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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in Wai Yuen Tong Medicine Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability, whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)**

**DISCLOSEABLE TRANSACTIONS INVOLVING  
SHARE PURCHASE**

**AND**

**SUBSCRIPTION OF CONVERTIBLE NOTES**

**Financial adviser**



**Shenyin Wanguo Capital (H.K.) Limited**

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\* For identification purpose only

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# CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Appendix — General Information</b> .....	15

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“Board”	the board of Directors
“Business Day”	any day (other than Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Wai Yuen Tong Medicine Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Convertible Notes”	the convertible notes with (i) an initial principal amount of HK\$3,000,000 to be issued by LeRoi and (ii) an option granted to GBIL pursuant to which GBIL will have the right to require LeRoi to issue additional principal amount of HK\$7,000,000 of convertible notes with a maturity up to 10 Business Days before the date falling 3 years after completion of the Subscription Agreement pursuant to the terms of the Subscription Agreement
“Conversion Price”	the conversion price at which each Conversion Share will be issued upon the exercise of the conversion rights attached to the Convertible Notes
“Conversion Share(s)”	LeRoi Shares to be issued by LeRoi upon exercise by the holder of the Convertible Notes of the conversion rights attached thereof
“Directors”	the directors of the Company
“General Offer”	the requirement to extend an offer for the purchase of equity share capital in a company to all the holders of shares in that company pursuant to Rule 26 of the Code of Takeovers and Mergers and Share Repurchases
“Group”	the Company and its subsidiaries
“GBIL”	Gain Better Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and is indirectly wholly-owned subsidiary by the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	22 February 2006

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## DEFINITIONS

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“LeRoi”	LeRoi Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“LeRoi Group”	LeRoi and its subsidiaries
“LeRoi Share(s)”	ordinary shares of HK\$0.01 each in the share capital of LeRoi
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2006, or any other date agreed by the parties to the Share Purchase Agreement or, as the case maybe, the Subscription Agreement
“Maturity Date”	the date falling on the last day of a period of 3 years after the date of issue of the Convertible Notes
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Share Purchase Agreement”	the conditional agreement dated 27 January 2006 entered into between GBIL and the Vendor pursuant to which GBIL agreed to acquire the Vendor Shares from the Vendor
“Share Purchase”	the proposed conditional acquisition of the Vendor Shares pursuant to the terms and conditions of the Share Purchase Agreement
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the conditional agreement dated 27 January 2006 entered into between GBIL and LeRoi pursuant to which GBIL agreed to subscribe for and LeRoi agreed to issue the Convertible Notes
“Subscription”	the proposed subscription of the Convertible Notes by GBIL pursuant to the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

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## DEFINITIONS

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“Vendor”	Taco Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and is beneficially owned by Mr. So Chi Hiu. It is also the controlling shareholder of LeRoi currently interested in approximately 52.37% of the issued share capital of LeRoi
“Vendor Shares”	205,000,000 existing LeRoi Shares, representing approximately 25.32% of the issued share capital in LeRoi, held by the Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



**Wai Yuen Tong Medicine Holdings Limited**

**(位元堂藥業控股有限公司)\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 897)**

*Executive Directors:*

Mr. Tang Ching Ho (*Chairman*)

Mr. Chan Chun Hong, Thomas  
(*Managing Director*)

*Non-executive Director:*

Mr. Leung Wai Ho

*Independent non-executive Directors:*

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*

5th Floor

Wai Yuen Tong Medicine Building

9 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

24 February 2006

*To the Shareholders*

Dear Sir/Madam

**DISCLOSEABLE TRANSACTIONS INVOLVING**

**SHARE PURCHASE**

**AND**

**SUBSCRIPTION OF CONVERTIBLE NOTES**

**INTRODUCTION**

On 8 February 2006, the Board announced that on 27 January 2006, GBIL, an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Vendor pursuant to which GBIL had conditionally agreed to purchase the Vendor Shares for a total consideration of HK\$37,500,000 from the Vendor, equivalent to approximately HK\$0.183 per LeRoi

\* For identification purpose only

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## LETTER FROM THE BOARD

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Share. Subsequently, on 4 February 2006, GBIL and the Vendor mutually agreed to amend certain terms and conditions of the Share Purchase Agreement. Upon completion of the Share Purchase, the Company will be indirectly interested in approximately 25.32% of the issued share capital of LeRoi.

