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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 TRANSACTIONS — LEASING OF PROPERTIES

LEASING AGREEMENT

The Board is pleased to announce that on 26 July 2006, Winning Forever, an associate company of WYT, has entered into the Leasing Agreement with Info World, an indirect wholly-owned subsidiary of Wang On, pursuant to which Info World has agreed to lease the Leased Property to Winning Forever for an initial term of three years.

RENEWAL LEASING AGREEMENT

On 27 July 2006, Conful, an indirect wholly owned subsidiary of WYT, has entered into the Renewal Leasing Agreement with Denox, an indirect wholly owned subsidiary of Wang On, to renew the leasing agreement entered into between Conful and Denox on 28 June 2005 in respect of the leasing of the Renewal Leased Property to Denox (details of such leasing agreement has been set out in WYT's announcement dated 28 June 2005).

IMPLICATIONS OF THE LISTING RULES

Wang On, which indirectly wholly-owned Info World and Denox, is a substantial Shareholder holding approximately 49% interest in the existing issued share capital of WYT. As such, Wang On is a connected person (as defined under the Listing Rules) of WYT and the Leasing Agreement and the Renewal Leasing Agreement constitute continuing connected transactions for WYT under the Listing Rules.

* For identification purpose only.

On Leasing Agreement

In addition to the Leasing Agreement, the WYT Group and the Wang On Group also entered into the Previous Leasing Agreement on 12 May 2006, pursuant to which the WYT Group leased from the Wang On Group a shop on Ground Floor of No. 68 San Hong Street, Sheung Shui, New Territories, Hong Kong for a term from 1 April 2006 to 31 March 2009 (both days inclusive) at (i) HK\$50,000 per month (i.e. HK\$600,000 per annum) from 1 April 2006 to 31 March 2007 with a refundable deposit of HK\$100,000 paid upon signing of the Previous Leasing Agreement; (ii) HK\$55,000 per month (i.e. HK\$660,000 per annum) from 1 April 2007 to 31 March 2008 with an additional refundable deposit of HK\$10,000 to be paid on or before 1 April 2007; and (iii) HK\$60,000 per month (i.e. HK\$720,000 per annum) from 1 April 2008 to 31 March 2009 with an additional refundable deposit of HK\$10,000 to be paid on or before 1 April 2008. Both the Leasing Agreement and the Previous Leasing Agreement are continuing connected transactions under Chapter 14A of the Listing Rules and in aggregate will be subject to the disclosure requirements under Rule 14A.34 of the Listing Rules and exempt from the independent Shareholders' approval requirement under the Listing Rules.

On Renewal Leasing Agreement

The Renewal Leasing Agreement is a continuing connected transaction under Chapter 14A of the Listing Rules and is exempt from the independent Shareholders' approval requirement under the Listing Rules. The Renewal Leasing Agreement will be subject to the annual review requirement and the reporting requirement under Rules 14A.37 to 14A.41 and Rules 14A.45 and 14A.46 of the Listing Rules respectively.

LEASING AGREEMENT DATED 26 JULY 2006

- Parties : Info World, an indirect wholly owned subsidiary of Wang On (as landlord)
Winning Forever, an associate company of WYT (as tenant)
- Leased Property : Shop B, G/F, 23-33 Shui Wo Street, Kwun Tong, Kowloon, Hong Kong
with a gross floor area of approximately 452 sq.ft.
- Term : Three years from 25 July 2006 to 24 July 2009 (both days inclusive), with
an option to renew for 3 years at the then open market rent.
- Rental : HK\$60,000 per month (i.e. HK\$720,000 per annum), exclusive of rates
and management fee, which is determined based on the fair market rent of
the Leased Property with reference to, among other things, a valuation
report dated 26 July 2006 issued by Savills Valuation and Professional
Services Limited, an independent property valuer.
- Deposit : Two-month rent of HK\$120,000.

RENEWAL LEASING AGREEMENT DATED 27 JULY 2006

- Parties : Conful, an indirect wholly owned subsidiary of WYT (as landlord)
Denox, an indirect wholly owned subsidiary of Wang On (as tenant)
- Renewal Leased Property : G/F and 5/F, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road,
Kowloon Bay, Hong Kong with a total floor area of approximately 1,784.38
sq.m.

- Term : Three years from 1 July 2006 to 30 June 2009 (both days inclusive). The Renewal Leasing Agreement may be terminated on a date before 30 June 2009 by mutual consent of relevant parties.
- Rental : HK\$160,000 per month (i.e. HK\$1,920,000 per annum), inclusive of rates and management fee, which is determined based on the fair market rent of the Renewal Leased Property with reference to, among other things, a valuation report dated 27 July 2006 issued by Savills Valuation and Professional Services Limited, an independent property valuer.
- Deposit : One-month rent of HK\$160,000.

REASONS FOR THE LEASING AGREEMENT AND THE RENEWAL LEASING AGREEMENT

The WYT Group is principally engaged in (i) the manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicine products sold under the 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; (ii) manufacturing, processing and retailing of western pharmaceutical products under the brand name of “Madame Pearl’s” and (iii) property holding and investments.

