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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 your 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 (位元堂藥業控股有限公司\*), you should at once hand this circular with the accompanying form of proxy to the purchaser or the 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.

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)**

**PROPOSAL FOR REFRESHMENT OF  
GENERAL MANDATE  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

**Nuada Limited**

*Corporate Finance Advisory*

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A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 8 of this circular and a letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders on the grant of the New General Mandate is set out on pages 9 to 15 of this circular.

A notice convening the SGM to be held at 37th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on Friday, 13 June 2008 at 10:00 a.m. is set out on pages 16 to 18 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

\* *For identification purpose only*

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## DEFINITIONS

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*In this circular, unless the context otherwise specifies, the following expressions have the following meanings:*

“Announcement”	an announcement of the Company dated 9 May 2008 in respect of the Top-up Placing
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“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 the shares of which are listed on the main board of the Stock Exchange
“Current General Mandate”	the general mandate approved and granted to the Directors to allot and issue Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the resolutions at the Last Annual General Meeting
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all of the four independent non-executive Directors formed for the purpose of advising the Independent Shareholders on the grant of the New General Mandate
“Independent Shareholder(s)”	the Shareholders other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Last Annual General Meeting”	the annual general meeting of the Company held on 30 August 2007
“Latest Practicable Date”	21 May 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

\* For identification purpose only

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## DEFINITIONS

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“New General Mandate”	the refreshment of the general mandate proposed to be granted to the Directors at the SGM to allot and issue Shares and other securities representing not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM (such mandate to be extended and added by the number of Shares, if any, repurchased by the Company since the grant of the New General Mandate)
“Nuada”	Nuada Limited, a licensed corporation under the SFO to conduct Type 6 regulated activity and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the grant of the New General Mandate
“PRC”	The People’s Republic of China and for the purpose of this circular shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“SGM”	the special general meeting of the Company to be held at 37th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on Friday, 13 June 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, approving, among others, the grant of the New General Mandate
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top-up Placing”	including top-up placing of 335,004,000 existing Shares and top-up subscription of 335,004,000 new Shares under the Current General Mandate, details of which are set out in the Announcement
“%”	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*)

Ms. Tang Mui Fun

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent non-executive Directors:*

Mr. Leung Wai Ho

Mr. Siu Man Ho, Simon

Mr. Yuen Chi Choi

Mr. Cho Wing Mou

*Head office and principal*

*place of business:*

5th Floor

Wai Yuen Tong Medicine Building

9 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

26 May 2008

*To the Shareholders and, for information only,  
the share options and convertible notes  
holders of the Company*

Dear Sir or Madam,

**PROPOSAL FOR REFRESHMENT OF  
GENERAL MANDATE  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with, among others, (i) the details of the New General Mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the granting of the New General Mandate; (iii) the advice from Nuada to the Independent Board Committee and the Independent Shareholders in relation to the granting of the New General Mandate; and (iv) the notice of the SGM.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### PROPOSAL FOR GRANT OF THE NEW GENERAL MANDATE

At the Last Annual General Meeting, the Shareholders approved, among others, ordinary resolutions to grant the Current General Mandate which enables the Directors to allot and issue Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of the Last Annual General Meeting (equivalent to the aggregate nominal amount of HK\$3,350,695.37 divided into 335,069,537 Shares with a nominal value of HK\$0.01 each).

On 9 May 2008, the Company announced that it has entered into an agreement dated 7 May 2008 to issue and allot a total of 335,004,000 Shares to independent placees pursuant to the Top-up Placing. Pursuant to the Announcement, the aggregate net proceeds from the Top-up Placing amounted to approximately HK\$53.3 million which would be used for (i) expansion of retail network in the PRC and Hong Kong; (ii) repayment of interest-bearing loans; and (iii) general working capital for the Group. As detailed in the Company's announcement dated 19 May 2008, completion of the Top-up Placing took place on 19 May 2008. As the Current General Mandate granted to the Directors has almost been fully utilised as a result of the Top-up Placing, the Board would like to propose a refreshment of the general mandate to allot and issue Shares at the SGM. As at the Latest Practicable Date, the remaining unutilised Current General Mandate would allow the Directors to allot and issue up to 65,537 Shares.

