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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 DISPOSAL AND LEASEBACK OF THE PROPERTY AND RESUMPTION OF TRADING

On 13 February 2007, Plenty Time, a wholly-owned subsidiary of WYT, entered into the Conditional Sale and Purchase Agreement with the Purchaser, pursuant to which Plenty Time has agreed to sell the Sale Share being the entire issued share capital of Conful and the Debt at a total cash consideration of HK\$188,000,000. The principal asset of Conful is the Property. The Conditional Sale and Purchase Agreement is subject to fulfillment of certain conditions precedents which are set out below in this announcement. The Purchaser is an independent third party not connected with WYT and its connected persons (as defined under the Listing Rules).

Upon Completion, WYT shall enter into the Leaseback Agreement with Conful to rent the Property from Conful for a period of ten years at a monthly rental of HK\$1,018,334 in the first 5 years of the Lease Term and HK\$1,096,667 in the last 5 years of the Lease Term, with an option, at the discretion of WYT, to renew the lease for a further 5 years at the then prevailing market rent.

The Disposal constitutes a major transaction of WYT under Chapter 14 of the Listing Rules and is subject to the approval of the WYT Shareholders at the SGM.

A circular containing, among others, further information on the Disposal and the Leaseback Agreement; and a valuation report on the Property together with a notice of the SGM will be despatched to the WYT Shareholders as soon as practicable.

At the request of WYT, trading in the WYT Shares on the Stock Exchange was suspended from 9:30 a.m. on 14 February 2007 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the WYT Shares with effect from 9:30 a.m. on 15 February 2007.

* *For identification purpose only*

THE CONDITIONAL SALE AND PURCHASE AGREEMENT

Date: 13 February 2007

Parties:

Vendor: Plenty Time, a wholly-owned subsidiary of WYT

Purchaser: Golden Orchard Holdings Ltd.

Vendor's guarantor: WYT, which agrees to guarantee the due performance by the Vendor of the latter's obligations under the Conditional Sale and Purchase Agreement

To the best of the WYT Directors' knowledge, information and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are independent third parties not connected with WYT and its connected persons (as defined under the Listing Rules). The Purchaser is an investment holding company.

Assets to be disposed

The Sale Share which represent the entire issued share capital of Conful and the Debt which represents all amounts owing by Conful to Plenty Time as at the date of Completion at an aggregate consideration of HK\$188,000,000. Conful is a property holding company. Its principal asset is Wai Yuen Tong Medicine Building which is a six-storey building situated at 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong. Upon Completion, Conful will cease to be a subsidiary of WYT.

Consideration and payment terms

The aggregate consideration for the Sale Share and the Debt is HK\$188,000,000 (subject to adjustment), which shall be paid by the Purchaser to WYT in cash, as follows:

- (i) HK\$18,800,000 has been paid by the Purchaser as initial deposit, which shall be applied towards partly for payment of the consideration, upon signing of the Conditional Sale and Purchase Agreement; and
- (ii) the remaining balance of HK\$169,200,000 shall be payable on Completion.

The terms of the Conditional Sale and Purchase Agreement, including the consideration, were arrived at after arm's length negotiation between parties to the agreement and with reference to an indicative valuation of the Property as at 31 January 2007 of HK\$185,000,000 made by a professional valuer which, to the best of the WYT Directors' knowledge, information and belief having made all reasonable enquiries, is an independent third party not connected with WYT and its connected persons (as defined under the Listing Rules) and the Purchaser. The valuation report in respect of the Property will be included in the circular to be despatched to the WYT Shareholders in due course.

Conditions of the Conditional Sale and Purchase Agreement

Completion of the Conditional Sale and Purchase Agreement is conditional upon:

1. the approval by the WYT Shareholders at the SGM of the resolution as regards the Conditional Sale and Purchase Agreement and transactions contemplated thereunder;

2. on the date of Completion, the Property is free from encumbrances and Conful shall have repaid the outstanding bank loan (the “Secured Bank Loan”) due to The Hongkong and Shanghai Banking Corporation Limited (the “Bank”) and have been released from any guarantees and counter indemnities executed in favour of the Bank.

According to the audited accounts of Conful, the Secured Bank Loan amounted to approximately HK\$16.5 million as at 31 March 2006;

3. the termination of any existing tenancies and property management agreement taken out in respect of the Property;
4. the execution of the deeds of assignment in respect of assignment to the Vendor of any amount owing by Conful to its associated companies, except for the Debt; and
5. there is no material adverse change in the financial status of Conful as at 31 March 2006 and the date of Completion as reflected from the audited accounts of Conful as at 31 March 2006 and the unaudited accounts of Conful as at the date of Completion respectively.