On Leasing Agreement

In view of the public becoming more health conscious in recent years, WYT Group has kept identifying suitable locations for expanding its retail network for its medicine products. The Leased Property is located in a prime retail location with high pedestrian traffic flow and therefore the Directors consider that the Leased Property will be a suitable location for operation of its retail shop.

The Directors (including the independent non-executive Directors) are of the view that the Leasing Agreement was entered after arm’s length negotiation between Winning Forever and Info World on normal commercial terms, and is fair and reasonable and in the interest of WYT and the Shareholders as a whole.

On Renewal Leasing Agreement

The Renewal Leased Property is currently used by Wang On Group for its operation under the leasing agreement entered into between Conful and Denox on 28 June 2005, a subsisting one year tenancy commencing from 1 July 2005 to 30 June 2006 (both days inclusive) with a monthly rental of HK\$135,000 per month (details of such leasing agreement has been set out in WYT’s announcement dated 28 June 2005).

The Directors (including the independent non-executive Directors) are of the view that the Renewal Leasing Agreement was entered after arm’s length negotiation between Conful and Denox on normal commercial terms, and is fair and reasonable and in the interest of WYT and the Shareholders as a whole.

IMPLICATIONS OF LISTING RULES

Wang On, which indirectly wholly-owned Info World and Denox, is a substantial Shareholder holding approximately 49% interest in the existing issued share capital of WYT. As such, Wang

On is a connected person (as defined under the Listing Rules) of WYT and the Leasing Agreement and the Renewal Leasing Agreement constitute continuing connected transactions for WYT under the Listing Rules.

On Leasing Agreement

In addition to the Leasing Agreement, the WYT Group and the Wang On Group also entered into the Previous Leasing Agreement on 12 May 2006, pursuant to which the WYT Group leased from the Wang On Group a shop on Ground Floor of No. 68 San Hong Street, Sheung Shui, New Territories, Hong Kong for a term from 1 April 2006 to 31 March 2009 (both days inclusive) at (i) HK\$50,000 per month (i.e. HK\$600,000 per annum) from 1 April 2006 to 31 March 2007 with a refundable deposit of HK\$100,000 paid upon signing of the Previous Leasing Agreement; (ii) HK\$55,000 per month (i.e. HK\$660,000 per annum) from 1 April 2007 to 31 March 2008 with an additional refundable deposit of HK\$10,000 to be paid on or before 1 April 2007; and (iii) HK\$60,000 per month (i.e. HK\$720,000 per annum) from 1 April 2008 to 31 March 2009 with an additional refundable deposit of HK\$10,000 to be paid on or before 1 April 2008. Both the Leasing Agreement and the Previous Leasing Agreement are continuing connected transactions under Rule 14A of the Listing Rules and in aggregate will be subject to the disclosure requirements under Rule 14A.34 of the Listing Rules and exempt from the independent Shareholders' approval requirement under the Listing Rules.

On Renewal Leasing Agreement

The Renewal Leasing Agreement is a continuing connected transaction under Rule 14 of the Listing Rules and is exempt from the independent Shareholders' approval requirement under the Listing Rules. The Renewal Leasing Agreement will be subject to the annual review requirement and the reporting requirement under Rules 14A.37 to 14A.41 and Rules 14A.45 and 14A.46 of the Listing Rules respectively.

GENERAL

The Wang On Group is principally engaged in property development, property investment, management and sub-licensing of Chinese wet markets, shopping centres and car parks and retail business. It also has interests in the pharmaceutical business through its investments in WYT, a company listed on the Stock Exchange.

As at the date of this announcement, the Board comprises two executive Directors, namely Tang Ching Ho and Chan Chun Hong, Thomas, and four independent non-executive Directors, namely Leung Wai Ho, Siu Man Ho, Simon, Yuen Chi Choi and Cho Wing Mou.

DEFINITIONS

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

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| “Board” | the board of Directors |
| “Conful” | Conful Limited, an indirect wholly-owned subsidiary of WYT |
| “Denox” | Denox Management Limited, an indirect wholly-owned subsidiary of Wang On |

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|------------------------------|--|
| “Directors” | the directors of WYT |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Info World” | Info World Investment Limited, an indirect wholly-owned subsidiary of Wang On |
| “Leasing Agreement” | the leasing agreement dated 26 July 2006 entered into between Winning Forever and Info World for the leasing of the Leased Property |
| “Leased Property” | Shop B, G/F, 23-33 Shui Wo Street, Kwun Tong, Kowloon, Hong Kong |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China |
| “Previous Leasing Agreement” | the leasing agreement dated 12 May 2006 entered into between an indirect wholly-owned subsidiary of WYT and an indirect wholly-owned subsidiary of Wang On for the leasing of property |
| “Renewal Leasing Agreement” | the leasing agreement dated 27 July 2006 entered into between Conful and Denox for the leasing of the Renewal Leased Property |
| “Renewal Leased Property” | G/F and 5/F, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Hong Kong |
| “Shareholder(s)” | Shareholders of WYT |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Wang On” | Wang On Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange |
| “Wang On Group” | Wang On and its subsidiaries |
| “Winning Forever” | Winning Forever Limited, an associate company of WYT |
| “WYT” | Wai Yuen Tong Medicine Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange |
| “WYT Group” | WYT and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |

“sq.ft.” square feet

“sq.m.” square meter

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

Hong Kong, 31 July 2006

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