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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 AND CONNECTED TRANSACTIONS
IN RELATION TO THE DISPOSAL

The Board announces that, on 10 December 2009, China Field, an indirect non wholly-owned subsidiary of the Company, and Hunan Fangsheng entered into the Agreement, pursuant to which China Field has agreed to dispose of and Hunan Fangsheng has agreed to purchase the Sale Interest, representing 64.2% interest of Hunan Xiangya Pharmaceutical, for a cash consideration of approximately HK\$37.35 million.

The Disposal constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

Given that Hunan Xiangya Group held approximately 35.8% of the equity interest in Hunan Xiangya Pharmaceutical and 17% of the equity interest in China Field as at the date of this announcement, the Disposal also constitutes a connected transaction for the Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules. Accordingly, the Disposal is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

A circular containing, among other things, (i) details of the Disposal; (ii) recommendation of the independent board committee regarding the Disposal to the Shareholders; (iii) a letter from an independent financial adviser containing its advice to the independent board committee and the Shareholders regarding the Disposal; (iv) a notice to convene the SGM and a proxy form; and (v) other information required under the Listing Rules, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

AGREEMENT

Date

10 December 2009

* *For identification purpose only*

Parties

- (i) China Field, an investment holding company and an indirect non wholly-owned subsidiary of the Company, as the vendor; and
- (ii) Hunan Fangsheng, a company principally engaged in manufacturing and sale of Chinese medicinal products, as the purchaser.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Hunan Fangsheng and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Assets to be disposed of

The Sale Interest, being 64.2% of the equity interest in Hunan Xiangya Pharmaceutical, free from any option, charge, lien, equity, encumbrance, rights of pre-emption or any other third party rights whatsoever.

Consideration and payment

The consideration of HK\$37.35 million for the Disposal was arrived at after arm's length negotiations between the parties to the Agreement with reference to the net assets of Hunan Xiangya Pharmaceutical as at 31 December 2008 and the results of Hunan Xiangya Pharmaceutical for the previous financial years.

Pursuant to the Agreement, the consideration shall be settled by cash, among which, (i) HK\$5 million is payable by Hunan Fangsheng within three days after signing of the Agreement (the "**First Installment**"); (ii) HK\$15 million shall be paid by Hunan Fangsheng within three days after the Disposal is approved by the Shareholders at the SGM; (iii) HK\$13.35 million (the "**Third Installment**") shall be paid by Hunan Fangsheng within three days after completion of registration of changes and all necessary licences required by relevant laws and regulations; and (iv) the remaining, being HK\$4 million, shall be paid by Hunan Fangsheng within 12 months after the settlement of the Third Installment. The Company has received an acceptance bill due 11 June 2010 issued by China Merchants Bank in the amount of RMB4.4 million from Hunan Fangsheng and is in the process of cashing the acceptance bill, upon which the cash will be used to settle the First Installment.

Conditions precedent

Completion shall be conditional on (i) the Company having fulfilled the necessary requirements and having obtained the necessary approvals from the Shareholders under the Listing Rules with respect to the Disposal under the Agreement and the transactions contemplated thereunder; and (ii) satisfaction as to its due diligence on Hunan Xiangya Pharmaceutical conducted by Hunan Fangsheng. If such conditions cannot be fulfilled, the Agreement will lapse and neither Hunan Fangsheng nor China Field shall be obliged to complete the sale and purchase of the Sale Interest pursuant to the Agreement and China Field shall repay the consideration paid by Hunan Fangsheng within three days.

INFORMATION ON HUNAN XIANGYA PHARMACEUTICAL

As at the date of this announcement, Hunan Xiangya Pharmaceutical, a company established in the PRC, is principally engaged in the manufacturing and sale of Chinese and western medicinal products, including mainly gastric and cardiac medicines, in the PRC. As at the date of this announcement, 35.8% equity interest in Hunan Xiangya Pharmaceutical is held by Hunan Xiangya Group and the remaining 64.2% equity interest is held by China Field.

Set out below is the financial information of Hunan Xiangya Pharmaceutical for the two years ended 31 December 2008, which are prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC:

	For the year ended 31 December	
	2007	2008
	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)
Revenue	18.4	20.6
Net profit before taxation	2.2	2.8
Net profit after taxation	2.2	2.8
	As at 31 December	
	2007	2008
	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)
Total assets	44.7	44.8
Net assets (liabilities)	20.3	23.1

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; and (ii) the processing and sale of western pharmaceutical products under the brand names of “Madame Pearl’s” and “Pearl’s”. For the avoidance of doubt, after the Disposal, the Group will continue to engage in the manufacturing, processing and retailing of the Group’s products under the brand names of “Wai Yuen Tong”, “Madame Pearl’s” and “Pearl’s”, while Hunan Xiangya Pharmaceutical will continue to manufacture and sell Chinese and western medicinal products under its own brand names which will no longer be owned by the Group after the Disposal.

