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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult a 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, you should at once hand the Prospectus Documents to the purchaser or 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.

Capitalised terms used in this Prospectus shall have the same meanings as those defined in the section headed "Definitions" in this Prospectus. A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix III to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance in Hong Kong (Chapter 32 of the Laws of Hong Kong). A copy of each of the Prospectus Documents has been, or will as soon as reasonably practicable be, filed with the Registrar of Companies in Bermuda as required by the Companies Act. The Registrar of Companies in Hong Kong, the Securities and Futures Commission of Hong Kong and the Registrar of Companies in Bermuda take no responsibility for the contents of any of the Prospectus Documents.

Dealings in the securities of WYT may be settled through CCASS and you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of the Prospectus Documents, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any of the Prospectus Documents.

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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)

### RIGHTS ISSUE IN THE PROPORTION OF FIVE (5) RIGHTS SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE AND TIME AT HK\$0.207 PER RIGHTS SHARE (WITH THE BONUS ISSUE IN THE PROPORTION OF ONE (1) BONUS SHARE FOR EVERY FIVE (5) RIGHTS SHARES TAKEN UP UNDER THE RIGHTS ISSUE)

Underwriter of the Rights Issue



**KINGSTON SECURITIES LTD**

Financial Adviser to Wai Yuen Tong Medicine Holdings Limited



**KINGSTON CORPORATE FINANCE LTD**

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The latest date and time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Wednesday, 20 October 2010. The procedures for acceptance and payment and/or transfer of the Rights Shares are set out on pages 22 to 23 of this Prospectus.

Dealings in the Rights Shares in the nil-paid form will take place from Friday, 8 October 2010 to Friday, 15 October 2010 (both dates inclusive). If the conditions of the Rights Issue as referred to in the section headed "Conditions of the Rights Issue and the Bonus Issue" in this Prospectus are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any persons dealing in the nil-paid Rights Shares during the period from Friday, 8 October 2010 to Friday, 15 October 2010 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any person contemplating dealing in the Adjusted Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional adviser.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to WYT at any time prior to the Latest Time For Termination to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 17 to 18 of this Prospectus. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on pages 18 to 19 of this Prospectus being fulfilled or waived (as applicable). If such conditions have not been satisfied or waived (as applicable) in accordance with the Underwriting Agreement on or before the time and dates specified therein, all liabilities of the parties to the Underwriting Agreement shall cease and determine and none of the parties shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter (but not the underwriting commission) shall to the extent agreed by WYT be borne by WYT and the Rights Issue will not proceed.

\* For identification purposes only

6 October 2010

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## EXPECTED TIMETABLE

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*The expected timetable for the Capital Reorganisation and the Rights Issue is set out below:*

<b>Event</b>	<b>Timeline</b>
Designated broker starts to stand in the market to provide matching service for the sale and purchase of odd lots of the Adjusted Shares .....	9:30 a.m. on Friday, 8 October 2010
Original counter for trading in the Adjusted Shares in board lots of 10,000 Adjusted Shares (only new certificates for the Adjusted Shares in board lots of 10,000 Adjusted Shares can be traded at this counter) re-opens .....	9:30 a.m. on Friday, 8 October 2010
Parallel trading in the Adjusted Shares (in the form of both existing certificates in board lots of 6,000 Shares and new certificates in board lots of 10,000 Adjusted Shares) commences .....	9:30 a.m. on Friday, 8 October 2010
First day of dealings in nil-paid Rights Shares .....	Friday, 8 October 2010
Latest time for splitting nil-paid Rights Shares .....	4:30 p.m. on Tuesday, 12 October 2010
Last day of dealings in nil-paid Rights Shares .....	Friday, 15 October 2010
Latest time for acceptance of, and payment for, the Rights Shares (with the Bonus Issue) and the applications for excess Rights Shares (with the Bonus Issue) .....	4:00 p.m. on Wednesday, 20 October 2010
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional .....	4:00 p.m. on Monday, 25 October 2010
Announcement of results of the Rights Issue .....	Tuesday, 26 October 2010
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares on or before .....	Wednesday, 27 October 2010
Certificates for fully paid Rights Shares and Bonus Shares to be despatched on or before .....	Wednesday, 27 October 2010

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## EXPECTED TIMETABLE

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Temporary counter for trading in the Adjusted Shares in board lots  
of 240 Adjusted Shares (in the form of existing certificates) closes . . . . . 4:00 p.m. on  
Thursday, 28 October 2010

Parallel trading in the Adjusted Shares (represented by both  
existing certificates in board lots of 6,000 Shares and new  
certificates in board lots of 10,000 Adjusted Shares) ends . . . . . 4:00 p.m. on  
Thursday, 28 October 2010

Designated broker ceases to stand in the market to provide  
matching service . . . . . 4:00 p.m. on  
Thursday, 28 October 2010

Commencement of dealings in fully-paid Rights Shares . . . . . 9:30 a.m. on  
Friday, 29 October 2010

Last day of free exchange of existing certificates for the Shares  
(in board lots of 6,000 Shares) for the new certificates for the  
Adjusted Shares (in board lots of 10,000 Adjusted Shares) . . . . . Monday, 1 November 2010

**Note:** All references to time in this Prospectus are references to Hong Kong time.

Dates or deadlines specified in this Prospectus are indicative only and may be varied by agreement between WYT and the Underwriter. Any consequential changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES**

The Latest Time For Acceptance will not take place if there is:

- (i) a tropical cyclone warning signal number 8 or above, or
- (ii) a “black” rainstorm warning
  - (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Time For Acceptance. Instead the Latest Time For Acceptance will be extended to 5:00 p.m. on the same Business Day; or
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Time For Acceptance. Instead the Latest Time For Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time For Acceptance does not take place, the dates mentioned in this section may be affected. An announcement will be made by WYT in such event.

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## DEFINITIONS

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*In this Prospectus, unless the context otherwise requires, the following terms shall have the following meanings:*

“Acquisition”	the acquisition by Guidepost of the entire issued share capital of five companies, which are wholly-owned subsidiaries of East Run and hold five properties respectively in Hong Kong, pursuant to the sale and purchase agreement entered into between Guidepost and East Run on 6 August 2010, as supplemented by a deed of guarantee duly executed by Wang On, East Run and Guidepost on 9 August 2010
“Adjusted Shares”	the ordinary shares of HK\$0.01 each in the capital of WYT following the Capital Reorganisation, which became effective at 5:00 pm on Tuesday, 21 September 2010
“Announcement”	the announcement of WYT dated 9 August 2010 in relation to, among others, the Rights Issue with the Bonus Issue
“associates”	has the meaning ascribed thereto under the Listing Rules
“Bonus Issue”	the issue of the Bonus Shares on the basis of one (1) Bonus Share for every five (5) Rights Shares taken up under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents
“Bonus Shares”	the Adjusted Shares to be issued (for no additional payment) to the First Registered Holders of Rights Shares on the basis of one (1) bonus Share for every five (5) Rights Shares taken up under the Rights Issue subject to the terms and upon the conditions as set out in the Underwriting Agreement and the Prospectus Documents
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Bye-laws”	the bye-laws of WYT

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## DEFINITIONS

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“Capital Reduction”	the proposed reduction of WYT’s issued share capital whereby (i) the par value of all the issued Consolidated Shares shall be reduced from HK\$0.25 each to HK\$0.01 each and par value of the issued share capital of WYT shall accordingly be cancelled to the extent of HK\$0.24 per Consolidated Share in issue; and (ii) any fractional Consolidated Shares in the issued share capital of WYT arising from the Share Consolidation shall be reduced and cancelled
“Capital Reorganisation”	the reorganisation of WYT’s issued share capital, comprising, inter alia, Share Consolidation and Capital Reduction, which became effective at 5:00 p.m. on Tuesday, 21 September 2010
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	Companies Act 1981 of Bermuda
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Shares”	the ordinary shares of HK\$0.25 each in the issued share capital of WYT immediately upon the Share Consolidation becoming effective
“EAF(s)”	excess application form(s) for the Untaken Shares
“East Run”	East Run Investments Limited, a company incorporated under the laws of the BVI with limited liability whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI (BVI company number: 1474764), which is an indirect wholly-owned subsidiary of Wang On
“Enlarged WYT Group”	the WYT Group as enlarged by the Rights Issue (with the Bonus Issue)
“Excluded Shareholders”	the Overseas Shareholders at the Record Date and Time where the WYT Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Shareholders
“First Registered Holders”	Qualifying Shareholders who have applied for and received the Rights Shares allotted to them by WYT after lodging valid PALs and EAFs (if applicable)