In addition, on 27 January 2006, GBIL and LeRoi entered into the Subscription Agreement pursuant to which LeRoi had agreed to issue and GBIL had agreed to subscribe for the Convertible Notes with an initial principal amount of HK\$3,000,000. LeRoi also agreed to grant an option to GBIL pursuant to which GBIL will have the right to subscribe for an additional principal amount of HK\$7,000,000. The maximum number of the Conversion Shares which may be issued upon full conversion of the Convertible Notes (with an aggregate principal amount of HK\$10,000,000) based on the initial Conversion Price of HK\$0.2 per Conversion Share will be 50,000,000 LeRoi Shares, representing approximately 6.18% of the existing issued share capital of LeRoi and approximately 5.82% of LeRoi's issued share capital as enlarged by the issue of the Conversion Shares.

Pursuant to the Listing Rules, the Share Purchase and the Subscription constitute discloseable transactions for the Company. The purpose of this circular is to give you further information on the Share Purchase and the Subscription.

### **A. THE SHARE PURCHASE AGREEMENT**

On 27 January 2006, GBIL, an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Vendor pursuant to which GBIL had conditionally agreed to purchase the Vendor Shares for a total consideration of HK\$37,500,000 from the Vendor, equivalent to approximately HK\$0.183 per LeRoi Share. On 4 February 2006, GBIL and the Vendor mutually agreed to amend certain terms and conditions of the Share Purchase Agreement. Upon completion of the Share Purchase, the Company will be indirectly interested in approximately 25.32% of the issued share capital of LeRoi.

#### **Parties to the Share Purchase Agreement:**

- a. GBIL; and
- b. the Vendor.

To the best knowledge of the Board, and having made all reasonable enquiries, the Vendor is not connected with the Company, the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries and their respective associates (as defined in the Listing Rules).

GBIL has not entered into any agreement or understanding, whether formal or informal, with the Vendor and parties acting in concert with it (as defined in the Takeovers Code) concerning the manner in which voting rights are exercised in respect of the LeRoi Shares held by the Vendor or to be acquired by GBIL under the Share Purchase. Save for the entering into of the Share Purchase Agreement, GBIL has no financial and other connection with the Vendor and parties acting in concert with it.

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## LETTER FROM THE BOARD

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### Consideration and payment terms:

The total consideration payable by GBIL under the Share Purchase Agreement is HK\$37,500,000, equivalent to approximately HK\$0.183 per LeRoi Share, which is to be paid by GBIL in cash to the Vendor in the following manners:

- (a) a refundable deposit of HK\$3,000,000 upon the execution of the Share Purchase Agreement, to be paid to the Vendor's solicitor as stakeholder's money; and
- (b) the balance of HK\$34,500,000 upon completion of the Share Purchase Agreement as to (i) HK\$18,750,000 to LeRoi, on the Vendor's behalf, as shareholder's loan of a principal amount of HK\$18,750,000 to be made by the Vendor to LeRoi and; (ii) HK\$15,750,000 to the Vendor as the balance of the consideration.

As at the Latest Practicable Date, an aggregate sum of HK\$3,000,000 as described in (i) was paid by GBIL.

The total consideration of HK\$37,500,000 for the Share Purchase was arrived at after arm's length negotiation between the parties to the Share Purchase Agreement and with reference to the financial position of LeRoi. If the conditions to the Share Purchase Agreement are not fulfilled by the Long Stop Date or any later date to be agreed by the parties to the Share Purchase Agreement in writing, the Share Purchase Agreement may be terminated and the Vendor shall return the deposit of HK\$3,000,000 plus interest accrued thereon by no later than the date which is ten days after the Long Stop Date to GBIL.

The Board intends to finance the consideration by the Group's internal resources.

The consideration payable for each LeRoi Share of approximately HK\$0.183 represents

- (i) a discount of approximately 46.96% to the closing price of HK\$0.345 per LeRoi Share as quoted on the Stock Exchange on 26 February 2004, being the last trading day before the suspension of the trading of the LeRoi Shares; and
- (ii) a discount of approximately 46.33% to the average closing price of HK\$0.341 per LeRoi Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 26 February 2004, being the last trading day before the suspension of the trading of the LeRoi Shares.

