
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**PROPOSALS FOR REFRESHMENT OF
GENERAL MANDATE TO ISSUE NEW SHARES AND REPURCHASE MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



PELICAN FINANCIAL
Pelican Securities Limited

A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 9 of this circular and a letter of advice from Pelican Securities to the Independent Board Committee and the Independent Shareholders on the grant of the New General Mandate is set out on pages 10 to 15 of this circular.

A notice convening the SGM to be held at 17/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong on Tuesday, 2 February 2010 at 11:30 a.m. is set out on pages 19 to 22 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish and in such event, the proxy form shall be deemed to be revoked.

* For identification purpose only

15 January 2010

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DEFINITIONS

In this circular, unless the context otherwise specifies, the following expressions have the following meanings:

“Announcement”	an announcement of the Company dated 13 November 2009 in respect of the Partial Share Exchange Offer
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“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
“Current General Mandate”	the general mandate approved and granted to the Directors to allot and issue Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the resolution(s) at the Last Annual General Meeting
“Current Repurchase Mandate”	the general mandate approved and granted to the Directors to exercise the powers of the Company to repurchase the Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the resolution at the Last Annual General Meeting
“Director(s)”	the director(s) 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
“Independent Board Committee”	an independent committee of the Board comprising all of the four independent non-executive Directors formed for the purpose of advising the Independent Shareholders on the grant of the New General Mandate

* *For identification purpose only*

DEFINITIONS

“Independent Shareholder(s)”	the Shareholders other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Last Annual General Meeting”	the annual general meeting of the Company held on 26 August 2009
“Latest Practicable Date”	12 January 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“LeRoi”	LeRoi Holdings Limited (利來控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New General Mandate”	the refreshment of the general mandate proposed to be granted to the Directors at the SGM to allot and issue Shares and other securities representing not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM (such mandate to be extended and added by the number of Shares, if any, repurchased by the Company since the grant of the New General Mandate)
“New Repurchase Mandate”	the refreshment of the general mandate proposed to be granted to the Directors at the SGM to exercise the powers of the Company to repurchase the Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM
“Partial Share Exchange Offer”	the voluntary conditional partial share exchange offer being made by Kingston Securities Limited on behalf of Gain Better Investments Limited, a wholly-owned subsidiary of the Company, to acquire 1,463,835,000 shares of HK\$0.01 each in LeRoi from the independent shareholders of LeRoi on the basis of five (5) new Shares for every two (2) shares in LeRoi
“Pelican Securities”	Pelican Securities Limited, a corporation licensed under the SFO to carry out activities of type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the grant of the New General Mandate

DEFINITIONS

“PRC”	the People’s Republic of China and for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at 17/F., Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong on Tuesday, 2 February 2010 at 11:30 a.m. for the purpose of considering and, if thought fit, approving, among others, the grant of the New General Mandate and the New Repurchase Mandate
“Share Options”	the options to subscribe for Shares granted under the Share Option Scheme
“Share Option Scheme”	a share option scheme adopted by the Shareholders at the special general meeting held on 18 September 2003
“Share(s)”	the ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Tang Ching Ho (*Chairman*)
Mr. Chan Chun Hong, Thomas (*Managing Director*)
Ms. Tang Mui Fun

Independent non-executive Directors:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and

principal place of business:

5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

15 January 2010

*To the Shareholders and, for information only,
the Share Options holders of the Company*

Dear Sir or Madam,

**PROPOSALS FOR REFRESHMENT OF
GENERAL MANDATE TO ISSUE NEW SHARES AND REPURCHASE MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with, among others, (i) the details of the New General Mandate and the New Repurchase Mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the granting of the New General Mandate; (iii) the advice from Pelican Securities to the Independent Board Committee and the Independent Shareholders in relation to the granting of the New General Mandate; and (iv) the notice of the SGM.

* *For identification purpose only*

LETTER FROM THE BOARD

PROPOSALS FOR GRANT OF THE NEW GENERAL MANDATE AND THE NEW REPURCHASE MANDATE

At the Last Annual General Meeting, the Shareholders approved, among others, ordinary resolutions to grant the Current General Mandate and the Current Repurchase Mandate which enable the Directors (i) to allot and issue Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of the Last Annual General Meeting (equivalent to the then aggregate nominal amount of HK\$4,824,703.37 divided into 482,470,337 Shares); and (ii) to exercise the powers of the Company to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the Last Annual General Meeting (equivalent to the aggregate nominal amount of HK\$2,412,351.68 divided into 241,235,168 Shares). Neither the Current General Mandate nor the Current Repurchase Mandate has been refreshed and utilised since the Last Annual General Meeting, being the date of the grant of the Current General Mandate and the Current Repurchase Mandate.

