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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 DISCLOSABLE TRANSACTION IN RELATION TO DISPOSAL OF PROPERTY

THE DISPOSAL

On 17 June 2024, the Vendor, an indirect wholly-owned subsidiary of the Company, as vendor, entered into the Provisional Agreement with the Purchasers, as purchasers, pursuant to which the Vendor has agreed to sell, and the Purchasers have agreed to purchase, the Property at the Consideration of HK\$21.90 million. Upon Completion, the Property will be delivered to the Purchasers subject to the New Tenancy Agreement.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is below 25%, the Disposal constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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PRINCIPAL TERMS OF THE PROVISIONAL AGREEMENT

The principal terms of the Provisional Agreement are summarized below:

Date: 17 June 2024

Parties: (i) Star Sense Limited, an indirect wholly-owned subsidiary of the Company as the Vendor; and
(ii) Pun Winnie Weng Yin and Pun Bonnie Suk Yin, as the Purchasers

Property: Shop A on Ground Floor, Onshine Commercial Building, No. 10 Tung Sing Road, Hong Kong

Consideration: HK\$21.90 million

The Consideration was arrived after arm's length negotiations between the Vendor and the Purchasers, having taken into account, among the others, the current market prices of comparable properties, prevailing market conditions and the appraised market value of the Property of HK\$23.00 million as at 31 May 2024 under the valuation report prepared by the an independent professional third party valuer (based on market approach with reference to the market prices of comparable properties) engaged by the Company.

Payment terms: The Consideration has been and will be paid by the Purchasers to the Vendor in the following manner:

- (i) an initial deposit of HK\$1.00 million has been paid to the Vendor upon signing of the Provisional Agreement;
- (ii) a further deposit of HK\$1.19 million shall be payable to the Vendor upon signing of the Formal Agreement; and
- (iii) the balance of the Consideration of HK\$19.71 million shall be payable to the Vendor upon Completion

All deposits shall be paid to the Vendor's solicitors, as stakeholders, unless it is proved the balance of the Consideration being sufficient to discharge the existing legal charge or mortgage in respect of the Property.

Formal Agreement: The Vendor and the Purchasers will enter into the Formal Agreement on or before 3 July 2024.

Costs and expenses: Each of the Vendor and Purchasers shall bear its/their own costs (including the legal costs) to be incurred in connection with the Disposal and the stamp duty in relation to the Disposal shall be borne by the Purchasers solely.

Completion: Completion will take place on or before 26 August 2024.

Additional term: Upon the Completion, the Existing Tenancy Agreement with WYT Retail, as tenant, will be terminated and immediately after termination of the Existing Tenancy Agreement, a new tenancy agreement will be entered into between the Purchasers, as landlord, and WYT Retail, as tenant, for retail shop purpose for a term of three years commencing on the Completion Date at the monthly rent of HK\$95,000 (exclusive of management fees, rates and other outgoings) with an option to renew for a further term of three years (the "**New Tenancy Agreement**").

A sum equivalent to 1.5% of the Consideration being the agency fee shall be payable by the Vendor to the Property Agent upon Completion.

INFORMATION ON THE PROPERTY

The Property comprises a shop unit situated at Shop A on Ground Floor, Onshine Commercial Building, No. 10 Tung Sing Road, Hong Kong with a total saleable area of approximately 434 square feet. As at the date of this announcement, the Property is subject to the Existing Tenancy Agreement at present and has been rented out to WYT Retail for a term of three years commencing on 1 April 2022 at the monthly rent of HK\$105,800 (exclusive of the rates and management fees) for operation of a shop and the term of the Existing Tenancy Agreement will early terminate on the Completion Date.