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## DEFINITIONS

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“Guidepost”	Guidepost Investments Limited, a company incorporated under the laws of the BVI with limited liability whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI (BVI company number: 595326), which is an indirect wholly-owned subsidiary of WYT
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Irrevocable Undertaking”	an irrevocable undertaking dated 5 August 2010 under which Rich Time provided the irrevocable undertaking to WYT and the Underwriter as described under the section headed “Irrevocable Undertaking” in this Prospectus
“Last Trading Day”	5 August 2010, being the last trading day for the Shares (prior to the Capital Reorganisation became effective) on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	30 September 2010, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information for the inclusion in this Prospectus
“Latest Time For Acceptance”	4:00 p.m. on Wednesday, 20 October 2010, or such later time or date as may be agreed between the Underwriter and WYT, being the latest time for acceptance of, and payment for, the Rights Shares (with the Bonus Shares) as described in the Prospectus Documents
“Latest Time For Termination”	4:00 p.m. on the third Business Day after the Latest Time For Acceptance or such later time or date as may be agreed between the Underwriter and WYT, being the latest time to terminate the Underwriting Agreement or such other time as may be agreed between WYT and the Underwriter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Tang”	Ms. Tang Mui Fun, the executive WYT Director
“Overseas Shareholders”	the Shareholder(s) whose address(es) on the register of members of WYT are outside Hong Kong
“PAL(s)”	provisional allotment letter(s) for the Rights Issue
“PRC”	the People’s Republic of China

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## DEFINITIONS

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“Prospectus”	the Prospectus to be despatched to the Shareholders on the Prospectus Posting Date in connection with the Rights Issue in such form as may be agreed between WYT and the Underwriter
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Prospectus Posting Date”	6 October 2010, or such other day as may be agreed between WYT and the Underwriter, being the date of despatch of the Prospectus Documents
“Qualifying Shareholders”	the Shareholders, whose names appear on the register of members of WYT as at the Record Date and Time, other than the Excluded Shareholders
“Record Date and Time”	5:30 p.m. on Tuesday, 5 October 2010, being the date and time by reference to which entitlements to the Rights Issue (with the Bonus Issue) will be determined
“Registrar”	WYT’s branch share registrar and transfer office in Hong Kong, which is Tricor Secretaries Limited of 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Remaining Untaken Shares”	those (if any) of the Untaken Shares in excess of the 380,000,000 Rights Shares that Wang On has undertaken to subscribe or procure subscription for under the Irrevocable Undertaking
“Rich Time”	Rich Time Strategy Limited, a company incorporated in the BVI and whose principal place of business in Hong Kong is situated at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong, which is an indirect wholly-owned subsidiary of Wang On and the registered holder of 527,009,324 Shares as of the Latest Practicable Date
“Rights Issue”	the proposed issue of the Rights Shares (with the Bonus Shares) by way of rights issue to the Qualifying Shareholders for subscription on the terms to be set out in the Prospectus Documents and summarised herein
“Rights Shares”	1,454,387,835 Adjusted Shares proposed to be offered to the Qualifying Shareholders for the subscription on the basis of five (5) Rights Shares for every one (1) Adjusted Share held at the Record Date and Time pursuant to the Rights Issue



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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of WYT held on Tuesday, 21 September 2010, during which the Shareholders considered and passed the necessary resolutions to approve, among other things, the proposed Capital Reorganisation, the Rights Issue and the Bonus Issue
“Shares”	the ordinary shares of HK\$0.01 each in the share capital of WYT
“Share Consolidation”	the consolidation of Shares whereby every 25 Shares of par value of HK\$0.01 each in the issued share capital of WYT will be consolidated into one Consolidated Share of par value of HK\$0.25
“Share Option Scheme”	the share option scheme adopted by WYT on 18 September 2003 at the special general meeting of WYT
“Share Options”	the options granted by WYT to subscribe for the Shares or the Adjusted Shares pursuant to the Share Option Scheme
“Shareholders”	the holder(s) of the Shares or the Adjusted Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.207 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter” or “Kingston”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the SFO
“Underwriting Agreement”	the underwriting agreement dated 5 August 2010 entered into between WYT and the Underwriter in relation to the Rights Issue
“Underwritten Shares”	not less than 968,985,975 Rights Shares and not more than 973,459,975 Rights Shares underwritten by the Underwriter
“Untaken Shares”	those (if any) of the Rights Shares for which duly completed PAL(s) (accompanied by cheques or banker’s cashier order for the full amount payable on application which are honoured on first or, at the option of WYT, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before Latest Time For Acceptance

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## DEFINITIONS

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“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
“Wang On Group”	Wang On and its subsidiaries
“WYT”	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
“WYT Board”	the board of the WYT Directors
“WYT Directors”	the directors of WYT
“WYT Group”	WYT and its subsidiaries
“%”	per cent.

\* For identification purposes only

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LETTER FROM THE BOARD

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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)**

*Executive WYT Directors:*

Mr. Tang Ching Ho

*(Chairman)*

Mr. Chan Chun Hong, Thomas

*(Managing Director)*

Ms. Tang Mui Fun

*Independent non-executive WYT Directors:*

Mr. Leung Wai Ho

Mr. Siu Man Ho, Simon

Mr. Yuen Chi Choi

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

6 October 2010

*To the Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE IN THE PROPORTION OF FIVE (5) RIGHTS  
SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD  
DATE AND TIME AT HK\$0.207 PER RIGHTS SHARE (WITH THE BONUS  
ISSUE IN THE PROPORTION OF ONE (1) BONUS SHARE FOR EVERY  
FIVE (5) RIGHTS SHARES TAKEN UP UNDER THE RIGHTS ISSUE)**

**INTRODUCTION**

On 9 August 2010, WYT announced that WYT proposed to raise gross proceeds of not less than approximately HK\$301.06 million and not more than approximately HK\$301.98 million before expenses, by way of Rights Issue of not less than 1,454,387,835 Rights Shares and not more than

\* For identification purposes only

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## LETTER FROM THE BOARD

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1,458,861,835 Rights Shares at the Subscription Price of HK\$0.207 per Rights Share, on the basis of five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date and Time. Subject to the satisfaction of the conditions of the Rights Issue, the Bonus Shares will be issued to the First Registered Holders of the Rights Shares on the basis of one (1) Bonus Share for every five (5) Rights Shares taken up under the Rights Issue. On the basis of not less than 1,454,387,835 Rights Shares and not more than 1,458,861,835 Rights Shares to be issued under the Rights Issue, not less than 290,877,567 Bonus Shares (assuming no fractional entitlement(s) result(s) when determining the number of Bonus Shares to be issued) and not more than 291,772,367 Bonus Shares will be issued.

At the SGM held on Tuesday, 21 September 2010, the necessary resolutions approving, among other things, the Capital Reorganisation, the Rights Issue and the Bonus Issue were duly passed by the Shareholders by way of poll. The Capital Reorganisation became effective at 5:00 p.m. on Tuesday, 21 September 2010.

The purpose of this Prospectus is to provide the Shareholders with, among other things, further details about the Rights Issue and the Bonus Issue.

### RIGHTS ISSUE

#### Issue statistics

Basis of the Rights Issue	:	Five (5) Rights Shares for every one (1) Adjusted Share held on the Record Date and Time and payable in full on acceptance, together with one (1) Bonus Share for every five (5) Rights Shares taken up
Subscription price	:	HK\$0.207 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	290,877,567 Adjusted Shares
Number of Rights Shares	:	1,454,387,835 Rights Shares
Number of Bonus Shares	:	290,877,567* Bonus Shares to be issued to the First Registered Holders of the Rights Shares on the basis of one (1) Bonus Share for every five (5) Rights Shares taken up under the Rights Issue
Total number of issued Shares upon completion of the Rights Issue and the Bonus Issue	:	2,036,142,969* Shares

\* Assuming no fractional entitlement(s) result(s) when determining the number of Bonus Shares to be issued.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, there are outstanding Share Options entitling the holders thereof to subscribe for 894,800 Shares. Save as disclosed herein, WYT has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. The total number of Rights Shares and Bonus Shares of 1,745,265,402 Shares (assuming no fractional entitlement(s) result(s) when determining the number of Bonus Shares to be issued) proposed to be issued represents:

- (i) 600% of the number of the Adjusted Shares as at the Latest Practicable Date; and
- (ii) approximately 85.71% of the WYT's issued share capital as enlarged by the issue of the Rights Shares and the Bonus Shares.

### **Bonus Issue**

Subject to the satisfaction of the conditions of the Rights Issue, 290,877,567 Bonus Shares (assuming no fractional entitlement(s) result(s) when determining the number of Bonus Shares to be issued) will be issued to the First Registered Holders of the Rights Shares on the basis of one (1) Bonus Share for every five (5) Rights Shares taken up under the Rights Issue.