### Conditions of the Share Purchase Agreement:

The Share Purchase is conditional upon, among other things, the following conditions being satisfied on or before the Long Stop Date:

- (a) GBIL not being obliged to make a General Offer for all the LeRoi Shares;



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## LETTER FROM THE BOARD

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- (b) the results of a due diligence review to be carried out by GBIL and its agents are satisfactory to GBIL and do not indicate to GBIL that there has been any material adverse change to the financial condition of the LeRoi Group from that disclosed in its interim report for the six months ended 30 September 2005;
- (c) the resumption of trading of the LeRoi Shares on the Stock Exchange and the LeRoi Shares not be suspended from trading:
  - (i) for any period longer than five consecutive Business Days at any time after the resumption of trading and before completion of the Share Purchase Agreement; or
  - (ii) on the scheduled date of completion of the Share Purchase Agreement;
- (d) GBIL having received certified copies of documents for completion as set out in the Share Purchase Agreement; and
- (e) GBIL having received extract of minutes of a meeting of the Vendor's board of directors authorising the signing and delivery of the Share Purchase Agreement.

### **Completion of the Share Purchase:**

Completion of the Share Purchase will take place on the second Business Day after the satisfaction of all the conditions set out in paragraph headed "Conditions of the Share Purchase Agreement" above. If the conditions are not satisfied on or before the Long Stop Date or any later date to be agreed by the parties to the Share Purchase Agreement in writing, the Share Purchase Agreement may be terminated and each party to the Share Purchase Agreement will be released from its obligations under the Share Purchase Agreement and neither parties will have any claim against the other.

### **B. THE SUBSCRIPTION AGREEMENT**

On 27 January 2006, GBIL and LeRoi entered into the Subscription Agreement pursuant to which LeRoi had agreed to issue and GBIL and agreed to subscribe for the Convertible Notes with a principal amount of HK\$3,000,000. LeRoi also agreed to grant an option to GBIL pursuant to which GBIL will have the right to subscribe for additional Convertible Notes with an additional principal amount of HK\$7,000,000. The Convertible Notes will be convertible into the Conversion Shares at the Conversion Price of HK\$0.2 per LeRoi Share. The maximum number of Conversion Shares which may be issued upon full conversion of the Convertible Notes (with an aggregate principal amount of HK\$10,000,000) based on the initial Conversion Price of HK\$0.2 per Conversion Share will be 50,000,000 LeRoi Shares, representing approximately 6.18% of the existing issued share capital of LeRoi and approximately 5.82% of LeRoi's issued share capital as enlarged by the issue of the Conversion Shares. GBIL will subscribe for the Convertible Notes at face value for an aggregate consideration of HK\$10,000,000 and the Board intends to finance the Subscription with the Group's internal resources.

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## LETTER FROM THE BOARD

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### **Parties to the Subscription Agreement:**

- (a) LeRoi, as the issuer of the Convertible Notes; and
- (b) GBIL, as the subscriber of the Convertible Notes

To the best of the Board knowledge, and having made all reasonable enquiries, LeRoi is not connected with the Company, the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries and their respective associates. As at the Latest Practicable Date, the Company does not have any shareholding interests in LeRoi. The terms of the Subscription Agreement, including the determination of the Conversion Price, were arrived at after arm's length negotiation between GBIL and LeRoi with reference to the financial position of LeRoi.

### **Conditions of the Subscription Agreement:**

The Subscription Agreement is conditional upon, among other things, the following conditions being satisfied on or before the Long Stop Date:

- (a) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in (subject to allotment and matters ancillary thereto) the Conversion Shares;
- (b) all other approvals necessary or required to complete the transactions contemplated in the Subscription Agreement having been received; and
- (c) completion of the Share Purchase Agreement having occurred.

If the above conditions are not fulfilled on or before the Long Stop Date, the Subscription Agreement may be terminated by GBIL or LeRoi.

### **Completion of the Subscription Agreement:**

Subject to the fulfillment of the conditions of the Subscription Agreement, including the approval by shareholders of LeRoi to issue the Conversion Shares, completion of the Subscription Agreement will take place on the date of completion of the Share Purchase Agreement.

