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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)**

### **PROPOSED SHARE PREMIUM REDUCTION**

The Board intends to put forward for approval by the Shareholders at the SGM a proposal to reduce the credit standing to the share premium account of the Company to the extent of approximately HK\$263.5 million and to apply the credit arising from such reduction to set off the Accumulated Losses by the same amount.

A circular containing further information on the Proposed Share Premium Reduction and a notice to convene the SGM will be despatched to the Shareholders as soon as practicable.

### **PROPOSED SHARE PREMIUM REDUCTION**

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### **Effects of the Proposed Share Premium Reduction**

As at 30 September 2010, the Company recorded unaudited Accumulated Losses of approximately HK\$263.5 million. The unaudited balance of the share premium account of the Company was approximately HK\$1,180.5 million as at 30 September 2010. As a result of the Proposed Share Premium Reduction, the credit standing to the share premium account of the Company will be reduced by an amount of approximately HK\$263.5 million, and the credit arising therefrom will be applied towards eliminating the Accumulated Losses by the same amount.

\* *For identification purposes only*

The implementation of the Proposed Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or the trading arrangements concerning the Shares. Other than the expenses incurred by the Company in relation to the Proposed Share Premium Reduction, the implementation of the Proposed Share Premium Reduction will not, of itself, alter the underlying assets, liabilities, business operations, management or financial position of the Company or affect the interests of the Shareholders.

### **Reasons for the Proposed Share Premium Reduction**

The Company has unaudited Accumulated Losses of approximately HK\$263.5 million as at 30 September 2010. The Board is of the view that the Proposed Share Premium Reduction will allow the Company to eliminate its accumulated losses arising from the Group's past operations, thus enabling a better appreciation of the financial position of the Group and its current businesses. The Proposed Share Premium Reduction will bring the Company to a position that might permit the payment of dividends if and when the Company's financial position allows and the Board considers appropriate in the future, although there is no guarantee that dividend(s) will be declared or paid upon the Proposed Share Premium Reduction becoming effective or at any time in the future. The Board believes that the Proposed Share Premium Reduction is in the best interests of the Company and the Shareholders as a whole.

### **Conditions for the Proposed Share Premium Reduction**

The Proposed Share Premium Reduction is conditional upon :

1. the passing of a special resolution by the Shareholders to approve the Proposed Share Premium Reduction at the SGM; and
2. compliance with Section 46(2) of the Companies Act 1981 of Bermuda, including (a) publication of a notice of the Proposed Share Premium Reduction in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the Effective Date; and (b) the Board being satisfied that on the Effective Date, there are no reasonable grounds for believing the Company is, or after the Proposed Share Premium Reduction would be, unable to pay its liabilities as they become due.

### **Expected Effective Date of the Proposed Share Premium Reduction**

Assuming the above conditions are fulfilled, it is expected that the Proposed Share Premium Reduction will become effective on the next business day immediately following the date of passing the relevant special resolution approving the Proposed Share Premium Reduction.

## GENERAL

A circular of the Company containing, inter alia, details of the Proposed Share Premium Reduction and a notice convening the SGM for the purpose of considering (among other things) and, if thought fit, passing the special resolution to approve the Proposed Share Premium Reduction will be despatched to the Shareholders on or before 28 February 2011. As no Shareholder has an interest in the Proposed Share Premium Reduction which is different from other Shareholders, no Shareholder is required to abstain from voting at the SGM.

**Shareholders and potential investors should also be aware of and take note that the Proposed Share Premium Reduction is conditional upon satisfaction of the conditions set out in this announcement. Therefore, the Proposed Share Premium Reduction may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and other securities of the Company.**

## DEFINITIONS

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

“Accumulated Losses”	the unaudited balance in the accumulated losses account of the Company as at 30 September 2010 of approximately HK\$263.5 million
“Board”	the board of Directors
“Company”	Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), an exempted company incorporated in Bermuda with limited liability and whose shares are listed on the main board of the Stock Exchange (Stock Code: 897)
“Directors”	the directors of the Company
“Effective Date”	the date on which the Proposed Share Premium Reduction shall become effective, being the next business day immediately following the date of the SGM at which the relevant special resolution approving the Proposed Share Premium Reduction will be considered by the Shareholders
“Group”	the Company and its subsidiaries

\* *For identification purposes only*

“Proposed Share Premium Reduction”	the proposed reduction of approximately HK\$263.5 million standing to the credit of the share premium account of the Company, as more particularly set out under the section headed “Proposed Share Premium Reduction” of this announcement
“SGM”	the special general meeting of the Company to be convened and held, among other things, to consider and, if thought fit, approve the Proposed Share Premium Reduction
“Shares”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholders”	the registered holders of the Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board  
**Wai Yuen Tong Medicine Holdings Limited**  
 (位元堂藥業控股有限公司\*)  
**Chan Chun Hong, Thomas**  
*Managing Director*

Hong Kong, 9 February 2011

*As at the date of this announcement, the executive Directors are Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas and Ms. Tang Mui Fun, and the independent non-executive Directors are Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Yuen Chi Choi and Mr. Cho Wing Mou.*

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