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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)

CONTINUING CONNECTED TRANSACTION
SUB-LEASE AGREEMENT

CONTINUING CONNECTED TRANSACTION

The Board would like to announce that on 30 June 2012, the Company entered into the Sub-Lease Agreement with Wang On Management to continue the lease of the Leased Area.

The transactions contemplated under the Sub-Lease Agreement constitute a continuing connected transaction for the Company under Rule 14A.34 of the Listing Rules and is only subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

BACKGROUND TO AND REASONS FOR THE SUB-LEASE AGREEMENT

The Company has been leasing out the Leased Area to the Wang On Group pursuant to the Previous Sub-Lease Agreement, details of which were announced by the Company on 2 July 2009 and 22 November 2011. Since the Previous Sub-Lease Agreement will expire on 30 June 2012, the Company entered into the Sub-Lease Agreement with Wang On Management for a term of three years commencing from 1 July 2012 and expiring on 30 June 2015. The Directors consider that the entering into the Sub-Lease Agreement benefits the Company by generating rental income for the Group.

* *For identification purpose only*

THE SUB-LEASE AGREEMENT

Date	:	30 June 2012
Parties	:	the Company, as lessor; and Wang On Management, as lessee, which is principally engaged in provision of management services for the Wang On Group
Term	:	three years commencing from 1 July 2012 and expiring on 30 June 2015
Rental	:	HK\$154,000 per month, exclusive of all rates, taxes, assessments, duties, charges, impositions and outgoings imposed or charged from time to time on the Leased Area or upon the owner or the occupier of the Leased Area by the Hong Kong government or other competent authority
Payment terms	:	payable by Wang On Management to the Company in advance on the first day of each calendar month

CAPS

The caps under the Sub-Lease Agreement for the nine months ending 31 March 2013 and each of the three years ending 31 March 2016 are HK\$1,386,000, HK\$1,848,000, HK\$1,848,000 and HK\$462,000, respectively, which are based on the rental as agreed under the Sub-Lease Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sub-Lease Agreement were negotiated on an arm's length basis with reference to the then prevailing market condition which are on normal commercial terms and fair and reasonable and the entering into the above is in the interests of the Company and the Shareholders as a whole.

HISTORICAL FIGURES

The historical rental paid by Wang On Management to the Company under the Previous Sub-Lease Agreement for the period from the date of the Previous Sub-Lease Agreement to each of the three years ended 31 March 2012 and the period from 1 April 2012 to 30 June 2012 were approximately HK\$1,260,000, HK\$1,680,000, HK\$1,680,000 and HK\$420,000, respectively.

INFORMATION OF THE COMPANY AND THE WANG ON GROUP

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 retailing of western pharmaceutical products under the brand names of "Madame Pearl's" and "Pearl's".

The Wang On Group is principally engaged in property development and property investment in Hong Kong as well as management and sub-licensing of Chinese wet markets in the PRC and Hong Kong. It also has interests in the pharmaceutical business through its investments in the Company.

GENERAL

As at the date of this announcement, the Wang On Group was interested in approximately 25% of the entire issued share capital of the Company and is the substantial shareholder of the Company. Since the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the caps under the Sub-Lease Agreement is less than 5%, the transactions contemplated under the Sub-Lease Agreement constitute a continuing connected transaction for the Company under Rule 14A.34 of the Listing Rules and is only subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

As Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas are directors of the Wang On Group, they have abstained from voting on the board resolutions concerning the Sub-Lease Agreement. Save as the Directors mentioned above, none of the Directors has material interest in the Sub-Lease Agreement.

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)
“Directors”	the directors of the Company
“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
“Leased Area”	portions of the UG/F, G/F, 1st 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 1,720 sq.m.
“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, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

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“Previous 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 Leased Area
“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 2012 entered into between the Company and Wang On Management in respect of the lease of the Leased Area
“subsidiary(ies)”	a subsidiary(ies) for the time being of the Company within the meaning of the Companies Ordinance, Chapter 32 of the laws of Hong Kong, whether incorporated in Hong Kong or elsewhere
“substantial shareholder”	has the meaning as ascribed thereto in the Listing Rules
“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)
“Wang On Group”	Wang On together with its subsidiaries
“Wang On Management”	Wang On Management Limited, a wholly-owned subsidiary of Wang On as at the date of this announcement
“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, 30 June 2012

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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