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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



KINGSTON SECURITIES LIMITED

THE PLACING

On 12 April 2010 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 1,200,000,000 Placing Shares to not fewer than six Placers who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons and are not acting in concert with any connected persons of the Company at a price of HK\$0.053 per Placing Share.

The Placing Price of HK\$0.053 represents a discount of approximately 17.19% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.064 per Share as quoted on the Stock Exchange on the date of this announcement; and (ii) the average closing price per Share of HK\$0.060 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of this announcement.

The maximum number of 1,200,000,000 Placing Shares represents (i) approximately 19.76% of the existing issued share capital of the Company of 6,071,939,188 Shares as at the date of this announcement; and (ii) approximately 16.50% of the issued share capital of the Company of 7,271,939,188 Shares as enlarged by the Placing. The maximum aggregate nominal value of the Placing Shares under the Placing will be HK\$12.0 million.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares.

* For identification purpose only

The maximum gross proceeds and maximum net proceeds from the Placing (after deducting the commission payable to the Placing Agent and other expenses incurred in the Placing) are expected to be HK\$63.6 million and approximately HK\$61.5 million, respectively. The Company intends to utilise approximately HK\$10.0 million for the repayment of interest-bearing debts, approximately HK\$21.0 million for the expansion of the Group's Chinese and Western health food and pharmaceutical business (including, if and when attractive opportunities arise, the acquisition of appropriate retail premises for use by the Group's retail network) and the remaining balance as general working capital. The net proceeds raised per Share upon completion of the Placing will be approximately HK\$0.0513 per Share.

The Placing Shares to be placed under the Placing Agreement will be issued pursuant to the General Mandate to allot, issue and deal with Shares granted to the Directors at the SGM.

Since completion of the Placing is subject to a number of conditions mentioned herein and the Placing is on a best effort basis, Shareholders and potential investors are advised to exercise caution when dealing in Shares.

THE PLACING AGREEMENT

Date

12 April 2010 (after trading hours)

Issuer

The Company

Placing Agent

The Placing Agent has conditionally agreed to place up to 1,200,000,000 Placing Shares, on a best effort basis, to the Placees and will receive a placing commission of 2.50% on the gross proceeds of the actual number of Placing Shares being placed. The Directors (including the independent non-executive Directors) are of the view that the placing commission of 2.50%, which was arrived at after arm's length negotiations under normal commercial terms, is fair and reasonable. The Placing Agent is interested in seven Shares as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, save for the fact that the Placing Agent held seven Shares as at the date of this announcement, the Placing Agent and its ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons.

Placees

The Placing Agent will place the Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of and will not be connected with the Company and its connected persons and are not acting in concert with any connected persons of the Company. It is expected that none of the Placees or their respective associates shall become a substantial shareholder of the Company as a result of the Placing.

Number of Placing Shares

The maximum number of 1,200,000,000 Placing Shares represents (i) approximately 19.76% of the existing issued share capital of the Company of 6,071,939,188 Shares as at the date of this announcement; and (ii) approximately 16.50% of the issued share capital of the Company of 7,271,939,188 Shares as enlarged by the Placing. The maximum aggregate nominal value of the Placing Shares under the Placing will be HK\$12.0 million.

Ranking of Placing Shares

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

Placing Price

The Placing Price of HK\$0.053 represents a discount of approximately 17.19% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.064 per Share as quoted on the Stock Exchange on the date of this announcement; and (ii) the average closing price per Share of HK\$0.060 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of this announcement.

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 on the date of the Placing Agreement. The Directors (including the independent non-executive Directors) consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The Placing Shares

The Placing Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by the Shareholders at the SGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the SGM. Under the General Mandate, the Company is authorised to issue up to 1,214,387,837 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate.

Conditions of the Placing Agreement

Completion of the Placing Agreement is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares under the Placing.