Although the Current General Mandate and the Current Repurchase Mandate have not been utilised as at the Latest Practicable Date, the total number of the issued share capital of the Company had been substantially increased to 6,071,939,188 Shares immediately following the issue and allotment of 3,659,587,500 Shares pursuant to completion of the Partial Share Exchange Offer as announced in the Announcement. The Directors, therefore, proposed to seek the approval of the Independent Shareholders and/or the Shareholders at the SGM for the granting of the New General Mandate and the New Repurchase Mandate to maintain the financial flexibility necessary for the Group's future business development.

The New General Mandate provide financial flexibility for the Group to conduct any equity financing exercise for future development of the Group should that be required, though no concrete investment and/or development plan has been identified at present. Repurchases of Shares under the New Repurchase Mandate would, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earning per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

The Company proposes to put the following ordinary resolutions to be considered at the SGM so as to seek approval of the Independent Shareholders and/or the Shareholders that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares and other securities representing not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM;
- (ii) the Directors be granted the New Repurchase Mandate to exercise the powers of the Company to repurchase the Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM; and

LETTER FROM THE BOARD

- (iii) the New General Mandate be extended to the Shares and other securities that are allowed to be repurchased by the Company since the grant of the New General Mandate.

As at the Latest Practicable Date, the total number of Shares in issue was 6,071,939,188 Shares. Upon passing the relevant resolutions at the SGM and assuming no further Shares are/will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the New General Mandate (before taking into account any extension thereof by any repurchased Shares) would enable the Board to issue and allot Shares with an aggregate nominal amount of HK\$12,143,878.37 (representing 1,214,387,837 Shares) and the New Repurchase Mandate would enable the Board to repurchase Shares on the Stock Exchange with an aggregate nominal amount of HK\$6,071,939.18 (representing 607,193,918 Shares).

At the SGM, upon the ordinary resolutions relating to the New General Mandate (including a separate ordinary resolution for the New General Mandate to be extended and added by the number of Shares, if any, repurchased by the Company since the grant of the New General Mandate) and the New Repurchase Mandate being approved by the Independent Shareholders and/or the Shareholders, respectively, the Current General Mandate and the Current Repurchase Mandate will be revoked.

Pursuant to Rules 13.36(4) of the Listing Rules, the grant of the New General Mandate is subject to the approval of the Independent Shareholders by way of a poll at the SGM with the controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates abstain from voting in favour. As at the Latest Practicable Date, the Company had no controlling Shareholders and that the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) to be proposed at the SGM to approve the grant of the New General Mandate and the extension thereof. As at the Latest Practicable Date, Ms. Tang Mui Fun, an executive Director, held an aggregate of 1,950,000 Share Options, and save as disclosed herein, none of the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates owned any Shares.

Please also refer to the appendix to this circular which sets out the information required under Rule 10.06(1) of the Listing Rules relating to the ordinary resolution to be considered at the SGM to grant the New Repurchase Mandate.

INDEPENDENT ADVICE

The Independent Board Committee comprising Mr. Leung Wai Ho, Mr. Yuen Chi Choi, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, all of them being the independent non-executive Directors, has been formed to advise the Independent Shareholders, and Pelican Securities has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the grant of the New General Mandate.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the opinion that the grant of the New General Mandate and the New Repurchase Mandate is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors recommend the Independent Shareholders and/or the Shareholders to vote in favour of the resolutions set out in the notice of the SGM contained herein.

In addition, your attention is drawn to the letter from the Independent Board Committee as set out on page 9 of this circular which contains its recommendation to the Independent Shareholders in relation to the grant of the New General Mandate, which was given after the Independent Board Committee has considered the advice of Pelican Securities thereon. The letter from Pelican Securities is set out on pages 10 to 15 of this circular containing the principal factors and reasons it has taken into consideration and its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the grant of the New General Mandate.