The New General Mandate is to authorise the Directors to allot and issue Shares and other securities representing not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM (such mandate to be extended and added by the number of Shares, if any, repurchased by the Company, in accordance with the general mandate to repurchase Shares granted to the Directors at the Last Annual General Meeting, since the grant of the New General Mandate and provided that such additional amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of such resolution to grant the Directors the general mandate to repurchase Shares. As at the Latest Practicable Date, the remaining unutilised general mandate to repurchase Shares which has been granted to the Directors at the Last Annual General Meeting, would allow the Directors to exercise the powers of the Company to repurchase up to 167,534,768 Shares). At the SGM, upon the ordinary resolutions relating to the New General Mandate (including a separate ordinary resolution for the New General Mandate to be extended and added by the number of Shares, if any, repurchased by the Company since the grant of the New General Mandate) being approved by the Independent Shareholders, the Current General Mandate will be revoked.

As at the Latest Practicable Date, the total number of Shares in issue was 2,010,351,688 Shares with a nominal value of HK\$0.01 each. Assuming no further Shares were/will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the New General Mandate (before taking into account any extension thereof by any repurchased Shares) would enable the Board to issue and allot Shares with an aggregate nominal amount of HK\$4,020,703.37 (representing 402,070,337 Shares with a nominal amount of HK\$0.01 each).

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## LETTER FROM THE BOARD

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Since the Last Annual General Meeting, the Current General Mandate has not been refreshed.

The Directors believe that it is in the best interests of the Company and the Shareholders to grant a general authority to the Directors to issue Shares on the market.

The New General Mandate would provide financial flexibility for the Group to conduct any equity financing exercise for future development of the Group should that be required.

The Company will propose to put the following ordinary resolutions to be considered at the SGM so as to seek approval of the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares and other securities representing not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM; and
- (ii) the New General Mandate be extended to the Shares and other securities that are allowed to be repurchased by the Company since the grant of the New General Mandate.

Upon passing the relevant resolution at the SGM and assuming no further Shares were/will be issued by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed pursuant to the New General Mandate to allot and issue Shares with an aggregate nominal amount not exceeding HK\$4,020,703.37 (representing 402,070,337 Shares with a nominal value of HK\$0.01 each), being 20% of the aggregate nominal amount of HK\$20,103,516.88 divided into 2,010,351,688 Shares with a nominal value of HK\$0.01 each expected to be in issue as at the date of passing the resolution.

Pursuant to Rules 13.36(4) of the Listing Rules, the grant of the New General Mandate is subject to the approval of the Independent Shareholders by way of a poll at the SGM with the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates abstain from voting in favour. As at the Latest Practicable Date, the Company had no controlling Shareholders and that the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolutions to be proposed at the SGM to approve the grant of the New General Mandate and the extension thereof, where voting shall be taken by way of a poll. As at the Latest Practicable Date, none of the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates owns any Shares.

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## LETTER FROM THE BOARD

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### INDEPENDENT ADVICE

The Independent Board Committee comprising Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Yuen Chi Choi and Mr. Cho Wing Mou, all of them being the independent non-executive Directors, has been formed to advise the Independent Shareholders, and Nuada has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the grant of the New General Mandate.

### RECOMMENDATION

The Directors are of the opinion that the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions set out in the notice of the SGM contained herein.

In addition, your attention is drawn to the letter from the Independent Board Committee as set out on page 8 of this circular which contains its recommendation to the Independent Shareholders in relation to the grant of the New General Mandate, which was given after the Independent Board Committee has considered the advice of Nuada thereon. The letter from Nuada is set out on pages 9 to 15 of this circular containing the principal factors and reasons it has taken into consideration and its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the grant of the New General Mandate.

### THE SGM

A notice of the SGM is set out on pages 16 to 18 of this circular for the purpose of considering and, if thought fit, approving, among others, the grant of the New General Mandate. A form of proxy for use at the SGM is accompanied with this circular.

Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

### PROCEDURES BY WHICH A POLL MAY BE DEMANDED

Pursuant to the Listing Rules, the resolutions for approving the New General Mandate to be proposed at the SGM shall be taken by way of a poll. For the information of the Shareholders, the procedures by which the Shareholders may demand a poll at the SGM are set out below.



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## LETTER FROM THE BOARD

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Pursuant to Bye-law 66, a resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- (e) by any Director or Directors (including the chairman of a general meeting), who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting and if on a show of hands, such meeting votes in the opposite manner to that instructed in those proxies.

### RESPONSIBILITY STATEMENT

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

### CONSENT

Nuada has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter set out therein and reference to its name in the form and context in which they appear respectively.