### **Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must be registered as a member of WYT and not being Excluded Shareholders at the Record Date and Time. In order to be registered as members of WYT at the Record Date and Time, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with the Registrar by 4:30 p.m. (Hong Kong time) on Wednesday, 29 September 2010 at the following address:

Tricor Secretaries Limited  
26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

### **Registration and distribution of the Prospectus Documents**

WYT will send the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date. As the WYT Directors are of the view that the offer of the Rights Shares to the Excluded Shareholders would or might, in the absence of compliance with registration or other special formalities in jurisdictions other than Hong Kong and Bermuda, be unlawful or impracticable, WYT will send this Prospectus to Excluded Shareholders for their information only but no provisional allotment of Rights Shares will be made to the Excluded Shareholders and no PAL(s) or EAF(s) will be sent to the Excluded Shareholders.

Distribution of this Prospectus and the other Prospectus Documents into jurisdictions other than Hong Kong and Bermuda may be restricted by law. Persons into whose possession the Prospectus Documents come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of and observe any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. Any Shareholder who is in any doubt as of his/her/its position should consult an appropriate professional adviser without delay.

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## LETTER FROM THE BOARD

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It is the responsibility of any person (including but not limited to agent, custodian, nominee and trustee) outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to WYT that these local laws and requirements have been fully complied with. Shareholders should consult their professional advisers if in doubt.

The Prospectus Documents will not be registered under the applicable securities regulations of any jurisdiction other than Hong Kong and Bermuda.

### **Rights of the Excluded Shareholders**

Having reviewed the register of members as at the Latest Practicable Date, WYT noted that there were 124 Overseas Shareholders whose addresses on the register of members were in the PRC, Macau, the United Kingdom, Australia, New Zealand, the United States of America, Isle of Man or the Netherlands Antilles. The shareholding of such Overseas Shareholders ranges from 1 Adjusted Share to approximately 2,880 Adjusted Shares, representing approximately 0.0000003% to 0.00099% of the existing issued share capital of WYT. Pursuant to Rule 13.36(2) of the Listing Rules, The WYT Board has made enquiry regarding the legal restrictions with respect to the offer of the Rights Issue to the Overseas Shareholders.

Having made enquiry regarding the legal restrictions with respect to the offer of the Rights Issue to the Overseas Shareholders, the WYT Directors have formed the view that (i) it is inexpedient for the Rights Shares to be offered to the Overseas Shareholders in the PRC, the United Kingdom, Australia, the United States of America and New Zealand, due to the time and costs involved in the registration or filing of the Prospectus Documents and/or the application for approval from the relevant regulatory authorities in and/or the additional steps WYT and the Overseas Shareholders need to take in order to comply with relevant local legal or regulatory requirements in those territories and/or legal or regulatory restrictions imposed in those territories; and (ii) that it is expedient for the Rights Shares to be offered to the Overseas Shareholders in Macau, Isle of Man and the Netherlands Antilles.

Accordingly, for the purposes of the Rights Issue, the Excluded Shareholders are any Overseas Shareholders:

- (a) whose names appeared in the register of members of WYT at the Record Date and Time and whose addresses as shown in such register are in the PRC, the United Kingdom, Australia, the United States of America and New Zealand; and
- (b) who, at that time, are otherwise known by WYT to be resident in any of the territories specified in paragraph (a) above.

Notwithstanding any other provisions in the Prospectus Documents, WYT reserves the right to permit any Overseas Shareholder to take up his/her/its rights if WYT, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

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## LETTER FROM THE BOARD

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Receipt of this Prospectus and/or a PAL and/or an EAF or the crediting of nil-paid Rights Shares to a stock account in CCASS does not and will not constitute an offer in the PRC, the United Kingdom, Australia, the United States of America and New Zealand in which it would be illegal to make an offer and, in those circumstances, this Prospectus and/or a PAL and/or an EAF must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this Prospectus and/or a PAL and/or an EAF or whose stock account in CCASS is credited with nil-paid Rights Shares should not, in connection with the Rights Issue, distribute or send the same in, into or from, or transfer the nil-paid Rights Shares to any person in, into or from, any such territory. If a PAL or an EAF or a credit of nil-paid Rights Shares in CCASS is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not seek to take up the rights referred to in the PAL or transfer the PAL (or apply for any excess Rights Shares under the EAF) or transfer the nil-paid Rights Shares in CCASS unless WYT determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who does forward this Prospectus or a PAL or an EAF in, into or from any such territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid to the Excluded Shareholders pro-rata to their shareholdings held at the Record Date and Time. In light of the administrative costs, WYT will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Excluded Shareholders to the Rights Shares, together with any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders.

### **Application for excess Rights Shares**

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. For Shareholders whose Shares are held by their nominee(s) (whether individual nominees or nominee companies, including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of WYT, they must have lodged all necessary documents with the Registrar, for completion of the relevant registration prior to the relevant closure period of WYT's register of members. The WYT Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and on a pro-rata basis to the excess Rights Shares applied for by the Qualifying Shareholders. However, no preference will be given to topping-up odd lots to whole board lots. The WYT Directors are of the view that such allocation of excess Rights Shares is fair and equitable as all Shareholders who are entitled to Rights Shares are also entitled to apply for excess Rights Shares and no Shareholder is guaranteed any allocation of excess Rights Shares.

The WYT Board will regard each of the Qualifying Shareholders as a single Shareholder. As such, investors whose Shares are held by a nominee company whose name appears on the register of members of WYT will be regarded as a single Shareholder in relation to the application for excess

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## LETTER FROM THE BOARD

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Rights Shares and the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to ultimate beneficial owners of the Shares individually. On this basis, investors who hold their Shares through their nominee(s) (whether individual nominees or nominee companies, including HKSCC Nominees Limited) are advised to consider whether they would like to arrange registration of their shares in their own names prior to the relevant closure period of WYT's register of members.

Application for excess Rights Shares may be made by completing and signing the enclosed EAF in accordance with the instructions printed thereon and lodging it, together with a separate remittance for the full amount payable on application in respect of the excess Rights Shares applied for, with the Registrar by not later than 4:00 p.m. on Wednesday, 20 October 2010. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Wai Yuen Tong Medicine Holdings Limited — Excess Application Account" and crossed "Account Payee Only".

If no excess Rights Shares are allotted to the Qualifying Shareholders, the amount tendered on application is expected to be returned to such Qualifying Shareholders in full by ordinary post at their own risk to their registered addresses on or before Wednesday, 27 October 2010. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application money is also expected to be returned to them by ordinary post at their own risk to their registered addresses on or before Wednesday, 27 October 2010. All cheques or banker's cashier orders will be presented for payment upon receipt and all interest earned on such monies, if any, will be retained for the benefit of WYT. Completion and return of the EAF together with a cheque or banker's cashier order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or banker's cashier order will be honoured on first presentation. If the cheque or banker's cashier order is dishonoured on first presentation, the application for excess Rights Shares is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar.

If the conditions of the Rights Issue are not fulfilled by the Latest Time For Termination, the Rights Issue will not proceed and the monies received in respect of application for excess Rights Shares without interest will be returned to the applicants by means of cheques crossed "Account Payee Only" to be despatched by post to their registered addresses and, in the case of joint applicants, to the registered address of the applicant whose name first appears on the register of members of WYT at the risk of such applicants on or before Wednesday, 27 October 2010.

### **Subscription Price**

The Subscription Price is HK\$0.207 per Rights Share, payable in full on application.

The Subscription Price represents:

- (i) a discount of approximately 83.10% to the adjusted closing price of HK\$1.225 per Adjusted Share, based on the closing price of HK\$0.049 per share of WYT (prior to the Capital Reorganisation became effective) as quoted on the Stock Exchange on the Last Trading Day;



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## LETTER FROM THE BOARD

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- (ii) a discount of approximately 83.10% to the adjusted average closing price of approximately HK\$1.225 per Share, based on the average closing price of approximately HK\$0.049 per share of WYT (prior to the Capital Reorganisation became effective) as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 35.91% to the theoretical ex-entitlement price of approximately HK\$0.323 per Share after the Rights Issue and the Bonus Issue, based on the closing price of HK\$0.049 per share of WYT (prior to the Capital Reorganisation became effective) as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 94.84% to the unaudited net asset value per Adjusted Share of approximately HK\$4.01 as at 31 March 2010 as adjusted for the Capital Reorganisation and after taking into account of the net proceeds of approximately HK\$61.5 million from the placing of Shares completed in April 2010; and
- (v) a discount of approximately 35.31% to the adjusted closing price of HK\$0.32 per Adjusted Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between WYT and the Underwriter with reference to the market price of the Shares and the prevailing market conditions. The WYT Directors consider that the discount would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in WYT and participate in the future growth of the WYT Group.

### **Status of the Rights Shares and the Bonus Shares**

The Rights Shares and the Bonus Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects with the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares and the Bonus Shares. Holders of the Rights Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares and the Bonus Shares. Dealings in the Rights Shares and the Bonus Shares will be subject to payment of stamp duty in Hong Kong.

