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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



金利豐證券

KINGSTON SECURITIES

THE PLACING

On 20 November 2014 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent. Pursuant to the Placing Agreement, the Company has conditionally agreed to allot and issue, and the Placing Agent has conditionally agreed to place on a best effort basis, a maximum of 700,000,000 Placing Shares to currently expected to be not less than six Placees who and whose ultimate beneficial owners are third parties independent of the Company and connected persons of the Company at the Placing Price of HK\$0.133 per Placing Share.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and completion of the Placing, the maximum number of 700,000,000 Placing Shares represents (i) approximately 19.90% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.60% of the issued share capital of the Company as enlarged by the issue of the Placing Shares. The maximum aggregate nominal value of the Placing Shares will be HK\$7,000,000.00.

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The Placing Price of HK\$0.133 per Placing Share represents (i) a discount of approximately 15.82% to the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 17.39% to the average closing price of HK\$0.161 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing Agreement.

The aggregate gross and net proceeds from the Placing will be HK\$93.1 million and approximately HK\$90.5 million, respectively. The Company intends to utilise as to approximately HK\$40.0 million of the net proceeds from the Placing for the expansion of its production facilities, approximately HK\$20.0 million for the repayment of bank borrowings and interests and the remaining balance of approximately HK\$30.5 million as general working capital of the Group.

GENERAL

The Placing Shares will be issued pursuant to the General Mandate.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Placing Shares.

Since completion of the Placing is subject to the fulfillment of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date:

20 November 2014 (after trading hours)

Issuer:

The Company

Placing Agent:

Kingston Securities Limited

The Placing Agent has conditionally agreed to place a maximum of 700,000,000 Placing Shares, on a best effort basis, at the Placing Price of HK\$0.133 per Placing Share.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Placing Agent and its associates are third parties independent of and are not connected with the Company and its connected persons.

Number of Placing Shares:

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and completion of the Placing, the maximum number of 700,000,000 Placing Shares represents (i) approximately 19.90% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.60% of the issued share capital of the Company as enlarged by the issue of the Placing Shares. The maximum aggregate nominal value of the Placing Shares will be HK\$7,000,000.00.

Placees:

The Placing Agent agreed to place the Placing Shares to currently expected to be not less than six Placees who and whose ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

It is not expected that any individual Placee will become a substantial shareholder of the Company immediately after the Placing. In the event any of the Placees becomes a substantial Shareholder after completion of the Placing, further announcement will be made by the Company.

Placing Price:

The Placing Price of HK\$0.133 per Placing Share represents (i) a discount of approximately 15.82% to the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 17.39% to the average closing price of HK\$0.161 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the Placing and the terms of the Placing Agreement (including the Placing Price) are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing:

Completion of the Placing is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting or agreeing to grant the approval for the listing of, and permission to deal in, the Placing Shares; and
- (b) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms thereof, including provisions regarding force majeure event.

Completion of the Placing, in any event, will take place within four Business Days after the fulfillment of the conditions above or such later date to be agreed between the Company and the Placing Agent. If the above conditions are not satisfied and/or waived (other than (a) above, which cannot be waived) in whole or in part by the Placing Agent prior to 5:00 p.m. on 4 December 2014 or such later date to be agreed in writing between the Company and the Placing Agent, the Placing will be terminated and the Placing will not proceed and all obligations and liabilities of the parties thereunder will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches thereof).

Termination:

The Placing Agent reserves its right to terminate the arrangements set out in the Placing Agreement by notice in writing prior to 9:00 a.m. on the completion date of the Placing, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below).

For this purpose, a “force majeure event” refers to:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business

or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Placing Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the completion date of the Placing;

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or any announcements or circulars relating to the Placing; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Mandate to issue the Placing Shares:

The Placing Shares will be issued pursuant to the General Mandate under which the Company is authorised to issue up to 703,428,593 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate.

Ranking of the Placing Shares:

The Placing Shares will rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of such allotment and issue of the Placing Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors consider the Placing represents an opportunity for the Company to raise capital while broadening its shareholder base as well as its capital base.

The aggregate gross and net proceeds from the Placing will be HK\$93.1 million and approximately HK\$90.5 million, respectively. The Company intends to utilise as to approximately HK\$40.0 million of the net proceeds from the Placing for the expansion of its production facilities, approximately HK\$20.0 million for the repayment of bank borrowings and interests and the remaining balance of approximately HK\$30.5 million as general working capital of the Group. The net proceeds raised per Share upon completion of the Placing will be approximately HK\$0.129 per Share.

EQUITY FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

The following table summarises the equity fund raising activities of the Company in the past 12 months immediately prior to the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
20 August 2014	Top-up placing and top-up subscription of Shares	Approximately HK\$105.7 million	(a) Approximately HK\$90.0 million would be utilised for the Factory Construction; and (b) the remaining balance of approximately HK\$15.7 million would be utilised for the general working capital of the Group	(i) Approximately HK\$36.4 million has been utilised for the Factory Construction; (ii) approximately HK\$15.7 million has been utilised for the general working capital of the Group; and (iii) the remaining balance of approximately HK\$53.6 million are being deposited in the Group's bank accounts and would be utilised for the Factory Construction as intended.

EFFECTS ON SHAREHOLDING STRUCTURE

The table below sets out the changes to the shareholding structure of the Company as a result of completion of the Placing (assuming the Placing Shares are placed in full and no other Shares are issued between the date of this announcement and completion of the Placing):

	As at the date of this announcement		Immediately after completion of the Placing	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
WOG (Note 1)	864,542,034	24.58%	864,542,034	20.50%
Placees under the Placing (Note 2)	–	0.00%	700,000,000	16.60%
Other public Shareholders	<u>2,652,600,935</u>	<u>75.42%</u>	<u>2,652,600,935</u>	<u>62.90%</u>
Total	<u>3,517,142,969</u>	<u>100.00%</u>	<u>4,217,142,969</u>	<u>100.00%</u>

Notes:

1. According to the disclosure of interest forms published on the website of the Stock Exchange, WOG, through its indirect wholly-owned subsidiary, Rich Time Strategy Limited, held 864,542,034 Shares.
2. Assuming all the Placing Shares would be allotted and issued upon completion of the Placing.

GENERAL

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; (ii) the processing and retailing of western pharmaceutical products, health food and personal care products under the brand names of “Madame Pearl’s” and “Pearl’s”; and (iii) property investment.

The Placing Shares will be issued under the General Mandate and therefore the Placing will not be subject to the Shareholders’ approval.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Placing Shares.

Since completion of the Placing is subject to the fulfillment of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday and Sunday) on which banks generally are open for business in Hong Kong
“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 and traded on the main board of the Stock Exchange (Stock Code: 897)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Board
“Factory Construction”	the construction of a factory at Yuen Long Industrial Estate for the pharmaceutical manufacturing purpose of the Group
“General Mandate”	the mandate refreshed and granted to the Directors by the Shareholders at the special general meeting of the Company held on 9 October 2014 to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of such special general meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

* *For identification purpose only*

“Placee(s)”	any professional, institutional or other investor(s) procured by the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 20 November 2014 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.133 per Placing Share
“Placing Share(s)”	a maximum of 700,000,000 new Share(s) to be placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) of HK\$0.01 in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

“WOG”	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 and traded on the main board of the Stock Exchange (Stock Code: 1222)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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, 20 November 2014

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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