Hunan Xiangya Pharmaceutical was an associated company of the Group in 2004 and has thereafter become a subsidiary of the Group since 2007. It has been at loss for the past years until 2007 when it started to make profit. The Directors consider that the Disposal will allow the Group to realise its investment in Hunan Xiangya Pharmaceutical in the current market conditions. In view of the substantial gain from the Disposal and after arm’s length negotiations between the parties to the Agreement with reference to the net assets and

historical financial results of Hunan Xiangya Pharmaceutical, the Directors consider that the consideration for the Disposal is fair and reasonable and is in the interests of the Group and the Shareholders as a whole.

Upon Completion, the Company expects to record a gain on disposal of approximately HK\$30.6 million (before minority interest). The expected gain is based on the consideration of HK\$37.35 million and the net asset value of Hunan Xiangya Pharmaceutical of approximately RMB23.1 million (equivalent to approximately HK\$26.30 million) as recorded in its financial statements for the year ended 31 December 2008 prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC. According to the Group's accounting policies and the Hong Kong Accounting Standards, such net asset value was adjusted to approximately HK\$10.50 million due to the different accounting treatment of inventory, depreciation and amortisation in the PRC. Shareholders should note that the actual gain on the Disposal to be recorded by the Company will depend on the net asset value of Hunan Xiangya Pharmaceutical as at the date of Completion. Upon Completion, the results of Hunan Xiangya Pharmaceutical will cease to be accounted for as a subsidiary of the Company.

The net proceeds of the Disposal will be approximately HK\$37 million, out of which the Company currently intends to apply HK\$25 million for repayment of interest-bearing debts and the remaining balance of approximately HK\$12 million for general working capital of the Company.

The Directors are of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

GENERAL

The Disposal constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

Given that Hunan Xiangya Group held approximately 35.8% of the equity interest in Hunan Xiangya Pharmaceutical and 17% of the equity interest in China Field as at the date of this announcement, the Disposal also constitutes a connected transaction for the Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules. Accordingly, the Disposal is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. To the best knowledge of the Directors, none of Hunan Fangsheng, Hunan Xiangya Group and their respective associates hold any shares of the Company. Accordingly, no Shareholder is required to abstain from voting on the resolution in relation to the Disposal.

A circular containing, among other things, (i) details of the Disposal; (ii) recommendation of the independent board committee regarding the Disposal to the Shareholders; (iii) a letter from an independent financial adviser containing its advice to the independent board committee and the Shareholders regarding the Disposal; (iv) a notice to convene the SGM and a proxy form; and (v) other information required under the Listing Rules, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 10 December 2009 entered into between China Field and Hunan Fangsheng in respect of the Disposal
“associate(s)”	has the meaning given to it in the Listing Rules
“Board”	the board of the Directors
“China Field”	China Field Enterprises Limited, an investment holding company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company as at the date of this announcement
“Company”	Wai Yuen Tong Medicine Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Agreement
“connected person(s)”	has the meaning given to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest by China Field pursuant to the Agreement
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Fangsheng”	湖南方盛制藥股份有限公司 (Hunan Fangsheng Pharmaceutical Co Limited), a company established in the PRC
“Hunan Xiangya Group”	湖南湘雅集團有限公司 (Hunan Xiangya Group Limited), a company established in the PRC and engaged in investment holding and provision of medical services
“Hunan Xiangya Pharmaceutical”	湖南湘雅製藥有限公司 (Hunan Xiangya Pharmaceutical Co Limited), a company established in the PRC
“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 shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Sale Interest”	registered share capital of RMB18,762,450 of Hunan Xiangya Pharmaceutical owned by China Field, representing approximately 64.2% of the entire equity interest of Hunan Xiangya Pharmaceutical as at the date of this announcement

“SGM”	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Agreement and the Disposal
“Shareholder(s)”	the holder(s) of the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning given to it in the Listing Rules
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

For illustration purpose only, amounts denominated in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.14.

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
Managing Director

Hong Kong, 15 December 2009

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

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