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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)**



**LEROI HOLDINGS LIMITED**

**利來控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 221)**

**ANNOUNCEMENT  
MAJOR TRANSACTION  
IN RELATION TO  
ADVANCE TO LEROI HOLDINGS LIMITED**

**VOLUNTARY ANNOUNCEMENT  
IN RELATION TO  
THE LOAN AGREEMENT**

**The Loan Agreement**

The Board and the board of LeRoi would like to jointly announce that, on 28 August 2009, LeRoi issued a notice to Gain Better, being the holder of the Convertible Bonds, to request early redemption of the Convertible Bonds in full conditional upon (among other things) the Partial Share Exchange Offer becoming unconditional in all respects and the Loan Agreement and the transaction(s) contemplated thereunder being approved by the Shareholders.

On 28 August 2009, LeRoi and Gain Better also entered into the Loan Agreement pursuant to which Gain Better agreed to grant to LeRoi the Loan.

The transaction(s) contemplated under the Loan Agreement, together with the Previous Loan Facility, constitute a major transaction for the Company pursuant to Rule 14.06(3) of the Listing Rules. A circular containing, among other things, further information in relation thereto and the notice of the SGM will be despatched to the Shareholders as soon as practicable pursuant to Rule 14.38A of the Listing Rules.

Gain Better is a substantial shareholder and thus a connected person of LeRoi. Accordingly, the transaction(s) contemplated under the Loan Agreement, together with the Previous Loan Facility, constitute a connected transaction for LeRoi. Given such financial assistance is provided by Gain Better on normal commercial terms and without security over assets of LeRoi, such connected transaction is exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

\* For identification purpose only

## **BACKGROUND**

On 28 August 2009, LeRoi issued a notice to Gain Better, being the holder of the Convertible Bonds, to request early redemption of the Convertible Bonds in full conditional upon (among other things) the Partial Share Exchange Offer becoming unconditional in all respects and the Loan Agreement and the transaction(s) contemplated thereunder being approved by the Shareholders.

On 28 August 2009, LeRoi and Gain Better also entered into the Loan Agreement pursuant to which Gain Better agreed to grant to LeRoi the Loan.

## **THE LOAN AGREEMENT**

- Date : 28 August 2009
- Lender: Gain Better, an indirect wholly-owned subsidiary of the Company as at the date of this joint announcement
- Borrower: LeRoi
- Loan: HK\$190 million
- Term: four (4) years commencing from the drawdown date
- Repayment: LeRoi may at any time prepay the whole or in part in a minimum amount of HK\$5,000,000 and if for a larger amount, in an integral multiple of HK\$1,000,000 of the outstanding principal amount of the Loan, together with all accrued interest thereon to Gain Better
- Conditions precedent :
- (i) the Partial Share Exchange Offer becoming unconditional in all respects;
  - (ii) the Loan Agreement and the transaction(s) contemplated thereunder being approved by the Shareholders;
  - (iii) full compliance with the applicable requirements of the Listing Rules and the Code on Takeovers and Mergers;
  - (iv) the representations and warranties contained in the Loan Agreement being and remaining true and correct on the drawdown date; and
  - (v) no event has occurred and is continuing as of the drawdown date, or would result from LeRoi's borrowing of the Loan, which would constitute an event of default under the Loan Agreement.

The Loan is unsecured and carries an interest rate of 8% per annum which was determined after commercial and arm's length negotiation between relevant parties to the Loan Agreement with reference to factors including, among others, (i) the 8% interest rate of the Previous Loan; (ii) the prevailing Hong Kong prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited, being 5% per annum; (iii) the financial position of LeRoi; and (iv) the 3% coupon rate of the Convertible Bonds.

Pursuant to the Loan Agreement, Gain Better shall make available the Loan to LeRoi by way of a discharge of the obligations of LeRoi in repayment of the outstanding principal amount of HK\$190,000,000 under the Convertible Bonds.

Gain Better is principally engaged in investment holding and, as at the date of this joint announcement, is an indirect wholly-owned subsidiary of the Company, which indirectly owned 2,305,000,000 LeRoi Shares, representing approximately 29.97% of the entire issued share capital of LeRoi. Mr. Chan Chun Hong, Thomas, an executive Director and a director of Gain Better, is also an executive director of LeRoi. Save for the foregoing, to the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, LeRoi and its ultimate beneficial owner are third parties independent of and not connected with the Company and its subsidiaries.

#### **THE PREVIOUS LOAN FACILITY**

Pursuant to the loan agreement dated 10 July 2009 entered into between Gain Better and LeRoi, Gain Better agreed to grant the Previous Loan Facility to LeRoi. The Previous Loan Facility is a two-year unsecured loan facility of HK\$10 million and is intended to be used as working capital of LeRoi. The Previous Loan Facility carries an interest rate of 8% per annum which was determined with reference to (i) the prevailing Hong Kong prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited, being 5% per annum; and (ii) the financial position of LeRoi.

#### **REASONS FOR AND BENEFITS OF THE LOAN AND THE PREVIOUS LOAN FOR THE COMPANY**

The Group is principally engaged in (i) 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) processing and retailing of western pharmaceutical products under the brand name of "Madame Pearl's".

LeRoi together with its subsidiaries are principally engaged in property development in the PRC and the retailing of fresh pork meat and related products.