### **Certificates of the Rights Shares and the Bonus Shares**

Subject to fulfillment of the conditions of the Rights Issue, share certificates for the Rights Shares and the Bonus Shares are expected to be sent on or before Wednesday, 27 October 2010 to those entitled thereto by ordinary post at their own risk. One share certificate will be issued for all the Rights Shares and the Bonus Shares allotted to an applicant respectively.

### **Fractions of the Rights Shares and the Bonus Shares**

Fractional entitlements to the Rights Shares and the Bonus Shares will not be allotted and will not be issued.

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## LETTER FROM THE BOARD

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### **Application for listing**

WYT has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares. No part of the securities of WYT is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchanges and thus there are no dealing and settlement arrangements on and between such stock exchanges.

Dealings in the Rights Shares in both nil-paid and fully-paid forms which are registered in the register of members of WYT will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong. The Rights Shares (in nil-paid form) will be traded in board lots of 6,000 Shares.

Subject to the granting of listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares on the Stock Exchange, the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **Odd lot arrangement and matching services**

In order to facilitate the trading of odd lots (if any) of the Shares as adjusted arising from the Capital Reorganisation and the change in board lot size, a designated broker, namely Kingston Securities Limited of Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong (Ms. Rosita Kiu — telephone no. (852) 2298-6215 or by fax at (852) 2295-0682), has been appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share as adjusted for the period from 9:30 a.m. on Friday, 8 October 2010 to 4:00 p.m. on Thursday, 28 October 2010 (both dates inclusive). Holders of odd lots of the Shares, as adjusted, should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed.

### **Irrevocable Undertaking**

As at the Latest Practicable Date, Rich Time, an indirect wholly-owned subsidiary of Wang On, is interested in 21,080,372 Shares, representing approximately 7.25% of the existing issued share capital of WYT. Rich Time has given an Irrevocable Undertaking, in favour of WYT and the Underwriter, among other things, that (1) it will subscribe for 105,401,860 Rights Shares (with the Bonus Shares) which it will be entitled to pursuant to the terms of the Rights Issue; (2) the Shares or the Adjusted Shares (as the case may be) comprising its current shareholding will remain registered in its name at the Record Date and Time as they are on the date of the Irrevocable Undertaking; (3) it will procure that the applications in respect of the 105,401,860 Rights Shares (with the Bonus Shares) comprising its entitlements under the Rights Issue will be lodged with the Registrar, with

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## LETTER FROM THE BOARD

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payment in full therefor in cash, by no later than 4:00 p.m. at the Latest Time For Acceptance and otherwise in accordance with the instructions printed on the PAL(s); and (4) it will apply, by way of excess application, for an additional 380,000,000 Rights Shares (with the Bonus Shares) that are not taken up by the Qualifying Shareholders under the Rights Issue.

### UNDERWRITING AGREEMENT

#### The Underwriting Agreement

Date	:	5 August 2010
Underwriter	:	Kingston Securities Limited. As at the Latest Practicable Date, the Underwriter is interested in one (1) Adjusted Share. To the best of the knowledge, information and belief of the WYT Directors having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of WYT and the connected persons of WYT.
Total number of Rights Shares being underwritten by the Underwriter	:	The Underwriter has agreed to fully underwrite not less than 968,985,975 Underwritten Shares and not more than 973,459,975 Underwritten Shares not taken up by the Qualifying Shareholders.
Commission	:	2.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares.

#### Termination of the Underwriting Agreement

If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the WYT Group as a whole or is materially adverse in the context of the Rights Issue; 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 or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the WYT Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

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## LETTER FROM THE BOARD

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- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter are likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of WYT or any member of the WYT Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the WYT Group, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the WYT Group or the destruction of any material asset of the WYT Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the WYT Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or WYT's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus or the Prospectus Documents or other announcements or Prospectus in connection with the Rights Issue,

the Underwriter shall be entitled by notice in writing to WYT, served prior to the Latest Time For Termination, to terminate the Underwriting Agreement.

### **Conditions of the Rights Issue and the Bonus Issue**

The Rights Issue and the Bonus Issue are conditional upon the following:

- (i) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus duly signed by two WYT Directors (or by their agents duly authorised in writing) as having been approved by resolution of the WYT Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date and the filing of the Prospectus Documents with the Registrar of Companies in Bermuda in compliance with the Companies Act;

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## LETTER FROM THE BOARD

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- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of, and permission to deal in the Rights Shares (in both nil-paid and fully-paid forms) and the Bonus Shares by no later than the first day of their dealings;
- (iv) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (v) the passing of the necessary resolution(s) by the Shareholders (where applicable, the independent Shareholders) at the SGM to approve (i) the Capital Reorganisation; (ii) the Rights Issue; (iii) the issue and allotment of the Bonus Shares, and the transactions contemplated under the Underwriting Agreement;
- (vi) the Capital Reorganisation having been completed;
- (vii) compliance with and performance by WYT of all the undertakings and obligations under the terms of the Underwriting Agreement;
- (viii) compliance with and performance of all undertakings and obligations of Rich Time under the Irrevocable Undertaking;
- (ix) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares and the Bonus Shares; and
- (x) in the event that the number of Remaining Untaken Shares exceeds 19.9% of the issued share capital of WYT immediately upon the completion of the Rights Issue, the Underwriter successfully procuring subscriber(s): (i) who are third parties independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the WYT Directors or chief executive of WYT or substantial shareholders of WYT or their respective associates; and (ii) none of whom (together with their respective parties acting in concert (within the meaning of the Takeovers Code) with them) will hold 10.0% or more of the voting rights of WYT upon completion of the Rights Issue, so that all Remaining Untaken Shares are subscribed for.

As at the Latest Practicable Date, the conditions (v) and (vi) are satisfied. The conditions (other than condition (vii) above) are incapable of being waived. If any of the above conditions is not satisfied in whole or in part by the Latest Time For Termination, the Underwriting Agreement shall be terminated accordingly and no party shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter shall to the extent agreed by WYT be borne by WYT, and the Rights Issue and the Bonus Issue will not proceed.

## LETTER FROM THE BOARD

### CHANGES IN THE SHAREHOLDING STRUCTURE OF WYT ARISING FROM THE RIGHTS ISSUE AND THE BONUS ISSUE

Set out below is the shareholding structure of WYT as at the Latest Practicable Date and immediately after completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of Rights Issue and Bonus Issue (all Rights Shares are subscribed by the Qualifying Shareholders)		Immediately after completion of Rights Issue and Bonus Issue (except Wang On or its nominee and the Underwriter, none of Rights Shares are subscribed by the Qualifying Shareholders) (Notes 2 and 3)	
	Number of Adjusted Shares	%	Number of Adjusted Shares	%	Number of Adjusted Shares	%
<b>Substantial Shareholder</b>						
Wang On Group (Note 1)	21,080,372	7.25	147,562,604	7.25	603,562,604	29.64
<b>Public Shareholders</b>						
Underwriter	1	0.00	—	—	1,162,783,171	57.11
Other public Shareholders	<u>269,797,194</u>	<u>92.75</u>	<u>1,888,580,365</u>	<u>92.75</u>	<u>269,797,194</u>	<u>13.25</u>
<b>Total</b>	<u>290,877,567</u>	<u>100.00</u>	<u>2,036,142,969</u>	<u>100.00</u>	<u>2,036,142,969</u>	<u>100.00</u>

*Notes:*

1. These Shares are beneficially owned by Rich Time, an indirect wholly-owned subsidiary of Wang On.
2. **This scenario is for illustrative purpose only and will never occur.** Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers of the Remaining Untaken Shares:
  - (i) the Underwriter shall not subscribe, for its own account, for such number of Remaining Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in WYT to exceed 19.9% of the voting rights of WYT upon the completion of the Rights Issue; and
  - (ii) the Underwriter shall use its best endeavours to ensure that each of the subscribers of the Remaining Untaken Shares (which form part of the Underwritten Shares) procured by it (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the WYT Directors or chief executive of WYT or substantial shareholders of WYT or their respective associates and concert parties; and (ii) any subscribers procured by the Underwriter shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of WYT upon completion of the Rights Issue.
3. WYT will ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Rights Issue.
4. As at the Latest Practicable Date, the Underwriter is interested in one (1) Adjusted Share. To the best of the knowledge, information and belief of the WYT Directors having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of WYT and connected persons of WYT.

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## LETTER FROM THE BOARD

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### REASONS FOR THE RIGHTS ISSUE (WITH THE BONUS ISSUE) AND USE OF PROCEEDS

The WYT 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 names of “Madame Pearl’s” and “Pearl’s”. The estimated expenses in relation to the Rights Issue (with the Bonus Issue), including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses, of approximately HK\$9.02 million, will be borne by WYT. Having considered other fund raising alternatives for the WYT Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and cost of each of the alternatives, the Rights Issue allows the WYT Group to strengthen its balance sheet without facing the increasing interest rates. The WYT Board considers that the Rights Issue is in the interests of WYT and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of WYT and enables the Qualifying Shareholders to maintain their proportionate interests in WYT and continue to participate in the future development of the WYT Group should they wish to do so. In addition, the Bonus Issue will be as additional incentive for the Shareholders to take part into the Rights Issue. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in WYT will be diluted.**

The WYT Directors (including the independent non-executive WYT Directors) consider that the Rights Issue and the Bonus Issue are fair and reasonable and in the interests of WYT and the Shareholders as a whole having taken into account the terms of the Rights Issue and the Bonus Issue.

