



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

THE FACILITY AGREEMENT

On 16 August 2005, Bright Leading, an indirect wholly-owned subsidiary of the Company, and Hunan Xiangya, an associated company of the Company, entered into the Facility Agreement, pursuant to which, Bright Leading will provide an unsecured credit line of HK\$8,500,000 to Hunan Xiangya to set up a production line of cough syrup in Hunan Xiangya for the expansion of production of Madame Pearl's products in the PRC. The transaction contemplated under the Facility Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

LISTING RULES IMPLICATIONS

The transaction contemplated under the Facility Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular in connection with the Facility will be despatched to the Shareholders as soon as practicable.

The Facility of a principal amount of HK\$8,500,000, and the previous facilities of a total principal amount of approximately HK\$8,200,000 (details of which are set out below), due to Bright Leading from Hunan Xiangya which are used for setting up a production line of cough syrup in Hunan Xiangya for the expansion of production of Madame Pearl's products in PRC and the general working capital of Hunan Xiangya respectively, in aggregate amount to HK\$16,700,000. Under Rule 13.13, and 13.15 of the Listing Rules, a general disclosure obligation in respect of the advance to Hunan Xiangya by the Group arises.

The financial assistance given to, and guarantees given for facilities granted to, affiliated companies by the Group as at 31 March 2005 together with the Facility in aggregate amount to approximately HK\$17,850,000 and details of such are disclosed below for the purpose of Rule 13.16 of the Listing Rules.

THE FACILITY AGREEMENT

Date	: 16 August 2005
Lender	: Bright Leading Limited, an indirect wholly-owned subsidiary of the Company
Borrower	: Hunan Xiangya Pharmaceutical Co., Limited, an associated company of the Company
Facility	: an unsecured credit line of HK\$8,500,000
Purpose of the Facility	: to set up a production line of cough syrup in Hunan Xiangya for the expansion of production of Madame Pearl's products in the PRC
Interest	: 6.5% per annum on the drawdown amount under the Facility, which is determined after arm's length negotiation between the Bright Leading and Hunan Xiangya, with reference to the previous prime rate immediately before 11 August 2005 as quoted by The Hongkong and Shanghai Banking Corporation Limited
Facility period	: 10 years, from 16 August 2005 to 15 August 2015

Pursuant to the Facility Agreement, the unsecured credit line of HK\$8,500,000 can be drawn anytime by Hunan Xiangya producing a resolution of the board of directors of Hunan Xiangya authorizing the drawdown. Any amount drawn must be in a multiple of HK\$50,000 and repayable together with accrued interest on or before the Facility period. The Facility will be financed by the internal resources of the Group.

INFORMATION ON HUNAN XIANGYA

Hunan Xiangya, which is 39.2% owned by the Company and 25.6%, 1.6%, 33.6% respectively owned by Yu Xiao Yun, Happy Grand Investments Limited and Hunan Xiangya Group Co. Ltd who are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules), is principally engaged in the manufacturing and sale of Chinese and Western medicines in PRC. It has production facilities in Hunan, PRC, which have already obtained GMP certification and are capable of manufacturing medicines in the form of capsules, tablets and granules.

REASONS FOR AND BENEFITS OF PROVIDING THE FACILITY

The 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; and (ii) manufacturing, processing and retailing of western pharmaceutical products under the brand name of "Madame Pearl's".

Given that at present the existing production line in Hunan Xiangya is producing gastric and cardiac medicines, whilst the production of Madame Pearl's cough syrup with an annual production capacity of approximately 3,500,000 bottles are outsourced to manufacturers who are not connected with the Company and its connected persons (as defined under the Listing Rules). In order to maintain a better control over the production by minimizing such outsourcing, Hunan Xiangya proposes to seek Bright Leading to provide a facility for the set up of an additional production line to cater for its self production of Madame Pearl's products with an expected annual production capacity of approximately 4,000,000 bottles. The Directors believe that such production line set-up not only enhances the quality control over the products but also increases the flexibility of production thereby saving the production costs. The Directors also believe that the competitiveness of Madame Pearl's products in the market can be sustained as a result of such additional production line being set-up.

The Directors consider that the provision of the Facility is in the interests of the Company and its Shareholders as a whole, and the terms of the Facility Agreement are on normal commercial terms, which are fair and reasonable as far as the Shareholders are concerned.

LISTING RULES IMPLICATIONS

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The Facility of a principal amount of HK\$8,500,000, and the previous facilities of a total principal amount of approximately HK\$8,200,000 (details of which are set out below), due to Bright Leading from Hunan Xiangya which are used for setting up a production line of cough syrup in Hunan Xiangya for the expansion of production of Madame Pearl's products in the

PRC and the general working capital of Hunan Xiangya respectively, in aggregate amount to HK\$16,700,000. Under Rule 13.13 and 13.15 of the Listing Rules, a general disclosure obligation in respect of the advance to Hunan Xiangya by the Group arises.

The financial assistance given to, and guarantees given for facilities granted to, affiliated companies by the Group as at 31 May 2005 together with the Facility in aggregate amount to approximately HK\$17,850,000 and details of such are disclosed below for the purpose of Rule 13.16 of the Listing Rules.

	Company's interest	Amount of financial assistance and/or guarantees given for facilities granted (approximately) HK\$'000	Interest rate (%)	Total outstanding balance as at the date of this announcement (approximately) HK\$'000	Maturity date
Winning Forever Limited	50%	250	—	250	repayable by demand
Venko Limited	50%	300	—	300	repayable by demand
Fortune Way Trading Limited	50%	600	—	600	repayable by demand
Hunan Xiangya	39.2%				
(i) 1st facility		7,000	4.0	7,397	31/1/2010
(ii) 2nd facility		950	4.0	1,000	31/3/2006
(iii) 3rd facility		250	4.5	261	28/2/2008
(iv) the Facility		8,500	6.5	—	16/8/2015
Subtotal		16,700		9,808	
Total		<u>17,850</u>		<u>9,808</u>	

Note: All the advances are unsecured.

The Company will fulfill its continuing disclosure obligation under Rule 13.22 of the Listing Rules in subsequent interim and annual reports.

DEFINITIONS

In this announcement, the following terms have the following meanings:

"Bright Leading"	Bright Leading Limited, a company incorporated in Hong Kong which is an indirect wholly-owned subsidiary of the Company
"Board"	the board of Directors
"Company"	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
"Directors"	the directors of the Company
"Hunan Xiangya"	Hunan Xiangya Pharmaceutical Co., Limited, an associated company of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Facility"	the unsecured credit line provided by Bright Leading to Hunan Xiangya of an aggregate of HK\$8,500,000 pursuant to the Facility Agreement
"Facility Agreement"	the agreement dated 16 August 2005 entered into between Bright Leading and Hunan Xiangya for the Facility
"PRC"	the People's Republic of China
"Shareholder(s)"	Shareholder(s) of the Company
"Stock Exchange"	the Stock Exchange of Hong Kong Limited

By Order of the Board
Chan Chun Hong, Thomas
Managing Director

* For identification purpose only

Hong Kong, 19 August 2005

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