Consideration of HK\$47,779,200 shall be paid upon Completion.

The Initial Deposit and the Second Deposit paid or payable by the Purchaser to the Vendor’s solicitors, as stakeholders, will be released to the Purchaser upon Completion.

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser with reference to the prevailing market prices of similar properties at similar location and the prevailing rental yield as compared to the Property held by the Target.

5. Completion

Pursuant to the Provisional Agreement, it is expected that the formal agreement in relation to the Disposal will be entered into between the Vendor and the Purchaser on or before 29 March 2019, and Completion is also expected to take place on or before 14 June 2019 (or such later date as may be agreed in writing between the Vendor and the Purchaser).

INFORMATION ON THE TARGET

The Target is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of property holding. As at the date of this announcement, the Target is directly and wholly owned by the Vendor.

The Target is principally holding the Property — being the property on Shop G on Ground Floor, Kin Tak House, Nos. 93, 95, 99, 101, 103, 105, 107, 109, 111, 113 and 115 Hip Wo Street, Kowloon, Hong Kong, with a total gross floor area of approximately 800 square feet.

The Property is currently leased to an independent third party for commercial purpose for a term of four years commencing from 8 December 2016 and expiring on 7 December 2020 at a monthly rental of HK\$108,000 exclusive of rates and management fee of the Property. The aggregate annual rental income derived from the Property amounted to HK\$1.3 million and HK\$1.2 million for the years ended 31 March 2017 and 2018 respectively.

Upon Completion, the Property will be delivered by the Vendor to the Purchaser subject to and with the benefit of the said existing lease.

Set out below is the audited financial information of the Target for the two financial years ended 31 March 2017 and 2018 extracted from the audited financial statements of the Target which are prepared under the generally accepted accounting principles in Hong Kong and the unaudited management account for the six months period ended 30 September 2018:

	For the six months ended 30 September 2018 <i>HK\$'000</i> (unaudited)	For the year ended 31 March	
		2018 <i>HK\$'000</i> (audited)	2017 <i>HK\$'000</i> (audited)
Revenue	648.0	1,242.0	1,328.1
Profit/(loss) before taxation	(1,482.0)	1,099.3	(1,650.5)
Net profit/(loss) after taxation	(1,482.0)	1,099.3	(1,650.5)

As at 31 January 2019, the unaudited net asset value of the Target amounted to approximately HK\$21.8 million.

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEED

Immediately after Completion, the Target will cease to be a subsidiary of the Company and the financial results of the Target will no longer be consolidated into the Group's financial statements.

The net proceeds arising from the Disposal of approximately HK\$52.2 million will be used for repaying of bank loans of the Group.

Based on, *inter alia*, the Consideration, the unaudited net asset value as at 31 January 2019, the Shareholder Loan of approximately HK\$35.8 million owed by the Target to the Vendor and the related expenses for the Disposal, the Group currently expects to record a loss on disposal of approximately HK\$5.5 million upon Completion.

Shareholders and potential investors of the Company should note that the above figures are for illustrative purpose only. The actual loss may be different from the above and will be determined based on the financial position of the Target on the date of Completion and the review by the Company's auditor.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 products and personal care products under the brand names of "Madame Pearl's" and "Pearl's"; and (iii) property investment. The Vendor is principally engaged in investment holding.

The Directors are of the view that the Disposal would benefit the Group by indirectly realising its investment in the Property and also improve the liquidity and overall financial position of the Group.

The Directors, including the independent non-executive Directors, consider that the terms of the Provisional Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

GENERAL

As one of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the transaction contemplated under the Provisional Agreement constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements pursuant to Rule 14.06(2) of the Listing Rules.

DEFINITIONS

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

“Board”	the board of the 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 whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 897)
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the total cash consideration for the Disposal, being HK\$53,088,000
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share and the Shareholder Loan by the Vendor to the Purchaser pursuant to the Provisional Agreement
“Group”	the Company together with 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, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

* For identification purpose only

“Property”	being Shop G on Ground Floor, Kin Tak House, Nos. 93, 95, 99, 101, 103, 105, 107, 109, 111, 113 and 115 Hip Wo Street, Kowloon, Hong Kong, with a total gross floor area of approximately 800 square feet
“Provisional Agreement”	the provisional sale and purchase agreement dated 28 February 2019 entered into between the Purchaser and the Vendor in relation to the Disposal
“Purchaser”	joint individual persons, who are third parties independent of and not connected with the Company and its connected persons
“Sale Share”	one issued ordinary share of the Target, representing the entire issued share capital of the Target beneficially held by the Vendor
“Shareholder Loan”	the loan owing by the Target to the Vendor on the date of Completion (the principal amount of such loan being HK\$35.8 million as at 31 January 2019 which may be varied before Completion), being an interest free loan and repayable on demand and which, subject to and on the terms and conditions of the Provisional Agreement, shall be assigned by the Vendor to the Purchaser on Completion
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued 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)
“Target”	Union Target Limited, a company incorporated in Hong Kong with limited liability and is directly and wholly owned by the Vendor as at the date of this announcement

“Vendor”

Guidepost Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company, which is principally engaged in the business of investment holding

“%”

per cent.

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
Executive Director

Hong Kong, 28 February 2019

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

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