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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.

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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 TO ISSUE NEW SHARES
AND
NOTICE OF SPECIAL GENERAL MEETING**

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

Nuada Limited

Corporate Finance Advisory

A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 9 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 10 to 14 of this circular.

A notice convening the SGM to be held at 40/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Wednesday, 24 June 2009 at 3:30 p.m. is set out on pages 15 to 17 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). 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.

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DEFINITIONS

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

“Announcement”	an announcement of the Company dated 11 May 2009 in respect of the Placing
“associate”	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 27 August 2008

* For identification purpose only

DEFINITIONS

“Latest Practicable Date”	4 June 2009, 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
“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
“Placing”	including top-up placing of 165,000,000 existing Shares and placing of 237,000,000 new Shares under the Current General Mandate, details of which are set out in the Announcement
“PRC”	The People’s Republic of China and for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at 40/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Wednesday, 24 June 2009 at 3:30 p.m. for the purpose of considering and, if thought fit, approving, among others, the grant of the New General Mandate
“Shareholder(s)”	the holder(s) of the Share(s)

DEFINITIONS

“Share(s)”	the ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	a share option scheme adopted by the Shareholders at the special general meeting held on 18 September 2003
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



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

Independent non-executive Directors:

Mr. Leung Wai Ho
Mr. Yuen Chi Choi
Mr. Siu Man Ho, Simon
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

8 June 2009

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

Dear Sir or Madam,

**PROPOSAL FOR REFRESHMENT OF
GENERAL MANDATE TO ISSUE NEW SHARES
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*

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On 11 May 2009, the Company announced that it has entered into an agreement dated 11 May 2009 to issue and allot a total of 402,000,000 Shares to independent places pursuant to the Placing. Pursuant to the Announcement, the aggregate net proceeds from the Placing amounted to approximately HK\$33.6 million, of which HK\$15 million will be used for the repayment of interest-bearing debts and the remaining balance will be used as general working capital for the Group. As at the Latest Practicable Date, approximately HK\$2.2 million of the net proceeds raised from the Placing was utilised for general working capital purpose.

PROPOSAL FOR GRANT OF THE NEW GENERAL MANDATE

At the Last Annual General Meeting, the Shareholders approved, among others, ordinary resolution(s) to grant the Current General Mandate which enable 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\$4,020,703.37 divided into 402,070,337 Shares with a nominal value of HK\$0.01 each). Such mandate has not been refreshed since it was granted.

On 11 May 2009, the Company announced that it has entered into an agreement dated 11 May 2009 to issue and allot a total of 402,000,000 Shares under the Current General Mandate to independent places pursuant to the Placing. Pursuant to the Announcement, the aggregate net proceeds from the Placing amounted to approximately HK\$33.6 million, of which HK\$15 million will be used for the repayment of interest-bearing debts and the remaining balance as general working capital for the Group. As at the Latest Practicable Date, approximately HK\$2.2 million of the net proceeds raised from the Placing was utilised for general working capital purpose. As detailed in the Company's announcements dated 21 May 2009 and 26 May 2009, the Placing completed on 26 May 2009.

As the Current General Mandate granted to the Directors was almost fully utilised after the completion of the Placing, the Directors would only be allowed to allot and issue up to 70,337 Shares under the Current General Mandate as at the Latest Practicable Date if the Current General Mandate is not refreshed.

Accordingly, it is proposed, by way of an ordinary resolution that the Directors be given the New General Mandate 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

LETTER FROM THE BOARD

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 201,035,168 Shares). At the SGM, upon the ordinary resolution(s) 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 2,412,351,688 Shares with a nominal value of HK\$0.01 each. Assuming no further Shares are/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\$4,824,703.37 (representing 482,470,337 Shares with a nominal amount of HK\$0.01 each).

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, though no concrete investment and/or development plan has been identified at present.

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 are/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\$4,824,703.37 (representing 482,470,337 Shares with a nominal value of HK\$0.01 each), being 20% of the aggregate nominal amount of HK\$24,123,516.88 divided into 2,412,351,688 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

LETTER FROM THE BOARD

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 resolution(s) 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 owned any Shares, except that Ms. Tang Mui Fun, an executive Director, held 1,950,000 share options under the Share Option Scheme as at the Latest Practicable Date.

INDEPENDENT ADVICE

The Independent Board Committee comprising Mr. Leung Wai Ho, Mr. Yuen Chi Choi, Mr. Siu Man Ho, Simon 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 9 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 10 to 14 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 15 to 17 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). 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.