As at 31 May 2024, the carrying value of the Property in the unaudited consolidated financial statements of the Company was approximately HK\$14.1 million. According to the audited financial statements of the Vendor for the financial year ended 31 March 2023, the unaudited financial statements of the Vendor for the financial year ended 31 March 2024 and the two months ended 31 May 2024, the revenue and the net profit/(loss) attributable to the Property were as follows:

	For the two months ended 31 May 2024	For the year ended 31 March	
	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(audited)</i>
Revenue	212	1,199	1,199
Profit/(loss) before taxation	202	(2,265)	(471)
Profit/(loss) after taxation	202	(2,343)	(563)

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Subject to review and confirmation by the auditors of the Company, it is expected that upon Completion, the Group will record a gain (after deducting the relevant expenses and charges) of approximately HK\$7.4 million, which is calculated by reference to the net proceeds (the Consideration after deducting the relevant expenses and charges) from the Disposal of approximately HK\$21.5 million and the carrying value of the Property as at 31 May 2024 in the unaudited consolidated financial statements of the Company of approximately HK\$14.1 million.

It is intended that the net proceeds arising from the Disposal of approximately HK\$21.5 million (after deduction of the relevant expenses and charges) will be fully used for repayment of the mortgage loan with respect to the Property.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Property was acquired by the Group in 2010 and it is currently leased to WYT Retail operating a shop under the Existing Tenancy Agreement. Taking into account the prevailing retail property market conditions and the quality of the Property (including its location, the age of the Property, surrounding facilities and redevelopment potential), the Board considers that the Disposal provides a good opportunity for the Group to realise the value of the Property at an appropriate time and to reduce the indebtedness by using the proceeds from the Disposal while the New Tenancy Agreement enables the continued retail operations of the Group at a lower monthly rent.

Having taking into account of the above reasons and benefits, the Directors (including the independent non-executive Directors) are of the view that the terms of the Provisional Agreement, which have been determined on an arm's length basis, are fair and reasonable and the Disposal is on normal commercial terms and is in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP AND THE VENDOR

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”; and (iii) property investment.

The Vendor, an indirect wholly-owned subsidiary of the Company, is a company incorporated in Hong Kong with limited liability and its principal business is holding and leasing of the Property.

INFORMATION ON THE PURCHASERS AND THE PROPERTY AGENT

The Purchasers are individual persons and are merchants.

Based on the information available to the Vendor, the Property Agent is a licensed property agent in Hong Kong.

As at the date of this announcement, to the best of the knowledge, information and belief of the Board having made all reasonable enquiries, the Purchasers and the Property Agent and its ultimate beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATION

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DEFINITIONS

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

“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, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 897)
“Completion”	the completion of the Disposal
“Completion Date”	the date of Completion, which shall be on or before 26 August 2024
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the cash consideration for the Disposal, being HK\$21.90 million
“Directors”	the directors of the Company
“Disposal”	the disposal of the Property pursuant to the Provisional Agreement
“Existing Tenancy Agreement”	the tenancy agreement dated 20 May 2022 entered into between the Vendor, as landlord, and WYT Retail, as tenant for a term of three years from 1 April 2022 to 31 March 2025 at the monthly rent of HK\$105,800 (exclusive of rates and management fee)
“Formal Agreement”	the formal sale and purchase agreement to be entered into between the Vendor and the Purchasers in relation to the Disposal on or before 3 July 2024
“Group”	the Company and 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
“Independent Third Party(ies)”	any entity(ies) or person(s) which or who is/are not a connected person of the Company

“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 A on Ground Floor, Onshine Commercial Building, No. 10 Tung Sing Road, Hong Kong
“Property Agent”	Hong Kong Property Services (Agency) Limited, the property agent in respect of the Disposal
“Provisional Agreement”	a provisional sale and purchase agreement dated 17 June 2024 entered into between the Vendor and the Purchasers in relation to the Disposal
“Purchasers”	Pun Winnie Weng Yin and Pun Bonnie Suk Yin
“subsidiaries”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Vendor”	Star Sense Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“WYT Retail”	Wai Yuen Tong (Retail) Limited, a company incorporated in Hong Kong with limited liability and an indirect subsidiary of the Company
“%”	per cent

By order of the board of directors of
WAI YUEN TONG MEDICINE HOLDINGS LIMITED
(位元堂藥業控股有限公司*)
Tang Wai Man
Executive Director

Hong Kong, 17 June 2024

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. Li Ka Fai, David, Professor Sit Wing Hang and Professor Chan Wing Kwong as independent non-executive directors.

* *For identification purpose only*