Yours faithfully,  
For and on behalf of the Board  
**Chan Chun Hong, Thomas**  
*Managing Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the grant of the New General Mandate for the purpose of incorporation in this circular.*



### 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)**

26 May 2008

*To the Independent Shareholders*

Dear Sir or Madam,

#### **PROPOSAL FOR REFRESHMENT OF THE GENERAL MANDATE**

We refer to the circular of the Company dated 26 May 2008 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Nuada has been appointed as the independent financial adviser to advise us and you in this respect.

Having taken into account the principal reasons and factors considered by and the advice of Nuada as set out in its letter of advice to us and you on pages 9 to 15 of the Circular, we are of the opinion that the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the grant of the New General Mandate and the extension thereof.

Yours faithfully,  
For and on behalf of  
*Independent Board Committee*  
**Leung Wai Ho      Siu Man Ho, Simon**  
**Yuen Chi Choi      Cho Wing Mou**  
*Independent non-executive Directors*

\* *For identification purpose only*

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## LETTER FROM NUADA

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*The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 26 May 2008 in relation to the grant of the New General Mandate for the purpose of this circular.*

**Nuada Limited**  
*Corporate Finance Advisory*

7th Floor, New York House  
60 Connaught Road Central  
Hong Kong

26 May 2008

*To the Independent Board Committee  
and the Independent Shareholders of  
Wai Yuen Tong Medicine Holdings Limited*

Dear Sirs,

### **PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES**

#### **INTRODUCTION**

We refer to the circular to the Shareholders dated 26 May 2008 (the “**Circular**”) issued by the Company in which this letter forms part and our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of New General Mandate, details of which are set out in the letter from the Board (the “**Board’s Letter**”) contained in the Circular. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Pursuant to Rules 13.36(4) of the Listing Rules, the grant of the New General Mandate of the Company is subject to the approval of the Independent Shareholders by way of poll at the SGM with the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates abstain from voting in favour. As at the Latest Practicable Date, the Company had no controlling Shareholder and none of the Directors is interested in any Shares.

The Independent Board Committee has been formed to advise the Independent Shareholders on whether the proposed grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM NUADA

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### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the information, statements, opinions and representations supplied to us by the Company and the Directors and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true at the date of the Circular, and we have relied on the same. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Board's Letter were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. We consider that we have been provided sufficient information to enable us to reach an informed view regarding the proposed grant of the New General Mandate, and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinions. We have no reason to suspect that any material facts or information (which is known to the Company) have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the proposed grant of the New General Mandate, we have taken the following principal factors and reasons into consideration:

#### **Background**

At the Last Annual General Meeting, the Directors were granted the Current General Mandate to allot and issue up to 335,069,537 Shares, representing 20% of the aggregate nominal amount of the issued share capital of the Company then in issue.

The Current General Mandate has almost been fully utilised as to 335,004,000 Shares in association with the top-up placing of 335,004,000 Shares (the "**Top-up Placing**") announced by the Company on 9 May 2008. To maintain the financial flexibility necessary for the Group's future business development, the Directors therefore propose to seek the approval of the Independent Shareholders at the SGM for the granting of the New General Mandate.

The Company had an aggregate of 2,010,351,688 Shares in issue as at the Latest Practicable Date. Subject to the passing of the ordinary resolutions for the approval of the New General Mandate and assuming that no Shares were/will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed to allot and issue up to 402,070,337 Shares under the New General Mandate.

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## LETTER FROM NUADA

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### **Reasons for the grant of the New General Mandate**

As advised by the Company, the Directors consider that equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group. Notwithstanding that there is no immediate funding need for the Group's current operations and that there is currently no concrete proposal presented by potential investors for investment in Shares, the Board considers that the refreshment of the Current General Mandate is necessary so that should future funding needs arise or attractive terms for investment in Shares become available from potential investors, the Board will be able to respond to the market and such investment opportunities promptly. Accordingly, the Directors consider that the approval of the grant of the New General Mandate is in the best interests of the Company and the Shareholders as a whole. The Board proposes to grant the New General Mandate to the Directors not exceeding 20% of the issued share capital of the Company at the SGM.

### **Business development of the Group**

The 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 retailing of western pharmaceutical products under the brand name of "Madame Pearl's".