Termination of the Placing

- (i) Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent's appointment shall terminate upon the earlier of (a) Completion and (b) termination of the Placing by the Placing Agent in accordance with the terms and conditions of the Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement.
- (ii) The Placing Agent reserves its right to terminate the Placing Agreement by notice in writing prior to 10:00 a.m. on the Completion Date (as defined below), 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 hereof) 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 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 affects the success of the Placing 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.
- (iii) If, at or prior to 10:00 a.m. on the Completion Date (as defined below);
- (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) the trading of the Shares on the Stock Exchange has been suspended for more than ten consecutive trading days save for the purposes of clearing any announcement or circular required to be issued by the Company under the Listing Rules relating to the Placing Agreement; 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.

(iv) Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

Since completion of the Placing is subject to a number of conditions mentioned herein and the Placing is on a best effort basis, Shareholders and potential investors are advised to exercise caution when dealing in Shares.

Completion of the Placing

Completion of the Placing will take place within four Business Days after fulfillment of the conditions set out in the Placing Agreement but not later than 12 May 2010 or such later date as may be agreed between the Company and the Placing Agent (the “**Completion Date**”).

REASON FOR THE PLACING AND USE OF PROCEEDS

The Directors have considered various ways of raising funds and consider that the Placing represents an attractive opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider the Placing Agreement is in the interest of the Company and the Shareholders as a whole.

The maximum gross proceeds and maximum net proceeds from the Placing (after deducting the commission payable to the Placing Agent and other expenses incurred in the Placing) are expected to be HK\$63.6 million and approximately HK\$61.5 million, respectively. The Company intends to utilise approximately HK\$10.0 million for the repayment of interest-bearing debts, approximately HK\$21.0 million for the expansion of the Group’s Chinese and Western health food and pharmaceutical business (including, if and when attractive opportunities arise, the acquisition of appropriate retail premises for use by the Group’s retail network) and the remaining balance as general working capital. The net proceeds raised per Share upon completion of the Placing will be approximately HK\$0.0513 per Share.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following table summaries the fund raising activities of the Company in the last 12 months immediately before the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
11 May 2009	Top-up placing and placing of new Shares	Approximately HK\$33.6 million	Approximately HK\$15.0 million for repayment of interest-bearing debts and the remaining balance for general working capital	Approximately HK\$15.0 million has been utilised for repayment of interest-bearing debts and the remaining balance has been utilised as general working capital

EFFECTS ON SHAREHOLDING STRUCTURE

The expected changes in the share capital and shareholding structure of the Company resulting from the Placing are as follows:

	As at the date of this announcement		Immediately after the Placing	
	<i>Number of Shares</i>	<i>Approximate percentage of shareholding %</i>	<i>Number of Shares</i>	<i>Approximate percentage of shareholding %</i>
Public Shareholder:				
Wang On (<i>Note 1</i>)	527,009,324	8.68	527,009,324	7.25
Placees (<i>Note 2</i>)	—	0.00	1,200,000,000	16.50
Other Shareholders	<u>5,544,929,864</u>	<u>91.32</u>	<u>5,544,929,864</u>	<u>76.25</u>
Total	<u><u>6,071,939,188</u></u>	<u><u>100.00</u></u>	<u><u>7,271,939,188</u></u>	<u><u>100.00</u></u>

Notes:

- 1) As at the date of this announcement, Wang On, through its indirect wholly-owned subsidiary, Rich Time Strategy Limited, held 527,009,324 Shares.
- 2) The Placing Shares would be allotted and issued upon completion of the Placing.

GENERAL

The Company 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 names of “Madame Pearl’s” and “Pearl’s”.

The existing authorised share capital of Company consists of 60,000,000,000 Shares, out of which 6,071,939,188 Shares have been issued and fully paid up as at the date of this announcement.

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

Further announcement will be made by the Company upon completion of the Placing.

DEFINITIONS

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

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturdays, Sundays and public holidays) on which banks 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 on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Board
“General Mandate”	the mandate granted to the Directors by the Shareholders at the SGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the SGM
“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
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of up to 1,200,000,000 Placing Shares pursuant to the terms of 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 12 April 2010 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.053 per Placing Shares
“Placing Share(s)”	up to 1,200,000,000 new Shares to be issued 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
“SGM”	the special general meeting of the Company held on 2 February 2010
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the 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
“Wang On”	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 on the main board of the Stock Exchange
“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, 12 April 2010

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.

* *For identification purpose only*