### **Principal terms of the Convertible Notes:**

The principal terms of the Convertible Notes are summarised as follows:

Issuer: LeRoi

Subscriber: GBIL or its respective nominees

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## LETTER FROM THE BOARD

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- Principal amount:** initial amount of HK\$3,000,000 payable in cash, GBIL will be granted an option by LeRoi to require LeRoi to issue additional principal amount of HK\$1,000,000 payable in cash or an integral multiple thereof having an aggregate maximum of not more than HK\$7,000,000. Such option may be exercised at any time after completion of the Subscription Agreement and up to 10 business days before Maturity Date
- Interest:** interest is payable semi-annually in arrears at 6.5% per annum on the principal amount of the Convertible Notes outstanding from time to time accruing from the date of issue of the Convertible Notes
- Maturity Date:** the date falling on the last day of a period of 3 years after the date of issue of the Convertible Notes
- Status:** the obligations of LeRoi arising under the Convertible Notes constitute general, unsecured obligations of LeRoi and rank, and will rank, equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of LeRoi except for obligations accorded preference by mandatory provisions of applicable law
- Conversion Price:** HK\$0.2 per Conversion Share. The Conversion Price is subject to adjustment for, amongst other matters, subdivision or consolidation of LeRoi Shares, bonus issues, rights issues, capital reduction and other events that have diluting effects on the issued share capital of LeRoi
- The initial Conversion Price of HK\$0.2 represents
- (i) a discount of approximately 42.03% to the closing price of HK\$0.345 per LeRoi Share as quoted on the Stock Exchange on 26 February 2004, being the last trading day before the suspension of the trading of the LeRoi Shares;
  - (ii) a discount of approximately 41.35% to the average closing price of HK\$0.341 per LeRoi Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 26 February 2004, being the last trading day before the suspension of the trading of the LeRoi Shares; and
  - (iii) a premium of approximately 100.14% to the unaudited net asset value per LeRoi Share of approximately HK\$0.10 as at 30 September 2005, based on the latest published unaudited financial statements of LeRoi for the six months ended 30 September 2005

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## LETTER FROM THE BOARD

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- Conversion Rights: the holder(s) of the Convertible Notes shall have the right to convert on any Business Day from the date of issue of the Convertible Notes but before the Maturity Date, the whole or any part(s) of the principal amount of the Convertible Notes into the Conversion Shares at the Conversion Price, provided that such parts of the principal amount of the Convertible Notes to be converted shall not be less than HK\$1,000,000 at any one time (unless the aggregate outstanding principal amount of the Convertible Notes is less than HK\$1,000,000 in which case the whole (but not part only) of that amount may be converted)
- Redemption: LeRoi may at any time before the Maturity Date, by giving written notice to the holders of the Convertible Notes, redeem all or part of the outstanding principal amount of the Convertible Notes
- Ranking of the Conversion Shares: the Conversion Shares will rank pari passu with all other existing LeRoi Shares outstanding
- Transferability: the Convertible Notes shall be freely transferable in its entirety or in part of a principal amount of HK\$1,000,000
- Voting rights: the Convertible Notes do not confer any voting rights at general meetings of LeRoi on the holder of the Convertible Notes
- Listing: No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange

## LETTER FROM THE BOARD

### Effect on shareholding structure of LeRoi:

As advised by the directors of LeRoi, to the best of their knowledge and based on various filings under the SFO, the existing shareholding structure of LeRoi and the shareholding structure of LeRoi upon conversion of the Convertible Notes are as follows:

Name	Before the Share Purchase		After the Share Purchase		After the Share Purchase and conversion of Convertible Notes with a principal amount of HK\$3 million		After the Share Purchase and further conversion of Convertible Notes with a principal amount of HK\$7 million	
	No. of LeRoi Shares	(%)	No. of LeRoi Shares	(%)	No. of LeRoi Shares	(%)	No. of LeRoi Shares	(%)
GBIL (Note 1)	—	—	205,000,000	25.32	220,000,000	26.68	255,000,000	29.67
Vendor (Note 2)	424,024,000	52.37	219,024,000	27.05	219,024,000	26.56	219,024,000	25.48
Martin Currie China Hedge Fund Limited	93,176,000	11.51	93,176,000	11.51	93,176,000	11.30	93,176,000	10.84
PAM (L) Equities Asian Growth (Investment Fund)	74,560,000	9.21	74,560,000	9.21	74,560,000	9.04	74,560,000	8.67
Other public shareholders	<u>217,840,000</u>	<u>26.91</u>	<u>217,840,000</u>	<u>26.91</u>	<u>217,840,000</u>	<u>26.42</u>	<u>217,840,000</u>	<u>25.34</u>
Total	<u>809,600,000</u>	<u>100.00</u>	<u>809,600,000</u>	<u>100.00</u>	<u>824,600,000</u>	<u>100.00</u>	<u>859,600,000</u>	<u>100.00</u>

Note 1: The entire issued share capital of GBIL is beneficially owned by the Company.