LeRoi and Gain Better entered into the Loan Agreement and the Previous Loan Facility to facilitate early redemption of the Convertible Bonds and for working capital purpose of LeRoi, respectively. In consideration of the fact that, assuming the Partial Share Exchange Offer can become unconditional, the Company will have 49% equity interest in LeRoi, LeRoi will remain an associate company of the Company and LeRoi's financial results will continue to be accounted for under the equity accounting method by the Company, the higher interest rate of the Loan, being 8% per annum, than the coupon rate of the Convertible Bonds, being 3% per annum, and secured interest income to be generated by the Loan and the Previous Loan, the Directors consider that the Loan and the Previous Loan can generate a higher return to the Shareholders and are of the view that the terms of the Loan Agreement and the Previous Loan Facility are on normal commercial terms, and fair and reasonable as far as the Shareholders are concerned and thus the entering into of the Loan Agreement and the Previous Loan Facility are in the interests of the Group and the Shareholders as a whole.

### **REASONS FOR AND BENEFITS OF THE LOAN AND THE PREVIOUS LOAN FOR LEROI**

The directors of LeRoi consider that early redemption of the Convertible Bonds, as facilitated by the Loan from Gain Better, will avoid possible dilution of shareholding interests of LeRoi Shareholders (other than Gain Better) in the event of conversion of the Convertible Bonds by Gain Better, and is therefore in the interest of LeRoi and LeRoi Shareholders as a whole. The directors of LeRoi are of the view that the Previous Loan Facility provides additional working capital for LeRoi and is in the interest of LeRoi and LeRoi Shareholders as a whole. The directors of LeRoi also consider that the terms of the Loan Agreement and the Previous Loan Facility are on normal commercial terms.

### **GENERAL**

The transaction(s) contemplated under the Loan Agreement, together with the Previous Loan Facility, constitute a major transaction for the Company pursuant to Rule 14.06(3) of the Listing Rules. A circular containing, among other things, further information in relation thereto and the notice of the SGM will be despatched to the Shareholders as soon as practicable pursuant to Rule 14.38A of the Listing Rules.

Gain Better is a substantial shareholder and thus a connected person of LeRoi. Accordingly, the transaction(s) contemplated under the Loan Agreement, together with the Previous Loan Facility, constitute a connected transaction of LeRoi. Taking into account (i) the prevailing Hong Kong prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited, being 5% per annum; and (ii) the financial position of LeRoi, the directors of LeRoi are of the view that the terms of the Loan Agreement and the Previous Loan Facility are on normal commercial terms. Given such financial assistance is provided by Gain Better on normal commercial terms and without security over assets of LeRoi, such connected transaction is exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

## DEFINITIONS

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

“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)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Convertible Bonds”	the convertible bonds with an aggregate principal amount of HK\$190 million issued by LeRoi to Gain Better pursuant to a subscription agreement dated 6 August 2007 entered into between LeRoi and Gain Better, details of which are set out in the joint announcement of the Company and LeRoi dated 7 August 2007
“Director(s)”	the director(s) of the Company
“Gain Better”	Gain Better Investments Limited, a company incorporated in the British Virgin Islands, which is an indirect wholly-owned subsidiary of the Company as at the date of this joint announcement
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 (Stock Code: 221)
“LeRoi Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of LeRoi

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“LeRoi Shareholder(s)”	the holders of LeRoi Share(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan of HK\$190 million to be granted by Gain Better to LeRoi pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement dated 28 August 2009 entered into between Gain Better and LeRoi in relation to the Loan
“Partial Share Exchange Offer”	the possible voluntary conditional partial share exchange offer by Gain Better to acquire 1,463,835,000 LeRoi Shares, representing approximately 19.03% of the issued LeRoi Shares as at the date of this joint announcement, details of which are set out in the joint announcement of the Company and LeRoi dated 19 August 2009
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Previous Loan”	the loan from Gain Better to LeRoi pursuant to the Previous Loan Facility
“Previous Loan Facility”	a loan facility granted by Gain Better to LeRoi pursuant to the loan agreement dated 10 July 2009 entered into between Gain Better and LeRoi
“SGM”	the special general meeting of the Company to be held to approve, among other things, the Loan Agreement and the transaction(s) contemplated thereunder
“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

“subsidiary(ies)” has the meaning ascribed thereto in the Listing Rules

“substantial shareholder(s)” has the meaning ascribed thereto in the Listing Rules

By Order of the Board of  
**Wai Yuen Tong Medicine Holdings Limited**  
(位元堂藥業控股有限公司\*)  
**Tang Ching Ho**  
*Chairman*

By Order of the board of directors of  
**LeRoi Holdings Limited**  
利來控股有限公司  
**Chan Chun Hong, Thomas**  
*Chairman and Managing Director*

Hong Kong, 28 August 2009

*As at the date of this joint 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.*

*As at the date of this joint announcement, the executive directors of LeRoi are Mr. Chan Chun Hong, Thomas, Mr. Cheung Wai Kai and Mr. Wong Yiu Hung, Gary, and the independent non-executive directors of LeRoi are Mr. Sin Ka Man, Mr. Cheung Sau Wah, Joseph and Mr. Yuen Kam Ho, George.*

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