The estimated net proceeds of the Rights Issue will be approximately HK\$292.04 million and are intended to be used for the following purposes: (a) approximately HK\$10 million for the repayment of WYT’s borrowings, (b) approximately HK\$60 million for the expansion of WYT Group’s Chinese and Western health food and pharmaceutical business (including, if and when attractive opportunities arise, the acquisition of appropriate retail premises or office premises in Hong Kong, PRC or elsewhere), (c) approximately HK\$114.3 million for the Acquisition, and (d) the remaining balance of approximately HK\$107.74 million for possible investment opportunities in the future and as general working capital. As at the Latest Practicable Date, no investments targets were identified by the WYT Group.

The net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HK\$0.201 per Rights Share.

A statement of unaudited pro forma consolidated net tangible asset value (“NTAV”) of the WYT Group based on the adjusted consolidated NTAV of the WYT Group as at 31 March 2010 as if the Rights Issue had taken place on 31 March 2010 is set out in Appendix II to this Prospectus.

The unaudited adjusted consolidated NTAV of the WYT Group was not less than HK\$1,372,701,000 as at 31 March 2010.

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## LETTER FROM THE BOARD

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### FINANCIAL AND TRADING PROSPECTS OF THE WYT GROUP

As the global economy is gradually recovering and the business environment is improving, the WYT Group is cautiously optimistic about its prospects.

On 15 May 2010, a wholly-owned subsidiary of WYT, entered into a provisional agreement for the purchase of a property at a cash consideration of HK\$34.5 million which constituted a discloseable transaction pursuant to the Listing Rules. The property acquired is located in Kowloon, Hong Kong, with a total gross floor area of approximately 800 square feet and was being leased for rental income at the time of entering into of the provisional agreement.

The WYT Group intended to continue to lease the property for commercial purpose for rental income. After completion of the Acquisition, the WYT Group may continue to lease out or use the property by itself, depending on the then market circumstances. The WYT Directors believe in the long term prospect of office/commercial properties in Hong Kong and hence consider that the property acquisition will strengthen the WYT Group's income base.

The WYT Group will continue to focus on the reinforcement of its brand positioning, continuing product development, expanding distribution network and upholding quality management in order to achieve sustainable growth and profitability. The WYT Group will also evaluate mergers and acquisitions as a means to speed up growth as well as restructuring and consolidating its business operations, with the aim of strengthening its competitive position and expanding its scope of business.

### PROCEDURES FOR ACCEPTANCE AND PAYMENT AND/OR TRANSFER

Qualifying Shareholders will find enclosed with this Prospectus the PALs which entitles the Qualifying Shareholders to subscribe for the number of Rights Shares shown therein. **If a Qualifying Shareholder wishes to exercise his/her/its rights to subscribe for the number of the Rights Shares specified in the PALs, the Qualifying Shareholders must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar by no later than 4:00 p.m. on Wednesday, 20 October 2010. All remittances must be made by cheques or cashier orders in Hong Kong dollars. Cheques must be drawn on an account with, and cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Wai Yuen Tong Medicine Holdings Limited — Provisional Allotment Account" and crossed "ACCOUNT PAYEE ONLY".**

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Wednesday, 20 October 2010, whether by the original allottee or any person in whose favour the rights have been validly transferred, the relevant assured allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL, the PAL must be surrendered for cancellation by not later than 4:30 p.m. on Tuesday, 12 October 2010 to the Registrar at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, who will cancel the original PAL and issue new PALs in the denomination required.



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## **LETTER FROM THE BOARD**

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The PAL contains further information regarding the procedures to be followed if Qualifying Shareholders wish to accept the whole or part of their assured allotment. All cheques and cashier orders accompanying completed PAL will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of WYT. Completion and return of a PAL with a cheque and/or a cashier's order will constitute a warranty by the applicant that the cheque and/or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of WYT in respect thereof, WYT reserves the right to reject any PAL in respect of which the accompanying cheque and/or cashier order is dishonoured on first presentation, and, in such event, the relevant assured allotment and all rights and entitlements given pursuant to which will be deemed to have been declined and will be cancelled.

The PAL is for use only by the person(s) named therein and is not transferable. No receipt will be issued in respect of any acceptance monies received. If the conditions of the Underwriting Agreement are not fulfilled and/or the Underwriting Agreement is terminated in accordance with its terms before the Latest Time For Termination, the monies received in respect of acceptance of Rights Shares will be returned to the Qualifying Shareholders or, in case of joint applicants, to the first-named person without interest by means of cheques despatched by ordinary post to the respective addresses specified in the register of members of WYT at their own risk as soon as practicable thereafter.

### **POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS**

As at the Latest Practicable Date, there are outstanding Share Options granted under the Share Option Scheme which entitle the holders thereof to subscribe for 894,800 Adjusted Shares.

The Rights Issue and Bonus Issue may lead to adjustments to the exercise price(s) and/or the number of Adjusted Shares (as the case may be) to be issued upon exercise of the Share Options. Such adjustments will be made on the basis that the proportion of the issued ordinary share capital of WYT to which a grantee of share options is entitled shall remain the same before and after such adjustments in accordance with the rules of the Share Option Scheme and the supplementary guidance issued by the Stock Exchange.

WYT will engage an independent financial adviser or its auditors to provide a certificate(s) as to the adjustments required to be made to the terms of the outstanding Share Options as a result of the Rights Issue and the Bonus Issue. WYT will notify the holders of Share Options regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme after receiving the certificate(s).

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## LETTER FROM THE BOARD

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### WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is conditional upon the fulfillment of the conditions set out in the section headed “Conditions of the Rights Issue and the Bonus Issue” in this Prospectus. In particular, the Rights Issue is conditional upon:

- (i) the Listing Committee granting or agreeing to grant (subject to allotment), and not having revoked, listing of, and permission to deal in, the Rights Shares in nil-paid and fully-paid forms prior to Friday, 8 October 2010, being the expected date of commencement of dealings in the Rights Shares in nil-paid form (or such other date as may be agreed between WYT and the Underwriter); and
- (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms (set out in the section headed “Termination of the Underwriting Agreement” in this Prospectus).

If the conditions of the Rights Issue are not fulfilled or if the Underwriter exercises its right to terminate the Underwriting Agreement pursuant to the terms therein, the Rights Issue will not proceed.

Any persons contemplating buying or selling the Shares from the date of this Prospectus up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Friday, 8 October 2010 to Friday, 15 October 2010 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Adjusted Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

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## LETTER FROM THE BOARD

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### PREVIOUS FUND RAISING EXERCISE IN THE PRIOR 12-MONTH PERIOD

Save as disclosed below, WYT has not conducted any fund raising activities in the past twelve months before the Latest Practicable Date:

<b>Date of announcement</b>	<b>Description</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of net proceeds</b>	<b>Actual use of net proceeds</b>
12 Apr 2010	Placing of shares	HK\$61.5 million	approximately HK\$10.0 million for the repayment of interest-bearing debts	approximately HK\$6.5 million for the repayment of interest-bearing debts and the balance will be utilised as intended
			approximately HK\$21.0 million for the expansion of WYT 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 WYT Group's retail network)	approximately HK\$21.0 million for purchase of retail premises
			approximately HK\$30.5 million for general working capital	approximately HK\$30.5 million for the settlement of creditors, rental payment, group salaries payment and loan interest

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## LETTER FROM THE BOARD

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### GENERAL

As at the date of the SGM, there was no controlling Shareholder (as defined in the Listing Rules), Ms. Tang did not exercise any Share Option and did not hold any Share. Accordingly, no one was required to abstain from voting in favour of the resolutions relating to the Rights Issue and the Bonus Issue at the SGM. The ordinary resolutions relating to the Rights Issue and the Bonus Issue are duly passed by the Shareholders at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,  
For and on behalf of  
**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 purposes only*

**1. THREE-YEAR FINANCIAL INFORMATION**

Financial information of the WYT Group for each of the three years ended 31 March 2008, 2009 and 2010 are disclosed in the annual reports of WYT for the years ended 31 March 2008 (pages 22 to 91), 2009 (pages 24 to 97) and 2010 (pages 25 to 109) respectively, which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of WYT ([www.wyth.net](http://www.wyth.net)). The auditors of WYT have not issued any qualified opinion on the WYT Group's financial statements for the financial years ended 31 March 2008, 2009 and 2010.