THE SGM

A notice of the SGM is set out on pages 19 to 22 of this circular for the purpose of considering and, if thought fit, approving, among others, the grant of the New General Mandate and the New Repurchase Mandate. A form of proxy for use at the SGM is accompanied with this circular.

Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish and in such event, the proxy form shall be deemed to be revoked.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility, for the accuracy of the information contained in this circular and confirm that, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

LETTER FROM THE BOARD

CONSENT

Pelican Securities has given and has not withdrawn their written consent to the issue of this circular with the inclusion of their letter set out therein and reference to their name in the form and context in which they appear respectively.

Yours faithfully,
For and on behalf 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

* *for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the grant of the New General Mandate for the purpose of incorporation in this circular.



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)

15 January 2010

To the Independent Shareholders

Dear Sir or Madam,

PROPOSAL FOR REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES

We refer to the circular of the Company dated 15 January 2010 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Pelican Securities has been appointed as the independent financial adviser to advise us and you in this respect.

Having taken into account the principal reasons and factors considered by and the advice of Pelican Securities as set out in its letter of advice to us and you on pages 10 to 15 of the Circular, we are of the opinion that the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the grant of the New General Mandate and the extension thereof.

Yours faithfully,

For and on behalf of the
Independent Board Committee

Leung Wai Ho Siu Man Ho, Simon Yuen Chi Choi Cho Wing Mou
Independent non-executive Directors

* *For identification purpose only*

LETTER FROM PELICAN SECURITIES

The following is the text of a letter of advice from Pelican Securities to the Independent Board Committee and the Independent Shareholders in respect of the grant of the New General Mandate.

PELICAN SECURITIES LIMITED



Unit 1502, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong

15 January, 2010

The Independent Board Committee and the Independent Shareholders

Wai Yuen Tong Medicine Holdings Limited

5/F, Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Dear Sir or Madam,

PROPOSAL FOR REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the New General Mandate, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the document of the Company dated 15 January, 2010 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The SGM will be convened at 17/F Edinburg Tower, The Landmark, 15 Queen's Road Central, Hong Kong at 11:30 a.m. on 2 February, 2010 to consider and, if thought fit, approve the grant of the New General Mandate.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Leung Wai Ho, Mr. Yuen Chi Choi, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, has been established to advise the Independent Shareholders as to whether the grant of the New General Mandate is fair and reasonable and voting at the SGM. The appointment of Pelican Securities as the independent financial adviser in respect of the grant of the New General Mandate has been approved by the Independent Board Committee.

LETTER FROM PELICAN SECURITIES

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors, the Company and its management. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date of the SGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the refreshment of the Current General Mandate, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Pelican Securities is to ensure that such information has been correctly and fairly presented and reproduced from the relevant sources.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the grant of New General Mandate to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of the New General Mandate

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 sale of western pharmaceutical products under the brand name of “Madame Pearl’s” and “Pearl’s”.

LETTER FROM PELICAN SECURITIES

At the Last Annual General Meeting, the Shareholders approved, among others, ordinary resolution to grant the Current General Mandate which enable the Directors to allot and issue Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of the Last Annual General Meeting (equivalent to the then aggregate nominal amount of HK\$4,824,703.37 divided into 482,470,337 Shares). The Current General Mandate has not been refreshed and has not been utilised since the Last Annual General Meeting, being the date of the grant of the Current General Mandate.

Although the Current General Mandate has not been utilised as at the Latest Practicable Date, the total number of the issued share capital of the Company had been substantially increased to 6,071,939,188 Shares immediately following the issue and allotment of 3,659,587,500 Shares pursuant to completion of the Partial Share Exchange Offer as announced in the Announcement dated 19 August 2009. The Directors, therefore, proposed to seek the approval of the Independent Shareholders and/or the Shareholders at the SGM for the granting of the New General Mandate to maintain the financial flexibility necessary for the Group's future business development.

As at the Latest Practicable Date, the total number of Shares in issue was 6,071,939,188 Shares. Upon passing the relevant resolutions at the SGM and assuming no further Shares are/will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the New General Mandate (before taking into account any extension thereof by any repurchased Shares) would enable the Board to issue and allot Shares with an aggregate nominal amount of HK\$12,143,878.37 (representing 1,214,387,837 Shares).

