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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)

TERMINATION OF DISCLOSABLE TRANSACTION IN RELATION TO EQUITY TRANSFER AGREEMENT

Reference is made to the Company's announcement dated 16 September 2005 ("Announcement") in relation to the Equity Transfer Agreement to acquire from the Vendor 8% equity interest in Senox Agricultural, Senox Industrial and Senox Logistics for a total consideration of HK\$24 million by the Group.

On 21 February 2007, the Vendor and the Group entered into the Termination Agreement with immediate effect. The Vendor agreed to refund the amount of HK\$9.8 million to the Group by 21 May 2007 and thereafter, the Vendor and the Group are released from all liabilities and obligations in relation to the Equity Transfer Agreement following the signing of the Termination Agreement.

Reference is made to the Company's announcement dated 16 September 2005 ("Announcement") in relation to the conditional agreement dated 15 September 2005 (the "Equity Transfer Agreement") to acquire from Ms. Cai Xue Fang (the "Vendor") 8% equity interest in Senox Agricultural, Senox Industrial and Senox Logistics for a total consideration of HK\$24 million (the "Acquisition") by Aimsight, an indirectly wholly owned subsidiary of the Company. Details of the Acquisition has been set out in Company's announcement dated 16 September 2005.

On 21 February 2007, the Vendor and the Group, entered into the agreement to terminate the Acquisition with immediate effect (the "Termination Agreement"). The Vendor agreed to refund the amount of HK\$9.8 million to the Group by 21 May 2007 and thereafter, the Vendor and the Group are released from all liabilities and obligations in relation to the Equity Transfer Agreement following the signing of the Termination Agreement.

Pursuant to the Equity Transfer Agreement, the Group had made the first installment (the "First Installment") of the consideration for the Acquisition, being HK\$12 million shall be payable within 21 days from the date of signing the Equity Transfer Agreement and the remaining balance of HK\$12 million shall be payable within two months after the fulfillment of (i) the provision of evidence by the Vendor to the Group showing, to the satisfaction of the Group, that each of Senox Agricultural, Senox Industrial and Senox Logistics can be owned and controlled by the Group; and (ii) the Senox Group having obtained the land use rights certificate in respect of land with an area of not less than 300 mu on which the agricultural products distribution centre, being constructed at 東莞市大嶺山 (Dailingshan in Dongguan*), the People's Republic of China, is located. As at the date of this announcement, based on the information available to the Company, none of the above conditions in respect of the Acquisition has been fulfilled. According to the Equity Transfer Agreement, in the event that the above conditions in respect of the Acquisition have not been fulfilled within 24 months from the date of signing the Equity Transfer Agreement (the "Contract Period"), the Group has the right to terminate the Equity Transfer Agreement any time within the next twelve months and the Vendor shall refund the First Installment plus interest therein to the Group within 14 days from the issue of the termination notice by the Group. However, no specific term was included in the Equity Transfer Agreement on the termination of the Equity Transfer Agreement within Contract Period. The refund terms for termination within the Contract Period including (i) the amount of repayment; (ii) the repayment date; and (iii) the interest of First Installment would be subject to negotiation between the Vendor and the Group. As the board of directors of the Company (the "Board") had decided to terminate the Equity Transfer Agreement within the Contract Period, (i) the refund of HK\$9.8 million by the Vendor, (ii) the date of the refund of HK\$9.8 million (i.e. 21 May 2007); and (iii) no interest to be received by the Group had been agreed by the parties after arm's length negotiation with reference to (i) the early withdrawal of the Equity Transfer Agreement by the Group; and (ii) none of the conditions has been fulfilled as at the date of the Termination Agreement.

At the result of the termination, the proceeds of approximately HK\$12.9 million is to be made to the Group as to (i) the HK\$9.8 million to be refunded by the Vendor; and (ii) the HK\$3.1 million dividend distribution paid by the Vendor for the attributable to the 8% equity interest in Senox Agricultural, Senox Industrial and Senox Logistics during the Contract Period. The Board considers the terms of the Termination Agreement, including the proceeds of HK\$12.9 million and the date of the refund of HK\$9.8 million (21 May 2007), are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

With the business plan to centralize the resources in Hong Kong and focus on existing business in Chinese and Western medicine and health related products, the Group had decided to terminate the Equity Transfer Agreement. The proceeds of approximately HK\$12.9 million from the Equity Transfer Agreement will be applied towards possible diversified investment or projects which are expected to improve the profitability, sustain its growth momentum, and broaden the revenue stream of the Group, when the board of directors of the Company considers appropriate and favourable to the interest of the Company and its Shareholders as a whole.

* For identification purpose only

With reference to the above, the Board is of view that (i) the entering into the Termination Agreement has no adverse effect to the Company nor any impact on long term development of the Group; and (ii) the terms of the Termination Agreement are fair and reasonable to the Company and are in the interest of the Shareholders.

By Order of the Board
Wai Yuen Tong Medicine Holdings Limited
Chan Chun Hong, Thomas
Managing Director

Hong Kong, 23 February 2007

As at the date of this announcement, the Board comprises:

Executive Directors: *Tang Ching Ho, Chan Chun Hong Thomas*

Independent Non-executive Directors: *Leung Wai Ho, Yuen Chi Choi, Siu Man Ho Simon and Cho Wing Mou.*

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