If any of the above conditions has not been fulfilled or waived by 26 March 2007, or such later date as the parties to the Conditional Sale and Purchase Agreement may agree, the Conditional Sale and Purchase Agreement shall terminate and cease to be of any further effect, subject to the liability in respect of any antecedent breaches; and the return of the deposit of HK\$18,800,000 (together with all interest accrued thereon) by Plenty Time to the Purchaser.

Completion

Completion shall take place on the third business day after fulfilment of all the conditions precedents to the Conditional Sale and Purchase Agreement or such other date as each of the parties may agree in writing.

THE LEASEBACK AGREEMENT

Pursuant to the Conditional Sale and Purchase Agreement, WYT shall upon Completion enter into the Leaseback Agreement with Conful. Conful will upon Completion become wholly owned by the Purchaser and will then be an independent third party not connected with WYT and its connected persons (as defined under the Listing Rules).

Principal terms of the Leaseback Agreement are as follows:

Lease Term: Ten years commencing from the date of Completion

Rental: In the first 5 years of the Lease Term
HK\$1,018,334 per month (exclusive of government rates and management fee)

In the last 5 years of the Lease Term
HK\$1,096,667 per month (exclusive of government rates and management fee)

Such monthly rental is determined after arm’s length negotiation between WYT and the Purchaser with reference to, among other things, the rental prices of the properties in the vicinity of the Property

Deposit: In the first 5 years of the Lease Term
Deposit of HK\$4,073,336, being 4 months' rent, payable by WYT upon signing of the Leaseback Agreement

In the last 5 years of the Lease Term
A top up sum of HK\$313,332 making the Deposit increased to HK\$4,386,668, being 4 months' rent (the above amount shall be payable on the 1st day of the sixth year of the Lease Term)

Further Lease Option: Pursuant to the Leaseback Agreement, WYT is also granted an option exercisable at the discretion of WYT to take a tenancy of the Property for a further term of five years from the end of the Lease Term, provided that a written notice should be given by WYT to Conful not less than six months prior to the end of the Lease Term. The rental for the Property during the extended lease term will be based on the market rent prevailing at the last day of the Lease Term. WYT shall comply with any applicable requirements of the then prevailing Listing Rules in the event that WYT decides to extend the term of the Leaseback Agreement.

INFORMATION ON THE PROPERTY AND CONFUL

The Property is a six-storey building located at 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong with a total gross floor areas of approximately 12,000 sq.m.. The Property may be used for industrial purpose. A majority portion of the Property is occupied by the group companies of WYT for operating use. The remaining portion is subject to a tenancy (the "Original Lease") entered into with a wholly-owned subsidiary of Wang On which shall expiry on 30 June 2009. The Wang On Group is also engaged to provide property management service for the Property. Conful shall negotiate with the Wang On Group with a view to terminating the above tenancy and property management agreements prior to Completion. The Property would, as from Completion, be leased back to WYT pursuant to the Leaseback Agreement. WYT intends to continue to occupy a majority portion of the Property for self-use. WYT may on about Completion enter into sub-lease agreement with the Wang On Group in respect of the portion of the Property currently being occupied by the latter on largely the same terms as the Original Lease. The Wang On Group may also be engaged by WYT to continue to provide property management service for the Property after Completion. Based on the aggregate of the currently expected annual rental and property management fee, the above arrangements shall be eligible for the exemption criterion under Rule 14A.34 of the Listing Rules and would only be subject to reporting and announcement requirements. Further announcement would be made by WYT as and when appropriate if firm agreement(s) in respect of the above is entered into.

As mentioned above, Conful is a property holding company. The following table sets out a summary of the audited financial results of Conful for the two years ended 31 March 2006:

| | For the year ended 31 March 2006 (HK\$) | For the year ended 31 March 2005 (HK\$) (restated) |
|-------------------|--|---|
| Revenue | 3,518,199 | 3,216,000 |
| Loss for the year | <u>(2,597,181)</u> | <u>(912,874)</u> |

| | As at 31 March 2006 (HK\$) | As at 31 March 2005 (HK\$) |
|-----------------|-------------------------------|-------------------------------|
| Net liabilities | <u>(3,510,054)</u> | <u>(912,873)</u> |

It is expected that as at Completion, Conful would have no material assets and liabilities except for the Property and the Debt.

REASONS FOR THE DISPOSAL AND THE LEASEBACK AGREEMENT AND USE OF PROCEEDS

WYT is principally engaged in (i) the manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicine products sold under the 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) processing and retailing of western pharmaceutical products under the brand name of “Madame Pearl’s”, and (iii) property holding and investments.