Pursuant to Rules 13.36(4) of the Listing Rules, the grant of the New General Mandate is subject to the approval of the Independent Shareholders by way of a poll at the SGM with the controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates abstain from voting in favour. As at the Latest Practicable Date, the Company had no controlling Shareholders and that the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) to be proposed at the SGM to approve the grant of the New General Mandate and the extension thereof. As at the Latest Practicable Date, Ms. Tang Mui Fun, an executive Director, held an aggregate of 1,950,000 Share Options, and save as disclosed herein, none of the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates owned any Shares.

2. Reasons for the grant of the New General Mandate

As stated in the Letter from the Board, the Directors consider that it is to the advantage of the Group to have the flexibility in raising additional funds and to have an additional option of financing to facilitate future investments and acquisitions given the dynamic market conditions. The Directors believe that the refreshment of the Current General Mandate will provide the Group with maximum flexibility as allowed under the Listing Rules to allot and issue securities for cash or as consideration in acquisitions as and when the Directors think appropriate. As such, the Board proposed to pass an ordinary resolution at the SGM to approve the refreshment of the Current General Mandate in accordance with Rule 13.36(4) of the Listing Rules to allow flexibility to issue any additional new Shares so that the Directors would be granted to allot and issue up to a maximum of 20% of the entire issued share capital of the Company as at the date of the SGM.

LETTER FROM PELICAN SECURITIES

3. Fund raising activities of the Company in the past twelve months

Set out below are the fund raising activities of the Company during the past 12 months immediately prior to the Latest Practicable Date:

Date of announcement	Description	Net proceeds raised (approximately)	Intended use of proceeds from fund raising	Actual use of proceeds as of the Latest Practicable Date
11 May 2009	Top-up placing of Shares and placing of new Shares under general mandate	HK\$33.6 million	Approximately HK\$15.0 million for repayment of interest bearing debts and the remaining balance as general working capital	Approximately HK\$15.0 million has been utilised for repayment of interest bearing debts, HK\$11.3 million has been utilised for general working capital and the remaining balance will be used as intended

Save as disclosed above, the Directors confirmed that the Company has not conducted any other fund raising activities during the past 12 months immediately prior to the Latest Practicable Date. As noted from the table above, we noted that the actual use of proceeds was in line with the intended use of proceeds.

4. Financial flexibility

As at the Latest Practicable Date, the Directors confirmed that there is no concrete proposal for any investment or any immediate fund needs for the business development of the Group.

Further to our discussion with the Directors, we concur with the Directors that the refreshment of the Current General Mandate will provide the Group with necessary financial flexibility as allowed under the Listing Rules to issue and allot new Shares for possible future equity fund raising activities, through the way of placing of new Shares or as consideration for potential investments in the future. Given the financial flexibility available to the Company, we are of the view that the refreshment of the Current General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

5. Other financing alternatives

We have enquired the Directors and the Directors considered equity financing to be an important avenue of resources for the Group given its non-interest bearing nature. Apart from equity financing, the Directors confirmed that they also considered other financing alternatives, such as debt financing and internal cash resources, to be other possible fund raising alternatives available to the Group. As

LETTER FROM PELICAN SECURITIES

confirmed by the Directors, the Group has sufficient working capital to meet its present requirements, however, there is no guarantee that such cash resources will be sufficient or be available for its future investments or business developments. In addition, debt financing may incur interest burden on the Group and it may be subject to, including but not limited to, lengthy due diligence and negotiations with the banks based on the Group's financial position, capital structure and the stock market condition from time to time. This is rather uncertain and time-consuming as compared to equity financing. Further to our discussion with the Directors, they also consider other forms of pro rata equity financing methods such as rights issue and open offer, yet, such financing methods would be subject to lengthy process and would incur additional costs in form of underwriting commission and there would be no certainty that the Company would be able to procure favourable terms in such commercial underwriting. In this regard, we consider that the refreshment of the Current General Mandate provides the Company an additional financing alternative for the Company to raise capital for its future investments or business developments and it is reasonable for the Company to have the flexibility in deciding the best financing methods for any future investments or business developments. Accordingly, we are of the view that the refreshment of the Current General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

6. Potential dilution to shareholding of the Independent Shareholders

Set out below is a table illustrating the shareholdings of the Company as at the Latest Practicable Date and, for illustrative purpose, the potential dilution effect on the shareholdings immediately after full utilisation of the New General Mandate (assuming no further Shares are issued or repurchased by the Company after the Latest Practicable Date and up to the date of the SGM):

