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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

The Company has been informed by Wang On that it has become a substantial shareholder and a connected person of the Company under the Listing Rules. The Group has previously entered into the Tenancy Agreements and the Sub-Lease Agreement with the Wang On Group, which have all become continuing connected transactions for the Company upon Wang On becoming a substantial shareholder and a connected person of the Company.

As the applicable percentage ratios under the Listing Rules for each of (i) the Tenancy Agreements (on aggregated basis) and (ii) the Sub-Lease Agreement on an annual basis is less than 5% or less than 25% and the annual consideration is less than HK\$10,000,000, the transactions contemplated under the Tenancy Agreements and the Sub-Lease Agreement are subject to the reporting, annual review and announcement requirements under Rules 14A.34 and 14A.41 of the Listing Rules.

BACKGROUND

The Company has been informed by Wang On on 19 November 2011 through its filing of a corporate substantial shareholder notice that Wang On held over 10% of the issued shares of the Company. Thus, Wang On has become a substantial shareholder and a connected person of the Company under the Listing Rules.

The Group has previously entered into the Tenancy Agreements and the Sub-Lease Agreement with the Wang On Group, which have all become continuing connected transactions for the Company upon Wang On becoming a substantial shareholder and a connected person of the Company.

* *For identification purpose only*

TENANCY AGREEMENTS

Tenancy Agreement (1)

- Date : 15 November 2010
- Parties : Good Excellent, as landlord which is principally engaged in investment holding, and a wholly-owned subsidiary of Wang On; and
WYT Retail, as tenant, a 99.79%-owned subsidiary of the Company
- Leased Property (1) : Shop Ground Floor with the Cockloft, 60A Yen Chow Street, Kowloon, Hong Kong with a total gross floor area of approximately 130.1 sq.m.
- Term : Three years commencing from 1 October 2010 and expiring on 30 September 2013
- Rental : HK\$62,500 per month exclusive of rates, management fee and other charges, with a rent free period of 1 month. Based on the aforementioned rental, the maximum rental (“cap”) paid/payable for the financial year of the Company ended 31 March 2011, 2012, 2013 and the 6 months ended 30 September 2013 are HK\$312,500, HK\$750,000, HK\$750,000 and HK\$375,000, respectively
The rental was determined with reference to the prevailing market rental of comparable premises in the locality
- Deposit : HK\$187,500 which was paid to the landlord at or around the signing of the Tenancy Agreement (1)
- Payment term : Payable in cash in advance on the 1st day of each calendar month
- Purpose : For the operating of Wai Yuen Tong medicine store only

Tenancy Agreement (2)

- Date : 8 March 2011
- Parties : Hovan, as landlord which is principally engaged in investment holding, and a wholly-owned subsidiary of Wang On; and
WYT Retail, as tenant, a 99.79%-owned subsidiary of the Company
- Leased Property (2) : Shop Front Portion, G/F., Nathan Apartments, 510 Nathan Road, Kowloon, Hong Kong with a total gross floor area of approximately 55.8 sq.m.
- Term : Three years commencing from 11 March 2011 and expiring on 10 March 2014

Rental : HK\$60,000 per month exclusive of rates, management fee and other charges, with a rent free period of 1 month. Based on the aforementioned rental, the maximum rental (“cap”) paid/payable for the financial year of the Company ended 31 March 2011, 2012, 2013 and the period from 1 April 2013 to 10 March 2014 are nil, approximately HK\$700,645, HK\$720,000 and HK\$679,355, respectively

The rental was determined with reference to the prevailing market rental of comparable premises in the locality

Deposit : HK\$180,000 which was paid to the landlord at or around the signing of the Tenancy Agreement (2)

Payment term : Payable in cash in advance on the 1st day of each calendar month

Purpose : For the operating of Wai Yuen Tong medicine store only

The Tenancy Agreements also provide the following:

- (1) In the event of default in payment of rent or outgoings when due, WYT Retail shall further pay to Good Excellent or Hovan (as the case may be) on demand interest on the amount in arrears at the rate of 2% per month as liquidated damages.
- (2) If WYT Retail shall be desirous of taking a tenancy of the Leased Property (1) or the Leased Property (2) (as the case may be) for a further term of 2 years from the expiration of the original term, it shall give to the landlord a notice in writing not less than six months before the expiration of the term. The landlord shall be entitled to adjust the rent for the renewed term according to the prevailing market rent and to modify the terms and conditions of the tenancy provided that the new rent shall be granted at the open market rent. If the parties shall fail to agree on the amount of the new rent and the terms and conditions of the tenancy for the renewed term, WYT Retail shall be deemed as not seeking renewal of the tenancy.

The Company will not renew the tenancy unless it complies with the applicable requirements under the Listing Rules.

THE SUB-LEASE AGREEMENT

The Company has been leasing out the Licensed Area to the Wang On Group since about the end March 2007, details of which were announced by the Company on 28 March 2007. The Company entered into the Sub-Lease Agreement on 30 June 2009 with the Wang On Group for a term of three years commencing from 1 July 2009 to 30 June 2012 in view of expiration of the previous agreement.