Given the improvement in value of the Property, the Directors consider it a good opportunity for WYT to dispose of the Property at the agreed price. The sales proceed would also enable WYT to embark on future business development. The Leaseback Agreement would allow WYT to have long-term and continuous use of the Property.

The net proceeds of HK\$184 million (after deducting the relevant expenses) from the Disposal will be applied to repay the Secured Bank Loan and the rest as general working capital of the WYT Group.

The WYT Directors are of the view that the terms of the Conditional Sale and Purchase Agreement and the proposed terms of the Leaseback Agreement are fair and reasonable and in the interest of the WYT Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL TO WYT GROUP

It is estimated that the Disposal would generate a profit of approximately HK\$100 million (calculated on the basis of the net proceeds from the Disposal of approximately HK\$184 million, the expected amount of the Debt as at Completion and the audited net deficit of Conful as at 31 March 2006 of approximately HK\$3.5 million). The exact amount of profit from Disposal would be calculated on the basis of the relevant figures as at Completion and therefore would be different from the above amount. It is expected that the profit from Disposal would be reflected in the consolidated accounts of WYT for the year ending 31 March 2007.

GENERAL

The Disposal constitutes a major transaction of WYT under Chapter 14 of the Listing Rules and is subject to the approval of the WYT Shareholders at the SGM.

A circular containing, among others, further information on the Disposal and the Leaseback Agreement; and a valuation report on the Property and together with a notice of the SGM will be despatched to the WYT Shareholders as soon as practicable.

As at the date of this announcement, the WYT Board comprises two executive directors, namely Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas, and four independent non-executive directors, namely Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Yuen Chi Choi and Mr. Cho Wing Mou.

SUSPENSION AND RESUMPTION OF TRADING

At the request of WYT, trading in the WYT Shares on the Stock Exchange was suspended from 9:30 a.m. on 14 February 2007 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the WYT Shares with effect from 9:30 a.m. on 15 February 2007.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

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|---|--|
| “associate(s)” | has the meaning ascribed thereto in the Listing Rules |
| “Business Day” | means a day (other than Saturday and any day on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open in Hong Kong for general banking business |
| “Completion” | completion of the Conditional Sale and Purchase Agreement |
| “Conditional Sale and Purchase Agreement” | the conditional sale and purchase agreement dated 13 February 2007 entered into between Plenty Time and the Purchaser in respect of the sale and purchase of the Sale Share and the Debt |
| “Conful” | Conful Limited, an indirect wholly-owned subsidiary of WYT and a company incorporated in Hong Kong with limited liability |
| “Debt” | the debt owing by Conful to Plenty Time as at the date of Completion |
| “Disposal” | the disposal of the Sale Share and the Debt pursuant to the Conditional Sale and Purchase Agreement |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Leaseback Agreement” | the leasing agreement to be entered into between WYT and Conful in respect of the leasing of the Property from Conful to WYT |
| “Lease Term” | the term of years for the Leaseback Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Sale Share” | the entire issued share capital of Conful |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “SGM” | the special general meeting of WYT to be convened and held for considering and, if thought fit, approving the Conditional Sale and Purchase Agreement, the Leaseback Agreement and the transactions contemplated thereunder |
| “Plenty Time” | Plenty Time Investments Limited, an indirect wholly-owned subsidiary of WYT and a company incorporated in British Virgin Islands with limited liability |

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|----------------------|--|
| “Property” | Wai Yuen Tong Medicine Building, a six-storey building situated at 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong |
| “PRC” | the People’s Republic of China |
| “Purchaser” | Golden Orchard Holdings Ltd., a company incorporated in British Virgin Islands with limited liability |
| “Wang On” | Wang On Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange and is a controlling shareholder of WYT |
| “Wang On Group” | Wang On and its subsidiaries |
| “WYT” | Wai Yuen Tong Medicine Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange |
| “WYT Board” | the board of directors of WYT |
| “WYT Director(s)” | the directors of WYT, including the independent non-executive directors |
| “WYT Group” | WYT and its subsidiaries |
| “WYT Share(s)” | ordinary shares of HK\$0.01 each in the share capital of WYT |
| “WYT Shareholder(s)” | holder(s) of WYT Shares |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “sq.m.” | square meters |
| “%” | per cent. |

By order of the WYT Board
Chan Chun Hong, Thomas
Managing Director

Hong Kong, 14 February 2007

Please also refer to the published version of this announcement in The Standard.