LETTER FROM THE BOARD

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, that 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
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 purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

8 June 2009

To the Independent Shareholders

Dear Sir or Madam,

PROPOSAL FOR REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES

We refer to the circular of the Company dated 8 June 2009 (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 10 to 14 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 the
Independent Board Committee
Leung Wai Ho **Siu Man Ho, Simon**
Yuen Chi Choi **Cho Wing Mou**
Independent non-executive Directors

* For identification purpose only

LETTER FROM NUADA

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 8 June 2009 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

8 June 2009

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

Dear Sirs,

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to the circular to the Shareholders dated 8 June 2009 (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.

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

LETTER FROM NUADA

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 402,070,337 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 402,000,000 Shares in association with the top-up placement of 165,000,000 Shares and the new shares placement of 237,000,000 Shares announced by the Company on 11 May 2009 (the "Placings"). As noted from the circular dated 28 July 2008 of the Company, given the previous general mandate to allot and issue Shares granted to the Directors at the special general meeting of the Company held on 13 June 2008 would expire at the conclusion of the Last Annual General Meeting, to facilitate future allotment and issue of Shares by the Directors on behalf of the Company, the Directors proposed to seek the approval of the Shareholders for the grant of the Current General Mandate. As stated in the announcement dated 11 May 2009 of the Company, the aggregate net proceeds from the Placings amounted to approximately HK\$33.6 million is intended be used as to HK\$15 million for the repayment of interest-bearing debts and the remaining balance as general working capital for the Group. As at the Latest Practicable Date, the net proceeds from the Placings has been utilised as to HK\$2.2 million for general working capital of the Group. As advised by the Company, the Directors consider that the terms of the Placings are fair and reasonable based on the then market conditions and in the interests of the Company and the Shareholders as a whole. 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 2,412,351,688 Shares in issue as at the Latest Practicable Date. Subject to the passing of the ordinary resolutions for the

LETTER FROM NUADA

approval of the New General Mandate and assuming that no Shares 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 482,470,337 Shares under the New General Mandate.

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 the interim report 2008 of the Company for the six months ended 30 September 2008, the Group continues to focus on the reinforcement of its brand positioning, continuing product development, expanding distribution network and upholding of quality management in order to achieve sustainable growth in our business and profitability. As for Chinese pharmaceutical products, the Group continues to place effort in marketing and brand reinforcement activities which were aimed at driving sales and raising public awareness of the brand. As for Western pharmaceutical products, the Group continues to focus on the sales of cough syrup and strengthen the brand position of "Madame Pearl's" as the "Respiratory Specialists" and allocate resources to develop other products related to upper respiratory tract infections, and new business opportunities will be sought to optimise the utilisation of the strong distribution network the Group has already built in Hong Kong and the PRC. 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

LETTER FROM NUADA

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 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. 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 will be issued and/or repurchased by the Company prior to the date of the SGM.

LETTER FROM NUADA

Shareholders	As at the Latest Practicable Date		Upon full utilisation of the New General Mandate (assuming no other Shares will be issued and/or repurchased by the Company from the Latest Practicable Date and up to the date of the SGM)	
	<i>No. of Shares held</i>	<i>Shareholding (approximate %)</i>	<i>No. of Shares held</i>	<i>Shareholding (approximate %)</i>
Rich Time Strategy Limited (<i>Note</i>)	527,009,324	21.85	527,009,324	18.21
Public Shareholders	1,885,342,364	78.15	1,885,342,364	65.12
Shares to be issued under the New General Mandate	—	—	482,470,337	16.67
Total	2,412,351,688	100.00	2,894,822,025	100.00

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.

As illustrated in the table above, the aggregate shareholding of the existing public Shareholders will decrease from approximately 78.15% as at the Latest Practicable Date to approximately 65.12% upon full utilisation of the New General Mandate, assuming no other Shares 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.

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

NOTICE OF THE SGM



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 40/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Wednesday, 24 June 2009 at 3:30 p.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 27 August 2008, 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, grant, distribute and deal with additional Shares, and to make, issue or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) 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, issue or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which might require the exercise of such powers after the end of the Relevant Period;

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- (d) the aggregate nominal amount of the share capital allotted, issued, granted, distributed or otherwise dealt with or agreed conditionally or unconditionally to be allotted, granted, distributed or otherwise dealt with (whether pursuant to an option, a conversion 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 27 August 2008, 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

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- (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

“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, grant, distribute and otherwise deal with the unissued Shares pursuant to resolution numbered (1) above (the **“New General Mandate”**) 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 27 August 2008 since the grant of the New General Mandate, 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*)
Mak Yuen Ming, Anita
Company Secretary

Hong Kong, 8 June 2009

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, 26/F., 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) All resolutions numbered 1 and 2 will be voted by way of a poll by the independent shareholders of the Company.

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