As stated in interim report 2007 of the Company for the six months ended 30 September 2007 (the "**Interim Report**"), the Group expects the respective growth momentum in the Chinese pharmaceutical products and will accelerate its retail network expansion, particularly in mainland China. The Group is now working on a model in mainland China which will provide a platform for the future expansion. In the fourth quarter of 2007, the Group invested approximately HK\$5 million in a series of advertising campaigns targeting to re-energise the classic brand of "Madame Pearl's". Along with the advertising events, the Group will move into the ethical drugs markets, with the launch of Madame Pearl's Mucolytic products in hospital and private clinics in Hong Kong and Macau. As for the Chinese health food business, the Group sets out strategies aiming at becoming the world's leading manufacturer of health foods, developing its dried bird's nest wholesale business and seeking to expand into the mainland China and overseas Chinese communities. The Group keeps actively looking for acquisition targets that have synergy to its existing businesses. Given that, should any investment opportunities arise that would require the issuance of new Shares and a specific mandate has to be sought, the Directors are uncertain as to whether the requisite approval from Shareholders or independent Shareholders, as the case may be, could be obtained in a timely manner. In addition, the New General Mandate offers an opportunity for the Directors to capture a favourable equity market condition to raise funds by issuing new Shares. Notwithstanding the fact that the Group had no immediate funding need for its current operations and there is currently no concrete proposal presented by potential investors for investment in Shares, the Directors believe that the New General Mandate would offer the Group higher flexibility to capture investment opportunities which may arise at any time and require prompt investment

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## LETTER FROM NUADA

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decision by the Group. The Directors also consider that the New General Mandate would provide the Company with the maximum flexibility to raise additional capital for any future investment or as working capital of the Group if necessary.

In light of the above, we are of the opinion that the New General Mandate would provide the Company with the necessary flexibility essential for fulfilling any possible funding needs for future investment and business development decisions in a timely manner. As such, we are of the view that the grant of the New General Mandate will be in the interests of the Company and the Shareholders as a whole.

### **Other financing alternative**

The Board considers equity financing to be an important avenue of resources for the Group since it does not create any interest paying obligations on the Group. In appropriate circumstances, the Group will also consider other financing methods such as debt financing or internal cash resources to fund its future investment and/or business development. While sufficient for its present requirements, there is no certainty that such cash resources will be adequate or other financing alternatives will be available for appropriate investment that may be identified by the Company in the future. In addition, debt financing may incur interest burden on the Group and it may subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position, capital structure and the financial market condition at that time. The Directors consider that equity financing such as issuance of new Shares may be an appropriate means to fund such investments and/or acquisitions and provide additional working capital for future development and expansion of the Group.

We consider that the proposed grant of the New General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future development, including equity financing. As such, we are of the view that the proposed grant of the New General Mandate will be in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM NUADA

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### EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the fund raising activities conducted by the Company in the past twelve months prior to the Latest Practicable Date.

Date of initial announcement	Description	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
11 June 2007	Placing of new Shares	HK\$124.1 million	Approximately HK\$70 million for expansion of retail network in the PRC and Hong Kong and approximately HK\$54.1 million for general working capital.	Approximately HK\$50 million, approximately HK\$180 million and approximately HK\$119.6 million have been utilised by the Company for expansion of retail network in the PRC and Hong Kong, for acquisition of new investment or business and for general working capital respectively.
	Placing of convertible notes	HK\$245.5 million	Approximately HK\$180 million for potential acquisition of new investment or business and approximately HK\$65.5 million for general working capital.	The remaining of approximately HK\$20 million is currently being held as bank deposit and is still intended to be used for the expansion of retail network in the PRC and Hong Kong.
9 May 2008	The Top-up Placing	HK\$53.3 million	Approximately HK\$10 million for expansion of retail network in the PRC and Hong Kong, approximately HK\$20 million for repayment of interest-bearing loans and the remaining balance for general working capital.	Not yet utilised

Save for disclosed herein, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

As stated in the above table, we note that the net proceeds from the placing of new Shares and convertible notes announced by the Company on 11 June 2007 have been utilised except for HK\$20 million, while the net proceeds from the Top-up Placing have not been utilised as at the Latest Practicable Date. We consider it is prudent and reasonable for the Group to maintain a strong capital base while additional funding may be needed for the

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**LETTER FROM NUADA**

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newly acquired business from time to time. We are of the view that the New General Mandate could provide the Company with flexible financing option to raise additional capital for any future needs or as working capital of the Group and therefore is fair and reasonable.