**2. INDEBTEDNESS OF THE ENLARGED WYT GROUP**

As at the close of business on 31 August 2010, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged WYT Group had outstanding bank loans of approximately HK\$41.3 million which were secured by the investment property of the Enlarged WYT Group with carrying amount of approximately HK\$125.0 million.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, the Enlarged WYT Group did not have outstanding at the close of business on 31 August 2010 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

**3. WORKING CAPITAL OF THE ENLARGED WYT GROUP**

The WYT Directors are of the opinion that, taking into account the present available financial resources and the present available banking facilities, the Enlarged WYT Group has sufficient working capital for its present requirements including the acquisition of the entire interest of the five companies, namely Grand Quality Development Limited, Star Sense Limited, Smart First Investment Limited, Info World Investment Limited and Full Gainer Investment Limited and for the period up to 12 months from the date of this Prospectus in the absence of unforeseeable circumstances.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the WYT Directors were not aware of any material adverse change in the financial or trading position of the Enlarged WYT Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of the WYT Group were made up.



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Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

6 October 2010

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED  
CONSOLIDATED NET TANGIBLE ASSETS AT 31 MARCH 2010 OF THE WYT GROUP**

TO THE DIRECTORS OF WAI YUEN TONG MEDICINE HOLDINGS LIMITED

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Wai Yuen Tong Medicine Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “WYT Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed rights issue (including the associated bonus issue) of the Company (the “Rights Issue”) might have affected the consolidated net tangible assets of the WYT Group if the Rights Issue had taken place at 31 March 2010, for inclusion in Appendix II of the Prospectus dated 6 October 2010 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

**Respective responsibilities of directors of the Company and reporting accountants**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circulars Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the WYT Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the consolidated net tangible assets of the WYT Group as at 31 March 2010 or any future date.

**Opinion**

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the WYT Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 6 October 2010

**(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET  
TANGIBLE ASSETS OF THE WYT GROUP****INTRODUCTION**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the WYT Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to illustrate the effect of the Rights Issue (including the associated Bonus Issue) on the unaudited consolidated net tangible assets of the WYT Group as if the Rights Issue had taken place on 31 March 2010.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the WYT Group is prepared based on the audited equity attributable to the owners of the Company as at 31 March 2010, as extracted from the published annual report of the Company for the year ended 31 March 2010 which is published on both the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.wyth.net](http://www.wyth.net)), after incorporating the unaudited pro forma adjustments described in the accompanying notes.



**APPENDIX II**

**UNAUDITED PRO FORMA STATEMENT OF ADJUSTED  
CONSOLIDATED NET TANGIBLE ASSETS OF THE WYT GROUP**

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the WYT Group following the Rights Issue.

	Audited consolidated net assets of the WYT Group attributable to the owners of the Company as at 31 March 2010 <i>HK\$'000</i> <i>(Note 1)</i>	Less: Intangible assets and goodwill <i>HK\$'000</i> <i>(Note 2)</i>	Adjusted consolidated net tangible assets of the WYT Group attributable to the owners of the Company as at 31 March 2010 <i>HK\$'000</i>	Estimated net proceeds from the issue of Rights Shares and Bonus Shares <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the WYT Group attributable to the owners of the Company after Completion of the issue of Rights Shares and Bonus Shares <i>HK\$'000</i>
Based on 1,454,387,835 Rights Shares and 290,877,567 Bonus Shares to be issued	1,098,988	(18,330)	1,080,658	292,043	1,372,701
Adjusted consolidated net tangible assets per Consolidated Share attributable to the owners of the Company as at 31 March 2010 and prior to the completion of the Rights Issue (Note 4)					<u>4.449</u>
Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share attributable to the owners of the Company upon the completion of the Rights Issue (Note 5)					<u>0.690</u>

*Notes:*

1. The audited equity attributable to the owners of the Company as at 31 March 2010 is extracted from the published annual report of the Company for the year ended 31 March 2010.
2. Goodwill and other intangible assets represent the WYT Group's goodwill and other intangible assets of approximately HK\$15,335,000 and approximately HK\$2,995,000, (comprising an amount of HK\$839,000 and an amount of HK\$2,156,000 included in "assets classified as held for sale" as set out in note 27 to the consolidated financial statements for the year ended 31 March 2010 included in the published annual report of the Company for the year ended 31 March 2010) respectively, as at 31 March 2010. These figures are extracted from the published annual report of the Company for the year ended 31 March 2010.
3. The estimated net proceeds from the Rights Issue of approximately HK\$292.04 million are based on 1,454,387,835 Rights Shares to be issued at the subscription price of HK\$0.207 per Rights Share and after deduction of estimated related expenses of approximately HK\$9.02 million.
4. The number of shares used for the calculation of adjusted consolidated net tangible assets per Consolidated Share is based on 242,877,567 Consolidated Shares in issue as at 31 March 2010. This amount is derived by dividing the number of shares in issue as at 31 March 2010 of 6,071,939,188 shares by 25.
5. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share after the completion of the Rights Issue is calculated based on 1,988,142,969 Consolidated Shares in issue upon completion of the Rights Issue, which comprise the 242,877,567 Consolidated Shares in issue as at 31 March 2010, 1,454,387,835 Consolidated Shares to be issued pursuant to the Rights Issue and 290,877,567 Consolidated Shares upon the issue of Bonus Shares.
6. No adjustment has been made to reflect any trading results or other transaction of the WYT Group entered into subsequent to 31 March 2010, including, inter alia, the placing of new shares by the Company and the exercise of any Share Options.

## 1. RESPONSIBILITY STATEMENT

This Prospectus, for which the WYT Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to WYT Group. The WYT Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

## 2. SHARE CAPITAL

### (a) Share Capital

The authorised and issued share capital of WYT as at the Latest Practicable Date and immediately following the completion of the Rights Issue (with the Bonus Issue) (assuming the Rights Issue and the Bonus Issue becoming unconditional and all Rights Shares and the Bonus Shares are subscribed for by the Qualifying Shareholders) were as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>60,000,000,000</u>	Shares of HK\$0.01 each	<u>600,000,000.00</u>
<i>Issued and to be issued:</i>		
290,877,567	Adjusted Shares in issue as at the Latest Practicable Date	2,908,775.67
1,454,387,835	Rights Shares to be allotted and issued under the Rights Issue	14,543,878.35
290,877,567	Bonus Shares to be allotted and issued under the Bonus Issue	2,908,775.67
<u>2,036,142,969</u>	Adjusted Shares in issue immediately after completion of the Rights Issue (with the Bonus Issue)	<u>20,361,429.69</u>

All of the Rights Shares and the Bonus Shares to be issued will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Adjusted Shares in issue as at the date of allotment and issue of the Rights Shares and the Bonus Shares. The Rights Shares and the Bonus Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of WYT is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Adjusted Shares (as the case may be) or Rights Shares or any other securities of WYT to be listed or dealt in on any other stock exchanges.

As at the Latest Practicable Date, save as the Share Options, WYT had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

**(b) Options, derivatives, warrants and conversion rights:**

Set out below are the details of the outstanding Share Options granted under the Share Option Scheme as at the Latest Practicable Date:

<b>Date of grant</b>	<b>Number of underlying Adjusted Shares which are the subject of the outstanding Share Options</b>	<b>Exercise price per Share HK\$</b>	<b>Exercisable period (Note)</b>
3 January 2007	131,200	10.375	2/1/2008 - 1/1/2012
2 January 2008	183,600	5.650	2/1/2009 - 1/1/2013
8 January 2009	242,000	3.625	8/1/2010 - 7/1/2019
12 May 2010	338,000	1.300	12/5/2011 - 11/5/2020

*Note:* The Share Options were vested as follows:

- On 1st anniversary of the date of grant: 30% vest
- On 2nd anniversary of the date of grant: further 30% vest
- On 3rd anniversary of the date of grant: remaining 40% vest

Save as disclosed herein, there was no other outstanding options, derivatives, warrants or conversion rights affecting the Shares or Adjusted Shares (as the case may be) as at the Latest Practicable Date.

**3. DISCLOSURE OF INTERESTS BY DIRECTORS**

Save as disclosed below, as at the Latest Practicable Date, none of the WYT Directors or chief executive of WYT and/or any of their respective associate had any interest or short position of the WYT Directors in the Adjusted Shares, underlying Adjusted Shares and debentures of WYT or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to WYT and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to WYT and the Stock Exchange were as follows:

**Long positions in underlying shares of the Share Options**

<b>Name of Director</b>	<b>Date of grant</b>	<b>Exercise price per share HK\$</b>	<b>Number of Adjusted Share Options outstanding</b>	<b>Exercisable Period (Note 1)</b>	<b>Number of underlying Adjusted Shares</b>	<b>Number of total underlying Adjusted shares</b>	<b>Approximate % of WYT's total issued share capital (Note 2)</b>
Tang Mui Fun	3.1.2007	10.375	26,000	2.1.2008-1.1.2012	26,000	78,000	0.03
	2.1.2008	5.650	26,000	2.1.2009-1.1.2013	26,000		
	8.1.2009	3.625	26,000	8.1.2010-7.1.2019	26,000		

*Notes:*

1. The exercisable period of the above Share Options beneficially held by Ms. Tang was vested as follows:
 

On 1st anniversary of the date of grant:	30% vest
On 2nd anniversary of the date of grant:	Further 30% vest
On 3rd anniversary of the date of grant:	Remaining 40% vest
2. The percentage of shareholding in WYT is calculated on the basis of 290,877,567 Adjusted Shares in issue as at the Latest Practicable Date.