Date	:	30 June 2009
Parties	:	The Company, as lessor; and Wang On Management, as tenant, which is principally engaged in provision of management services, and a wholly-owned subsidiary of Wang On
Term	:	Three years commencing from 1 July 2009 and expiring on 30 June 2012
License Fee	:	HK\$140,000 per month, exclusive of all rates, taxes, assessments, duties, charges, impositions and outgoings imposed or charged from time to time on the Licensed Area or upon the owner or the occupier of the Licensed Area by the Hong Kong government or other competent authority, which was determined with reference to the prevailing market rental of comparable industrial properties in the locality
Deposit	:	HK\$140,000 which was paid to the Company at or around the signing of the Sub-Lease Agreement
Payment terms	:	Payable by Wang On Management to the Company in advance on the 1st day of each month
Caps	:	For the 9 months ending 31 March 2010 and each of the two years ending 31 March 2012 and the period from 1 April 2012 to 30 June 2012 are HK\$1,260,000, HK\$1,680,000, HK\$1,680,000 and HK\$420,000, respectively, which are based on the rental as agreed under the Sub-Lease Agreement

The historical rental paid by Wang On Management to the Company under the previous agreement for the period from 28 March 2007 to 31 March 2007, each of the two years ended 31 March 2009 and the period from 1 April 2009 to 30 June 2009 were approximately HK\$26,000, HK\$1,920,000, HK\$1,920,000 and HK\$480,000, respectively.

REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENTS AND SUB-LEASE AGREEMENT

The Directors consider that the Leased Property (1) and the Leased Property (2) are situated at prime locations for operating of the Group's medicine retailing business and consider that the entering into of the Sub-Lease Agreement benefits the Company by generating rental income for the Group. The Directors (including the independent non-executive Directors) consider that each of the Tenancy Agreements and the Sub-Lease Agreement was negotiated on an

arm's length basis with reference to the then prevailing market condition and entered into in the ordinary course of business of the Company, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE COMPANY AND THE WANG ON GROUP

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 and health care products under the brand names of "Madame Pearl's" and "Pearl's" respectively.

The Wang On Group is principally engaged in property investment and development in Hong Kong, management and sub-licensing of wet markets in Hong Kong and the PRC, management and sub-licensing shopping centres and management of agricultural by-products wholesaling business in Hong Kong.

GENERAL

As at the date of this announcement, Wang On is interested in 13.58% of the entire issued share capital of the Company and is a substantial shareholder of the Company. Accordingly, each of the transactions contemplated under the Tenancy Agreements and the Sub-Lease Agreement constitute continuing connected transactions for the Company under the Listing Rules. As the applicable percentage ratios under the Listing Rules for each of (i) the Tenancy Agreements (on aggregated basis) and (ii) the Sub-Lease Agreement on an annual basis is less than 5% or less than 25% and the annual consideration is less than HK\$10,000,000, the transactions contemplated under the Tenancy Agreements and the Sub-Lease Agreement are subject to the reporting, annual review and announcement requirements under Rules 14A.34 and 14A.41 of the Listing Rules. As of the date of this announcement, two directors of Wang On, namely Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas, are also Directors.

DEFINITIONS

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

"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)
"connected person"	has the meaning ascribed thereto in the Listing Rules
"Director(s)"	the director(s) of the Company
"Good Excellent"	Good Excellent Limited, a wholly-owned subsidiary of Wang On as at the date of this announcement
"Group"	the Company together with its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hovan”	Hovan Investments Limited, a wholly-owned subsidiary of Wang On as at the date of this announcement
“Licensed Area”	portions of the industrial spaces on the ground floor and 5th floor of Wai Yuen Tong Medicine Building, a six-storey building situated at 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong with a total gross floor area of approximately 1,487 sq.m.
“Leased Property (1)”	Shop Ground Floor with the Cockloft, 60A Yen Chow Street, Kowloon, Hong Kong with a total gross floor area of approximately 130.1 sq.m.
“Leased Property (2)”	Shop Front Portion, G/F., Nathan Apartments, 510 Nathan Road, Kowloon, Hong Kong with a total gross floor area of approximately 55.8 sq.m.
“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 PRC
“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
“Sub-Lease Agreement”	the licence agreement dated 30 June 2009 entered into between the Company and Wang On Management in respect of the lease of the Licensed Area, further details of which are set out in the announcement of the Company dated 2 July 2009
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Tenancy Agreements”	the Tenancy Agreement (1) and the Tenancy Agreement (2)
“Tenancy Agreement (1)”	the tenancy agreement dated 15 November 2010 entered into between Good Excellent and WYT Retail in respect of the lease of Leased Property (1)
“Tenancy Agreement (2)”	the tenancy agreement dated 8 March 2011 entered into between Hovan and WYT Retail in respect of the lease of Leased Property (2)

“Wang On”	Wang On Group Limited (宏安集團有限公司*), 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: 1222), and a substantial shareholder of the Company as of the date of this announcement
“Wang On Group”	Wang On together with its subsidiaries
“Wang On Management”	Wang On Management Limited (formerly known as Denox Management Limited), a wholly-owned subsidiary of Wang On as at the date of this announcement
“WYT Retail”	Wai Yuen Tong (Retail) Limited, a 99.79%-owned subsidiary of the Company as at the date of this announcement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“sq.m.”	square metres

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, 22 November 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. Siu Man Ho, Simon, Mr. Yuen Chi Choi, Mr. Leung Wai Ho and Mr. Cho Wing Mou.

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