**POTENTIAL DILUTION TO SHAREHOLDING OF THE PUBLIC SHAREHOLDERS**

Set out below is a table showing the shareholding structure of the Company as at the Latest Practicable Date, and, for illustrative purpose, the potential dilution effect upon full utilisation of the New General Mandate, assuming no other Shares were/will be issued and/or repurchased by the Company prior to the date of the SGM.

<b>Shareholders</b>	<b>As at the Latest Practicable Date</b>		<b>Upon full utilisation of the New General Mandate (assuming no other Shares were/will be issued and/or repurchased by the Company from the Latest Practicable Date and up to the date of the SGM)</b>	
	<b>No. of Shares held</b>	<b>Shareholding (approximate %)</b>	<b>No. of Shares held</b>	<b>Shareholding (approximate %)</b>
Rich Time Strategy Limited ( <i>Note</i> )	474,209,324	23.59	474,209,324	19.66
Public Shareholders	1,536,142,364	76.41	1,536,142,364	63.67
Shares to be issued under the New General Mandate	<u>—</u>	<u>—</u>	<u>402,070,337</u>	<u>16.67</u>
<b>Total</b>	<u><u>2,010,351,688</u></u>	<u><u>100.00</u></u>	<u><u>2,412,422,025</u></u>	<u><u>100.00</u></u>

*Note:* Rich Time Strategy Limited is wholly owned by Wang On Enterprises (BVI) Limited, which is a wholly-owned subsidiary of Wang On Group Limited, a company listed on the Main Board of the Stock Exchange.

As illustrated in the table above, the aggregate shareholding of the existing public Shareholders will decrease from approximately 76.41% as at the Latest Practicable Date to approximately 63.67% upon full utilisation of the New General Mandate, assuming no other Shares were/will be issued and/or repurchased by the Company prior to the date of the SGM.

Taking into account the benefits of the New General Mandate as discussed above and the fact that the shareholdings of all Shareholders will be diluted proportionately, we consider such dilution or potential dilution effect of shareholdings of the Shareholders to be acceptable.



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## LETTER FROM NUADA

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### RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the proposed grant of the New General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders and advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

For and on behalf of  
**Nuada Limited**  
**Po Chan**  
*Executive Director*



**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)**

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the special general meeting of Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司\*) (the “**Company**”) will be held at 37th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on Friday, 13 June 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS**

(1) “**THAT:**

- (a) the general mandate granted to the directors of the Company (the “**Directors**”) to exercise the powers of the Company to allot, issue and otherwise deal with the shares in the capital of the Company (the “**Shares**”) and to make or grant offers, agreements and options, as approved by the shareholders of the Company at the annual general meeting held on 30 August 2007, to the extent not already exercised be and is hereby revoked (but without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to paragraph (d) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional Shares, and to make or grant offers, agreements and options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) above shall be in addition to any other authorisations given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

\* *For identification purpose only*

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## NOTICE OF THE SGM

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- (d) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (b) above, otherwise than pursuant to:
  - (i) a Rights Issue (as hereinafter defined);
  - (ii) the exercise of rights subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;
  - (iii) the exercise of any option under the share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares; and
  - (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on the Shares in accordance with the bye-laws of the Company in force from time to time,

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution; and if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company, a nominal amount of the share capital of the Company repurchased by the Company in accordance with the general mandate to repurchase Shares granted to the Directors at the annual general meeting of the Company held on 30 August 2007, provided that such additional amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of such resolution; and

- (e) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the Company’s bye-laws to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

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## NOTICE OF THE SGM

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“Rights Issue” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register of members on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or stock exchange in any territory outside Hong Kong).”

- (2) “**THAT** conditional upon the passing of the resolution numbered (1) above, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with the unissued Shares pursuant to resolution numbered (1) above be and is hereby extended by the addition thereon of an amount representing the aggregate nominal amount of the Shares which are repurchased by the Company pursuant to and in accordance with the general mandate to repurchase Shares granted to the Directors at the annual general meeting of the Company held on 30 August 2007, provided that such additional amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of such resolution.”

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, 26 May 2008

*Notes:*

- (1) A member entitled to attend and vote at the special general meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy, together with any power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time for holding of the special general meeting or any adjournment thereof.
- (3) Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the special general meeting or any adjournment thereof if they so wish.
- (4) Resolutions numbered 1 and 2 will be voted by way of a poll by the independent shareholders of the Company.

\* *For identification purpose only*