Note 2: The entire issued share capital of the Vendor is beneficially owned by Mr. So Chi Hiu.

### Application for listing:

Application will be made by LeRoi to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

### INFORMATION ON LEROI

The LeRoi Group is principally engaged in the trading of ladies' fashion apparel to the market in the PRC. As at 30 September 2005, the LeRoi Group had established a franchise network with 64 franchisees across 7 provinces and 30 cities. In order to complement its franchise business, the LeRoi Group has set up its own retail outlets and as at 30 November 2005, the LeRoi Group had a total of 10 directly managed retail outlets in the PRC. In addition, the LeRoi Group introduced female lingerie series to the market in 2005 and expected that further marketing efforts would be required to build up brand recognition. As advised by LeRoi' management, no property assets are held directly by the LeRoi Group.

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## LETTER FROM THE BOARD

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For the six months ended 30 September 2005, the LeRoi Group recorded unaudited loss before taxation and minority interests and net loss of approximately HK\$2,164,000 and HK\$2,196,000 respectively. For the year ended 31 March 2005, the LeRoi Group recorded audited loss before taxation and minority interests and net loss of approximately HK\$2,356,000 and HK\$3,640,000 respectively. For the year ended 31 March 2004, the LeRoi Group recorded audited profit before taxation and minority interests and net profit of approximately HK\$23,351,000 and HK\$18,110,000 respectively. As at 30 September 2005, the unaudited net assets of the LeRoi Group amounted to approximately HK\$80,905,000. As at 31 March 2005, the audited net assets of LeRoi amounted to approximately HK\$83,101,000. The Board noted that the auditors of the LeRoi Group issued a qualified opinion for the year ended 31 March 2004 and the auditors of the LeRoi Group issued an unqualified opinion for the year ended 31 March 2005. As advised by the directors of LeRoi, there have been no adverse changes in the financial or trading position or prospects of the LeRoi Group since 31 March 2005, the date to which the latest audited financial statements of the LeRoi Group were made up. In this regard, the Company intends to perform further review on the business operation of the LeRoi Group with the assistance of LeRoi's management and LeRoi's auditors.

As advised by LeRoi's management, trading of LeRoi Shares was suspended at the request of LeRoi since 27 February 2004 pending the publication of clarification announcement(s) in relation to the allegation concerning the share placement (the "Incident"). Based on discussions with LeRoi's management and publicly available information, the Company has been given to understand that such allegation was directed towards placement of existing LeRoi Shares and not related to the affairs and business operations of the LeRoi Group. The Company is aware that the Stock Exchange has requested LeRoi to address certain issues including the impact of the Incident on the operations of the LeRoi Group. The Company is also aware that resumption of trading of LeRoi Shares and the approval for the listing of and permission to deal in the Conversion Shares will be considered after LeRoi has addressed such issues to the satisfaction of the Stock Exchange.

However, having regard to the long suspension of trading of LeRoi Shares, the resumption of trading of LeRoi Shares is stipulated as a condition to the completion of the Share Purchase and the Subscription. Should resumption of trading of LeRoi Shares fail to occur on or before the Long Stop Date, GBIL will be entitled to terminate the Share Purchase Agreement. Accordingly, the Board considers that the terms of the Share Purchase Agreement have provided a reasonable mechanism to protect the interests of the Company in this regard.

### **REASONS FOR THE PROPOSED SHARE PURCHASE AND SUBSCRIPTION**

The Group is principally engaged in (i) the manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the 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; (ii) sales of western pharmaceutical products under the brand name of "Madame Pearl's"; and (iii) property holding and investments. The LeRoi Group is principally engaged in the trading of ladies' fashion apparel to the market in the PRC and has established a franchise network. Given the steady growth of the PRC economy, the Board is cautiously optimistic about the long-term development of the general retail market in the PRC in which the LeRoi Group

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## LETTER FROM THE BOARD

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is operating. As disclosed in LeRoi's latest interim report for six months ended 30 September 2005, there were 64 franchisees across 7 provinces and 30 cities in the PRC. The LeRoi Group had also set up its own retail network in the PRC comprising a total of 10 directly managed retail outlets as at 30 November 2005. The Board considers that, with an established franchise network, the LeRoi Group is in a reasonable position to take advantage of the growth potential in consumer demand for ladies' apparels in the PRC. The additional resources brought by the Subscription and the shareholder's loan will improve LeRoi's financial position and enable LeRoi to further strengthen its business. The Board is of the view that the Share Purchase will enable the Group to further diversify its earnings base and enrich its business lines by strengthening the overall branding of the Group, while the Subscription will enable the Group to receive interests from the Convertible Notes which will enhance its overall interest income and earnings.

