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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 ACQUISITION OF PROPERTY

THE PROPERTY ACQUISITION

The Board announces that on 2 June 2011, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Provisional Agreement with the Vendor for the purchase of the Property at a cash consideration of HK\$26 million, which will be satisfied by Group's internal resources.

The Property is located in Kowloon, Hong Kong, and is currently leased by the Vendor to the Group for commercial purpose pursuant to the Existing Lease Agreement. The Group currently intends to continue to use the Property by itself upon expiry of the Existing Lease Agreement. Furthermore, the Group may also use the Property for investment purposes when opportunities arise in future.

GENERAL

The transaction contemplated under the Provisional Agreement constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

THE PROVISIONAL AGREEMENT

1. Date

2 June 2011

2. Parties

- i. Topmate Investment Limited, a property holding company and an indirect wholly-owned subsidiary of the Company, as the purchaser; and
- ii. Merit Talent Limited, a property holding company, as the vendor

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons and there was no previous transaction entered into between the Company and the Vendor before the date of this announcement, save for the leasing of the Property pursuant to the Existing Lease Agreement.

* For identification purpose only

3. Assets to be acquired

The Property, being ground floor and cockloft of No. 108 Lai Chi Kok Road, ground floor and cockloft of No. 110 Lai Chi Kok Road, and external wall and store room of Nos. 108 and 110 Lai Chi Kok Road, Kowloon, Hong Kong, with a total gross floor area of approximately 2,853 square feet. The Property is used for commercial purpose.

The Property is currently leased by the Vendor to the Group for commercial purpose under the Existing Lease Agreement at a monthly rental of HK\$70,000. The Existing Lease Agreement is expiring on 30 June 2011.

4. Consideration

The Consideration is HK\$26 million, among which, HK\$0.9 million was paid by the Purchaser to the Vendor upon signing of the Provisional Agreement as an initial deposit, HK\$1.7 million shall be paid upon entering into the formal sale and purchase agreement on or before 15 June 2011 as further deposit, and the balance of HK\$23.4 million shall be paid upon Completion on or before 15 August 2011.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the prevailing rental yield.

The Consideration will be satisfied by the Group's internal resources.

5. Completion

Pursuant to the Provisional Agreement, Completion will take place on or before 15 August 2011.

REASONS FOR AND BENEFITS OF THE PROPERTY ACQUISITION

The Group is principally engaged in (i) 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) processing and retailing of western pharmaceutical products under the brand name of "Madame Pearl's" and "Pearl's".

The Property is located in Kowloon, Hong Kong, and has a gross floor area of approximately 2,853 square feet and is currently leased by the Vendor to the Group for commercial purpose. Under the Existing Lease Agreement, the Group is required to pay a monthly rental of HK\$70,000 for the use of the Property. It is the current intention of the Group to use the Property by itself after expiry of the Existing Leasing Agreement. The Property Acquisition allows the Group to save rental expenses for the use of the Property. Furthermore, the Group may also use the Property for investment purposes when opportunities arise in future. In this respect, the Property Acquisition enlarges the investment property portfolio of the Group. In addition, the Directors believe in the long term prospect of office/commercial properties in Hong Kong and hence consider that the Property Acquisition will strengthen the Group's income base should the Company lease out the Property for rental income when opportunities arise.

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 in the interests of the Company and the Shareholders as a whole.

GENERAL

The transaction contemplated under the Provisional Agreement constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

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 and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 897)
“Completion”	completion of the Property Acquisition
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the cash consideration for the Property Acquisition, being HK\$26 million
“Director(s)”	the director(s) of the Company
“Existing Lease Agreement”	the lease agreement pursuant to which the Property is leased by the Vendor to the Group for commercial purpose at a monthly rental of HK\$70,000
“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 PRC
“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, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	being ground floor and cockloft of No. 108 Lai Chi Kok Road, ground floor and cockloft of No. 110 Lai Chi Kok Road, and external wall and store room of Nos. 108 and 110 Lai Chi Kok Road, Kowloon, Hong Kong, with a gross floor area of approximately 2,853 square feet
“Property Acquisition”	the acquisition of the Property by the Purchaser pursuant to the Provisional Agreement

“Provisional Agreement”	the provisional agreement dated 2 June 2011 entered into between the Purchaser and the Vendor in relation to the Property Acquisition
“Purchaser”	Topmate Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the 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 32 of the Laws of Hong Kong)
“Vendor”	Merit Talent Limited, which is a third party independent of and not connected with the Company and its connected persons and a company incorporated in Hong Kong and is a property holding company

By Order of the Board of
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, 3 June 2011

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.

* *For identification purpose only*