**4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS**

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the WYT Directors or chief executive of WYT, no persons (not being a WYT Director or chief executive of WYT) had, or were deemed or taken to have interests or short positions in the Adjusted Shares or underlying Adjusted Shares which would fall to be disclosed to WYT under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged WYT Group or had any option in respect of such share capital.

**Long positions in the Adjusted Shares**

<b>Name of Shareholders</b>	<i>Notes</i>	<b>Capacity</b>	<b>Number of Adjusted Shares (Note 1)</b>	<b>Approximate percentage of WYT's total issued share capital</b>
Wang On	(2)	Interest of controlled corporation	603,562,604	29.55
Wang On Enterprises (BVI) Limited ("WOE")	(2)	Interest of controlled corporation	603,562,604	29.55
Rich Time	(2)	Beneficial owner	603,562,604	29.55
Active Dynamic Limited		Interest of controlled corporation	1,168,151,970	57.19
Chu Yuet Wah		Interest of controlled corporation	1,168,151,970	57.19
Eagle Mission Limited		Interest of controlled corporation	1,168,151,970	57.19
Galaxy Sky Investments Limited		Interest of controlled corporation	1,168,151,970	57.19
Kingston Securities Limited		Beneficial owner	1,168,151,970	57.19

*Notes:*

1. The interests are based on (i) the Share Consolidation has become effective; (ii) the Rights Issue and the Bonus Issue have completed on the basis that all outstanding Share Options have been exercised in full on the Record Date and Time; and (iii) 2,042,406,569 Adjusted Shares will be in issue upon the Share Consolidation, the Rights Issue and the Bonus Issue becoming effective.
2. Rich Time is wholly-owned by WOE, which is a wholly-owned subsidiary of Wang On. WOE and Wang On are deemed to be interested in such Adjusted Shares.

**5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS**

To the best knowledge of the WYT Directors and so far as the WYT Directors are aware:

- (i) as at the Latest Practicable Date, none of the WYT Directors or their respective associates had any interest in a business which competes with or may compete with the business of the Enlarged WYT Group; and
- (ii) there is no contract or arrangement entered into by any member of the Enlarged WYT Group, subsisting as at the Latest Practicable Date in which any of the WYT Directors is materially interested and which is significant in relation to the business of the Enlarged WYT Group as a whole.

**6. EXPERT**

The following are the qualification of the expert who has given opinions or advice, which is contained in this Prospectus:

<b>Name</b>	<b>Qualification</b>
Deloitte Touche Tohmatsu (“ <b>Deloitte</b> ”)	Certified Public Accountants

As at the Latest Practicable Date, Deloitte did not have any direct or indirect shareholdings in any member of the Enlarged WYT Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Enlarged WYT Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to WYT, or any of its subsidiaries, since 31 March 2010, the date to which the latest published audited financial statements of the Enlarged WYT Group were made up.

Deloitte has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion therein of its reports and references to its name in the form and context in which they appear.

**7. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the WYT Directors had entered into any service contracts with WYT or any other member(s) of the Enlarged WYT Group (excluding contracts expiring or which may be terminated by WYT within a year without payment of any compensation (other than statutory compensation)).

## 8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged WYT Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the WYT Directors to be pending or threatened against any member of the Enlarged WYT Group.

## 9. MATERIAL ADVERSE CHANGES

WYT Directors are not aware of any material adverse changes in the financial or trading position of the Enlarged WYT Group since 31 March 2010, being the date of which the latest published audited financial statements of the WYT Group were made up.

## 10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged WYT Group within two years preceding the date of the Announcement and up to and including the Latest Practicable Date and are or may be material:

- (a) The Underwriting Agreement.
- (b) a sale and purchase agreement dated 6 August 2010 (as supplemented by a deed of guarantee dated 9 August 2010 executed by Wang On and East Run in favour of Guidepost) entered into between East Run and Guidepost for the Acquisition for an initial total consideration of approximately HK\$114.3 million.
- (c) A loan agreement dated 11 August 2010 entered into between Gain Better Investments Limited (“**Gain Better**”) and LeRoi Holdings Limited (“**LeRoi**”) in respect of an unsecured loan of HK\$15 million advanced by Gain Better to LeRoi for a term of three years from the date of the drawdown.
- (d) A provisional sale and purchase agreement dated 15 May 2010 entered into between Union Target Limited, a wholly-owned subsidiary of WYT, and an independent third party in relation to the acquisition of a property located at Shop G on ground floor, Kin Tak House, Nos. 93, 95, 99, 101, 103, 105, 107, 109, 111, 113 and 115 Hip Wo Street, Kowloon, Hong Kong, with a total gross floor area of approximately 800 square feet for a total consideration of HK\$34.5 million.
- (e) A placing agreement dated 12 April 2010 entered into between WYT and Kingston in respect of the placing of a maximum of 1.2 billion new Shares, on a best efforts basis, to independent third parties at a price of HK\$0.053 per Share. Net proceeds of approximately HK\$61.5 million were raised.
- (f) A conditional sale and purchase agreement dated 10 December 2009 entered into between China Field Enterprises Limited, a wholly-owned subsidiary, and 湖南方盛製藥股份有限公司 (Hunan Fangsheng Pharmaceutical Co Limited) in respect of the disposal of 64.2% equity interest in Hunan Xiangya Pharmaceutical Co Limited, a company established in the PRC, for an aggregate consideration of approximately HK\$37.35 million.

- (g) A conditional loan agreement dated 28 August 2009 entered into between Gain Better and LeRoi in relation to an unsecured loan of HK\$190 million to be advanced by Gain Better to LeRoi for a term of four years from the date of drawdown.
- (h) A loan agreement dated 10 July 2009 entered into between Gain Better and LeRoi in respect of an unsecured loan of HK\$10 million advanced by Gain Better to LeRoi for a term of two years from the date of the loan agreement.
- (i) A licence agreement dated 30 June 2009 entered into between WYT, as licensor, and Wang On Management Limited (“**Wang On Management**”), as licensee, in respect of the sub-lease of certain portions of the spaces on G/F and 5/F of Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong with a gross floor area of approximately 1,487 square meters to Wang On Management for a monthly rental of HK\$140,000 for a term of three years commencing from 1 July 2009.
- (j) A placing and subscription agreement dated 11 May 2009 entered into between Rich Time, WYT and Kingston in respect of the top-up placing of a maximum of 165 million Shares, on a best efforts basis, to independent third parties at a price of HK\$0.088 per Share. Net proceeds of approximately HK\$13.5 million were raised.
- (k) A placing agreement dated 11 May 2009 entered into between WYT and Kingston in respect of the placing of a maximum of 237 million new Shares, on a best efforts basis, to independent third parties at a price of HK\$0.088 per Share. Net proceeds of approximately HK\$20.1 million were raised.
- (l) A loan agreement dated 23 February 2009 entered into between Gain Better and LeRoi in respect of an unsecured loan of HK\$10 million advanced by Gain Better to LeRoi for a term of one year from the date of drawdown.
- (m) A loan agreement dated 3 November 2008 entered into between Rich Time and WYT in respect of a loan facility of not exceeding HK\$30 million advanced by Rich Time to WYT for a term of one year from the date of each drawdown.
- (n) A loan agreement dated 2 October 2008 entered into between Rich Time and WYT in respect of an unsecured loan of HK\$5 million advanced by Rich Time to WYT for a period of one year from the date of drawdown.
- (o) A loan agreement dated 22 September 2008 entered into between Bright Leading Limited (“**Bright Leading**”), a wholly-owned subsidiary of WYT, and Hunan Xiangya in respect of an unsecured loan of a sum of HK\$3 million advanced by Bright Leading to Hunan Xiangya for a term of five years from the date of the loan agreement for establishment of a production line by Hunan Xiangya.
- (p) Various contract notes dated 11 and 18 September 2008 entered into between WYT and certain holders of the convertible notes due on 14 August 2009 issued by WYT on 14 August 2007 with an aggregate principal sum of HK\$250 million to purchase an aggregate outstanding sum of HK\$48 million at a discount of 2.5%.