Name of Shareholders	As at the date of Latest Practicable Date		Upon full utilisation of the New General Mandate	
	(No. of shares)	%	(No. of shares)	%
Rich Time Strategy Limited (<i>Note</i>)	527,009,324	8.7	527,009,324	7.2
Zhang Ming and Ruan Yuan	450,500,102	7.4	450,500,102	6.2
Other public Shareholders	5,094,429,762	83.9	5,094,429,762	69.9
Shares which may be issued under New General Mandate	—	—	1,214,387,837	16.7
Total	<u>6,071,939,188</u>	<u>100.0</u>	<u>7,286,327,025</u>	<u>100.0</u>

Note:

- Rich Time Strategy Limited, is wholly owned by Wang On Enterprises (BVI) Limited, which is a wholly owned subsidiary of Wang On Group Limited

LETTER FROM PELICAN SECURITIES

The aggregate shareholding of the other public Shareholders will decrease from approximately 83.9% to approximately 69.9% upon full utilisation of the New General Mandate, indicating a potential maximum dilution of approximately 14.0%. Taking into account the potential benefits of the New General Mandate as discussed above and the fact that the shareholdings of all Shareholders will be diluted proportionally to their respective shareholdings, we consider such potential dilution to the shareholdings of the Independent Shareholders to be acceptable.

RECOMMENDATION

Having taken into consideration the above principal factors and reasons, we are of the view that the refreshment of the Current General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and that the refreshment of the Current General Mandate is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the refreshment of the Current General Mandate.

Yours faithfully,
For and on behalf of
Pelican Securities Limited
Charles Li
Director and CEO

This appendix serves as an explanatory statement as required by the Listing Rules to provide the requisite information to you for your consideration of the New Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was HK\$60,719,391.88 comprising 6,071,939,188 Shares and 15,380,000 outstanding Share Options. If the outstanding Share Options were exercised in full on or prior to the date of the SGM, a further 15,380,000 Shares would be in issue.

Subject to the passing of the relevant ordinary resolutions as set out in the notice of the SGM, assuming no further Shares are/will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Directors will be authorised to repurchase Shares with an aggregate nominal amount up to HK\$6,071,939.18 (representing 607,193,918 Shares) pursuant to the New Repurchase Mandate. Assuming that (i) all outstanding Share Options are exercised in full on or before the date of the SGM; and (ii) no further Shares are/will be issued and/or repurchased by the Company, the total number of Shares in issue will be 6,087,319,188 Shares and the Directors will be authorised to repurchase Shares with an aggregate nominal amount up to HK\$6,087,319.18 (representing 608,731,918 Shares).

2. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and/or its assets or its earnings per Share and will only be made when the Directors believe that such purchases will benefit the Company and the Shareholders as a whole.

3. FUNDING OF REPURCHASES

The Company must fund the repurchase entirely from the Company's available cash flow or working capital facilities legally available for such purpose in accordance with its memorandum of association, the Bye-laws and the laws of Bermuda.

It is expected that the exercise of the New Repurchase Mandate would have a material adverse effect on the working capital or the gearing level of the Group as compared with the positions disclosed in the audited consolidated financial statements contained in the annual report for the year ended 31 March 2009 in the event that the New Repurchase Mandate is to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the New Repurchase Mandate to such extent as it would, in the circumstances, have a material adverse effect on the working capital or the gearing level of the Company. As set out above, the New Repurchase Mandate will only be exercised when the Directors believe that such purchases will benefit the Company and the Shareholders as a whole.

4. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, have any present intention, in the event that the New Repurchase Mandate is approved by the Shareholders at the SGM, to sell Shares to the Company under the New Repurchase Mandate.

No connected persons (as defined in the Listing Rules) has notified the Company that he has a present intention to sell any Shares to the Company, or that he has undertaken not to sell any Shares held by him to the Company, in the event that the New Repurchase Mandate is granted by the Shareholders at the SGM.

5. SHARE PURCHASE MADE BY THE COMPANY

The Company had not purchased any of the Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

6. DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company pursuant to the New Repurchase Mandate in accordance with the Listing Rules, the memorandum of association of the Company, the Bye-laws and the applicable laws of Bermuda so far as the same may be applicable.