The Board considers that the terms of the Share Purchase Agreement are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Upon completion of the Share Purchase Agreement, the Company will be indirectly interested in approximately 25.32% of the issued share capital of LeRoi. Moreover, the Board considers the Subscription will provide the Company the opportunity, without any obligation, to increase its shareholding in LeRoi at the Conversion Price, as and when the Board considers appropriate. The Board also considers that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **FUTURE INTENTIONS OF THE COMPANY**

Upon completion of the Share Purchase and the Subscription, the shareholding interests indirectly held by the Company will be equity accounted for in the financial statements of the Group and the Board does not expect the results of operation will be consolidated in the financial statements of the Group as if LeRoi is treated as a subsidiary of the Group. As the Share Purchase and the Subscription are to be funded by the Group's internal resources, the Board is of the view that the Share Purchase and the Subscription will not have any material adverse effect on the assets and liabilities of the Company. The Company has no intention to change the existing operations of the LeRoi Group. Currently, the board of directors of LeRoi comprises four executive directors and three independent non-executive directors. Under the Share Purchase Agreement, the Vendor will procure the resignation of five existing directors of LeRoi and GBIL will be entitled to nominate five directors out of a total of seven directors of LeRoi immediately upon completion of the Share Purchase Agreement. The Company expected that two of the existing executive directors and all the existing independent non-executive directors will resign and be replaced by two new executive directors and three new independent non-executive directors to be nominated by GBIL. The Board expects the new board of directors of LeRoi to actively manage the operations of the LeRoi Group. The Board also considers the new board of directors of LeRoi to be instrumental in strengthening the overall internal control and corporate governance of LeRoi and also enhance the capabilities of LeRoi in developing its principal business. The Board does not have any present intention to acquire any further shareholding in LeRoi from the Vendor and to inject any assets or businesses of the Company into LeRoi.

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## LETTER FROM THE BOARD

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### GENERAL INFORMATION

The Shareholders and potential investors should note that the Share Purchase Agreement and the Subscription Agreement is conditional upon the fulfillment of a number of conditions (the summary of which is set out in the sub-paragraph headed “Conditions of the Share Purchase Agreement” and “Conditions of the Subscription Agreement” above). Accordingly, the Share Purchase and the Subscription may or may not proceed.

Your attention is also drawn to the general information as set out in this circular.

Yours faithfully  
For and on behalf of  
**Wai Yuen Tong Medicine Holdings Limited**  
**Tang Ching Ho**  
*Chairman*



## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF DIRECTORS' INTERESTS

### (a) The Director's interests and short position in the securities of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

### (b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% 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 Group or had any option in respect of such capital:

Name of Shareholder	Interest in Share or underlying shares	Approximate percentage of the issued share capital <i>(Note 1)</i>
Rich Time Strategy Limited <i>(Note 2)</i>	684,209,324	49%
Wang On Enterprises (BVI) Limited (“ <b>WOE</b> ”) <i>(Note 2)</i>	684,209,324	49%
Wang On Group Limited (“ <b>Wang On</b> ”) <i>(Note 2)</i>	684,209,324	49%

*Notes:*

- The interest is a long position in Shares.

2. Rich Time Strategy Limited is wholly owned by WOE, which is wholly owned by Wang On, a company with limited liability and the shares of which are listed on the Stock Exchange. WOE and Wang On are deemed to be interested in 684,209,324 Shares held by Rich Time Strategy Limited.

Save as disclosed above, none of the Directors knows of any person (not being a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% 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 Group or held any option in respect of such capital.

### **3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation other than statutory compensation).

### **4. LITIGATION**

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

### **5. THE DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors and their respective associates is interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

There is no contract or arrangement subsisting at the Latest Practicable Date in which the Director is materially interested and which is significant in relation to the business of the Group.

### **6. GENERAL**

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.
- (b) The qualified accountant of the Company is Mr. Lao Wai Keung, CPA.

- (c) The company secretary of the Company is Mr. Chan Chun Hong, Thomas. He is a fellow associate member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.
- (d) The branch share registrar of the Company in Hong Kong is Secretaries Limited, at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.