- (q) A loan agreement dated 5 September 2008 entered into between Rich Time and WYT in respect of an unsecured loan of HK\$5 million advanced by Rich Time to WYT for a period of one year from the date of drawdown.
- (r) A shareholders agreement dated 1 September 2008 entered into between G Six Investments Ltd (“G Six”), New Precise Limited and CNT Health Food Pte Limited (“CNT”), the then indirect wholly-owned subsidiary of WYT incorporated in Singapore, immediately following the entering into of the subscription agreement set out in item (s) below, in respect of regulating the management of CNT.
- (s) A share subscription agreement dated 1 September 2008 entered into between G Six, as investor, and CNT in respect of (i) the subscription of 84,737 ordinary shares in the issued share capital of CNT by G Six, comprising 5% of the total number of issued shares of CNT as at 25 September 2008 for an aggregate consideration of S\$84,737; and (ii) the grant of a call option to G Six to subscribe for up to a maximum of 29% of the total number of issued shares of CNT subject to the terms and conditions set out in the aforesaid subscription agreement.

## 11. CORPORATE INFORMATION

Registered office of WYT	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business of WYT in Hong Kong	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Branch share registrar and transfer office of WYT in Hong Kong	Tricor Secretaries Limited 26/F., Tesbury Centre 28 Queen’s Road East Wanchai Hong Kong
Authorised representatives	Tang Ching Ho 5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong

	Chan Chun Hong, Thomas 5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Company secretary	Mak Yuen Ming, Anita, <i>ACIS, ACS</i> 5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Legal advisers to WYT	DLA Piper Hong Kong 17/F., Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
	Freshfields Bruckhaus Deringer 11/F., Two Exchange Square Central Hong Kong
	Gallant Y.T. Ho & Co. 5/F., Jardine House 1 Connaught Place Central Hong Kong
	Morrison & Foerster 33/F., Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
Auditors	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F., One Pacific Place 88 Queensway Hong Kong

Principal bankers

DBS Bank (Hong Kong) Limited  
Unit 1209-18  
Miramar Tower  
132-134 Nathan Road  
Tsimshatsui  
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited  
Level 10, HSBC Main Building  
1 Queen's Road Central  
Hong Kong

### **WYT DIRECTORS**

#### **Particulars of WYT Directors**

**Name**

**Address**

#### **Executive WYT Directors**

Tang Ching Ho

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

Chan Chun Hong, Thomas

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

Tang Mui Fun

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

**Independent non-executive  
WYT Directors**

Leung Wai Ho	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Yuen Chi Choi	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Siu Man Ho, Simon	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong
Cho Wing Mou	5/F., Wai Yuen Tong Medicine Building 9 Wang Kwong Road Kowloon Bay Kowloon Hong Kong

**Executive WYT Directors:**

**Mr. Tang Ching Ho**, aged 48, was appointed as the Chairman of WYT in August 2001. He is also a member of remuneration committee and nomination committee of WYT. He is responsible for the strategic planning, policy making and business development of the WYT Group. He has extensive experience in corporate management. He is also the chairman of Wang On, a company listed on the Stock Exchange. Mr. Tang is also appointed as a standing committee member of the tenth CPPCC Guangxi Zhuang Autonomous Region Committee and a standing committee member of the third CPPCC Guangxi Yulin City Committee. He is a brother of Ms. Tang, the executive WYT Director.

**Mr. Chan Chun Hong, Thomas**, aged 46, was appointed as the Managing Director of WYT in August 2001. He is also a member of remuneration committee and nomination committee of WYT. He is responsible for managing the corporate matters and overall management and supervision of the WYT Group. He is also the managing director of Wang On, the chairman and managing director of LeRoi, the chairman and chief executive officer of China Agri-Products Exchange Limited and an independent non-executive director of Shanghai Prime Machinery Company Limited, all companies are listed on the main board of the Stock Exchange. He graduated from the Hong Kong Polytechnic University with a bachelor degree in accountancy and is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

**Ms. Tang Mui Fun**, aged 39, was appointed as the Executive WYT Director in September 2007. She is responsible for the overall strategic planning and development and policy making for the core business of the WYT Group. She graduated from the University of Hull (England) with a bachelor degree in accountancy. Prior to joining the WYT Group, she had four years of experience in the accounting and auditing fields and five years of experience in general management. She is a sister of Mr. Tang Ching Ho, the Chairman of WYT.

**Independent non-executive WYT Directors:**

**Mr. Leung Wai Ho**, aged 60, was re-designated as an Independent Non-executive WYT Director in April 2006 from non-executive WYT Director and has joined the WYT Group since 1994. Mr. Leung is a member of audit committee, remuneration committee and nomination committee of WYT. He has more than 45 years' and 16 years' of experiences in watch industry and financial industry respectively. He is a National Committee Member of the Chinese People's Political Consultative Conference, a Standing Committee Member of Hebei Province of the Chinese People's Political Consultative Conference, a Standing Committee Member of The Chinese General Chamber of Commerce, a Committee Member of The Chinese Manufacturers' Association of Hong Kong, a Honorary President of Hong Kong Chamber of Commerce in China — Guangdong. Mr. Leung was re-designated as the Chartered President of Dongguan City Association of Enterprises with Foreign Investment.

**Mr. Yuen Chi Choi**, aged 49, joined WYT as an Independent Non-executive WYT Director in August 2001. He is the chairman of audit committee of WYT and a member of remuneration committee and nomination committee of WYT. Mr. Yuen is a certified public accountant in Hong Kong and an associate member of The Hong Kong Institute of Certified Public Accountants. He has more than 19 years of audit experience.

**Mr. Siu Man Ho, Simon**, aged 36, joined WYT as an Independent Non-executive WYT Director in August 2001. He is a member of audit committee and nomination committee of WYT and the chairman of remuneration committee of WYT. Mr. Siu is a practising solicitor of the High Court of Hong Kong. He obtained a bachelor of Laws degree from the University of Hong Kong in 1996 and is a partner of the law firm, namely Sit, Fung, Kwong & Shum. His areas of practice include corporate finance, capital markets, securities, mergers and acquisitions, joint ventures and general commercial matters.

**Mr. Cho Wing Mou**, aged 69, joined WYT as an Independent Non-executive WYT Director in September 2001. He is a member of audit committee and remuneration committee of WYT and the chairman of nomination committee of WYT. Mr. Cho has over 42 years of experience in banking industry and was formerly as a director and deputy general manager of Hua Chiao Commercial Bank Limited and The China State Bank Limited. He is a committee member of the 8th Political Consultative Conference Guangxi, a committee member of the 1st to 3rd Political Consultative Conference of Yulin City, Guangxi Province and a committee member of Political Consultative Conference of Maoming City, Guangdong Province and also the Chairman of Supervisor Gee Tuck General Association Hong Kong Limited and the vice president of Gee Tuck World Association Limited.

**12. PARTIES INVOLVED IN THE RIGHTS ISSUE AND THE BONUS ISSUE**

Financial adviser to WYT                      Kingston Corporate Finance Limited  
Suite 2801, 28/F.  
One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

Underwriter                                      Kingston Securities Limited  
Suite 2801, 28/F.  
One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

Legal adviser to WYT                      *As to Hong Kong Law:*  
Freshfields Bruckhaus Deringer  
11/F., Two Exchange Square  
Central  
Hong Kong

*As to Bermuda Laws:*  
Conyers Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

Reporting accountants                      Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
35/F., One Pacific Place  
88 Queensway  
Hong Kong

Branch share registrar and  
transfer office in  
Hong Kong                                      Tricor Secretaries Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

**13. MISCELLANEOUS**

The English texts of the Prospectus Documents shall prevail over their Chinese texts in case of inconsistencies.

**14. EXPENSES**

The expenses in connection with the Rights Issue, including the underwriting commission, financial advisory fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$9.02 million on the basis of 1,454,387,835 Rights Shares (with the Bonus Shares) to be issued and will be payable by WYT.

**15. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES**

A copy of each of the Prospectus Documents and the consent letter as referred to under the paragraph headed “Expert” in this appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

A copy of each of the Prospectus Documents has been, or will as soon as reasonably practicable after the Prospectus Posting Date be, filed with the Registrar of Companies in Bermuda in accordance with the Companies Act.

**16. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business of WYT in Hong Kong at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on any Business Day from the date of this Prospectus up to and including Wednesday, 20 October 2010:

- (a) the memorandum of association of WYT and the Bye-laws;
- (b) the annual reports of WYT for the three financial years ended 31 March 2008, 2009 and 2010;
- (c) the letter on the unaudited pro forma statement of adjusted consolidated net tangible assets of the WYT Group issued by Deloitte, the text of which is set out in Appendix II to this Prospectus;
- (d) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this Appendix;
- (e) the written consent referred to in the paragraph under the heading “Expert” in this Appendix;
- (f) the circular of WYT dated 27 August 2010; and
- (g) this Prospectus.