7. EFFECT OF THE TAKEOVERS CODE

If, on the exercise of the power to repurchase Shares pursuant to the New Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of such increase, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date and to the best knowledge and belief of the Directors, Wang On Group Limited ("**Wang On Group**") and parties acting in concert with it were deemed to be interested in approximately 8.68% of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares under the Repurchase Mandate and if there is no other change in the issued share capital of the Company, the shareholding of Wang On Group in the Company will be increased to approximately 9.64% of the issued share capital of the Company. The Directors are not aware of any consequence which may arise under the Takeovers Code as a result of any repurchases made under the Repurchase Mandate.

The Directors have no present intention to exercise the power to repurchase the Shares to the extent that the aggregate amount of the share capital of the Company in public hands would be reduced to less than 25%.

8. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the last twelve months are as follows:

Month	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2009		
January	0.162	0.122
February	0.165	0.135
March	0.142	0.124
April	0.160	0.114
May	0.123	0.099
June	0.127	0.106
July	0.112	0.101
August	0.118	0.096
September	0.114	0.097
October	0.107	0.099
November	0.126	0.099
December	0.105	0.085
2010		
January (up to the Latest Practicable Date)	0.092	0.082

NOTICE OF THE SGM



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting of Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*) (the “**Company**”) will be held at 17/F., Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong on Tuesday, 2 February 2010 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

- (1) “**THAT:**
- (a) the general mandate granted to the directors of the Company (the “**Directors**”) to exercise the powers of the Company to allot, issue and otherwise deal with the shares in the capital of the Company (the “**Shares**”) and to make or grant offers, agreements and options, as approved by the shareholders of the Company at the annual general meeting held on 26 August 2009, to the extent not already exercised be and is hereby revoked (but without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
 - (b) subject to paragraph (d) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue, grant, distribute and deal with additional Shares, and to make, issue or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
 - (c) the approval in paragraph (b) above shall be in addition to any other authorisations given to the Directors and shall authorise the Directors during the Relevant Period to make, issue or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which might require the exercise of such powers after the end of the Relevant Period;

* For identification purpose only

NOTICE OF THE SGM

- (d) the aggregate nominal amount of the share capital allotted, issued, granted, distributed or otherwise dealt with or agreed conditionally or unconditionally to be allotted, granted, distributed or otherwise dealt with (whether pursuant to an option, a conversion or otherwise) by the Directors pursuant to the approval in paragraph (b) above, otherwise than pursuant to:
- (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of any option under the share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares; and
 - (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on the Shares in accordance with the bye-laws of the Company in force from time to time,

shall not exceed the aggregate of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution; and (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of the share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of such resolution), the said approval shall be limited accordingly; and

- (e) for the purpose of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the Company’s bye-laws to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

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“**Rights Issue**” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register of members on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or stock exchange in any territory outside Hong Kong).”

(2) “**THAT:**

- (a) the general mandate granted to the Directors to exercise the powers of the Company to repurchase Shares as approved by the shareholders of the Company at the annual general meeting held on 26 August 2009, to the extent not already exercised be and is hereby revoked (but without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase Shares be and is hereby generally and unconditionally approved;
- (c) the aggregate nominal amount of the Shares which may be repurchased or agreed to be repurchased by the Company pursuant to the approval in paragraph (b) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the laws of Bermuda or the Company’s bye-laws to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

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- (3) “**THAT** conditional upon the passing of the resolutions numbered (1) and (2) above, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue, grant, distribute and otherwise deal with additional Shares pursuant to the resolution numbered (1) above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted, issued, granted, distributed and otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued, granted and distributed by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased or agreed to be repurchased by the Company pursuant to resolution numbered (2) above since the granting of the general mandate pursuant to resolution numbered (1) above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution.”

By Order of the Board
Wai Yuen Tong Medicine Holdings Limited
(位元堂藥業控股有限公司*)
Mak Yuen Ming, Anita
Company Secretary

Hong Kong, 15 January 2010

Notes:

- (1) A member entitled to attend and vote at the special general meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy, together with any power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time for holding of the special general meeting or any adjournment thereof.
- (3) Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the special general meeting or any adjournment thereof if they so wish and in such event, the proxy form shall be deemed to be revoked.
- (4) All the resolutions will be voted by way of a poll by the independent shareholders and/or shareholders of the Company.

* *For identification purpose only*