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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 and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, or other agent through whom the sale or transfer was effected for onward 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)

**GRANT OF NEW ISSUE MANDATE AND NEW REPURCHASE MANDATE,
PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME
AND ADOPTION OF NEW SHARE OPTION SCHEME,
RE-ELECTION OF THE RETIRING DIRECTORS,
PROPOSED AMENDMENTS TO THE BYE-LAWS AND ADOPTION OF
THE AMENDED AND RESTATED BYE-LAWS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the AGM of the Company to be held at Garden Rooms A & B, 2/F., Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 22 August 2013 at 10:00 a.m. is set out on pages AGM-1 to AGM-7 of this circular.

Whether or not you intend to attend and vote in person at the AGM, 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 AGM 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 AGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

* For identification purpose only

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DEFINITIONS

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

“2012 Placing”	including top-up placing of 250,000,000 existing Shares and placing of 157,000,000 new Shares under the 2012 General Mandate, details of which are set out in the announcement jointly published by the Company and Wang On Group Limited on 30 November 2012
“2013 Placing”	placing of 488,000,000 new Shares under the Refreshed 2012 General Mandate, details of which are set out in the announcement of the Company dated 8 March 2013
“Adoption Date”	the date on which the New Share Option Scheme is adopted by an ordinary resolution to be passed by the Shareholders at the AGM
“AGM”	the annual general meeting of the Company to be convened and held at Garden Rooms A & B, 2/F., Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 22 August 2013 at 10:00 a.m. or at any adjournment thereof (as the case may be) to consider and, if thought fit, approve, inter alia, (i) the grant of the New Issue Mandate and the New Repurchase Mandate; (ii) the proposed termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme; (iii) the re-election of the retiring Directors; and (iv) the proposed amendments to the Bye-laws
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of the Directors
“business day”	a day upon which the Stock Exchange is open for securities trading
“Bye-law(s)”	the bye-laws of the Company
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)

DEFINITIONS

“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 whose Shares are listed and traded on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Eligible Person(s)”	means: (i) (a) any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of, or (b) any individual for the time being seconded to work for, any member of the Group or any substantial shareholder or any company controlled by a substantial shareholder (a “ Category A Eligible Person ”); or (ii) any holder of any securities issued by any member of the Group (a “ Category B Eligible Person ”); or (iii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group (a “ Category C Eligible Person ”); and, for the purposes of the New Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants

* For identification purpose only

DEFINITIONS

“Existing Share Option Scheme”	the existing share option scheme adopted by the Company pursuant to a resolution passed by the Shareholders at the special general meeting held on 18 September 2003
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	17 July 2013, 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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“New Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the AGM to allot, issue and deal with additional Shares and other securities up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution granting such mandate (such mandate to be extended and added by the number of Shares, if any, repurchased by the Company since the grant of such mandate)
“New Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the AGM to exercise the powers of the Company to repurchase Shares during the prescribed period on the Stock Exchange up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution granting such mandate
“New Share Option Scheme”	the new share option scheme to be adopted by an ordinary resolution to be passed by the Shareholders at the AGM

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the day immediately preceding the tenth anniversary thereof
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Share Option(s)”	share option(s) granted or to be granted to the entitled persons or the Eligible Person(s) to subscribe for Share(s) under the Existing Share Option Scheme, the New Share Option Scheme and any other share option scheme(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	a subsidiary(ies) for the time being of the Company within the meaning of the Companies Ordinance, Chapter 32 of the laws of Hong Kong, whether incorporated in Hong Kong or elsewhere
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Wang On Group”	Wang On Group Limited (宏安集團有限公司)*, the substantial shareholder of the Company whose shares are listed on the main board of the Stock Exchange, and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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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, JP (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, MH
Mr. Yuen Chi Choi
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou

Head office and

principal place of business:
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

23 July 2013

*To the Shareholders and, for information purpose only,
the holders of the Share Options*

Dear Sir or Madam,

**GRANT OF NEW ISSUE MANDATE AND NEW REPURCHASE MANDATE,
PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME
AND ADOPTION OF NEW SHARE OPTION SCHEME,
RE-ELECTION OF THE RETIRING DIRECTORS,
PROPOSED AMENDMENTS TO THE BYE-LAWS AND ADOPTION OF
THE AMENDED AND RESTATED BYE-LAWS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information and to seek your approval, inter alia, on (i) the grant of the New Issue Mandate and the New Repurchase Mandate; (ii) the proposed termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme; (iii) the re-election of the retiring Directors; and (iv) the proposed amendments to the Bye-laws. A notice of the AGM containing the resolutions to be proposed at the AGM is set out on pages AGM-1 to AGM-7 of this circular.

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LETTER FROM THE BOARD

GRANT OF THE NEW ISSUE MANDATE AND THE NEW REPURCHASE MANDATE

At the Company's last annual general meeting held on 21 August 2012, the Directors were granted a general mandate to allot, issue and deal with an aggregate value of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at 21 August 2012 (equivalent to the aggregate nominal amount of HK\$4,072,285.93 divided into 407,228,593 Shares with a nominal value of HK\$0.01 each) (the "**2012 General Mandate**") and a general mandate to repurchase Shares up to a maximum 10% of the aggregate nominal amount of the issued share capital of the Company as at 21 August 2012 (equivalent to the aggregate nominal amount of HK\$2,036,142.96 divided into 203,614,296 Shares with a nominal value of HK\$0.01 each) (the "**2012 Repurchase Mandate**").

The Company entered into the top-up placing and subscription agreement and the new issue placing agreements, both dated 30 November 2012, to place an aggregate of 407 million Shares under the 2012 General Mandate to independent places pursuant to the 2012 Placing. An aggregate net proceeds of approximately HK\$49.0 million were raised, of which approximately HK\$25.0 million are intended to be utilised for the expansion of its production facilities and approximately HK\$24.0 million are intended to be utilised as the Group's general working capital.

The 2012 General Mandate has almost been utilised following the 2012 Placing. At the special general meeting of the Company held on 7 March 2013, the independent Shareholders approved (i) the refreshment of the 2012 General Mandate and the extension thereof for granting of the new mandate to the Directors to allot, issue and deal with additional 488,628,593 Shares, representing 20% of the issued share capital of the Company as at 7 March 2013, (the "**Refreshed 2012 General Mandate**"); and (ii) the refreshment of the 2012 Repurchased Mandate for granting of the new mandate to the Directors to repurchase 244,314,296 Shares, representing 10% of the issued share capital of the Company as at 7 March 2013 (the "**Refreshed 2012 Repurchase Mandate**").

The Company entered into the placing agreement dated 8 March 2013 to place an aggregate of 488 million Shares under the Refreshed 2012 General Mandate to independent places pursuant to the 2013 Placing. An aggregate net proceeds of approximately HK\$104.7 million were raised and are intended to be used as to approximately HK\$65.0 million for the construction of the new factory at Yuen Long Industrial Estate and the remaining balance of approximately HK\$39.7 million as general working capital of the Group.

As at the Latest Practicable Date, the Refreshed 2012 General Mandate had almost been utilised immediately following the 2013 Placing and the Refreshed 2012 Repurchase Mandate had not been utilised and it will expire at the conclusion of the AGM.

LETTER FROM THE BOARD

To facilitate future allotment and issue of Shares by the Directors on behalf of the Company, the Directors will seek the approval of the Shareholders for the grant of:

- (a) the New Issue Mandate;
- (b) the New Repurchase Mandate; and
- (c) if the New Issue Mandate is granted, a general mandate to add the aggregate number of Shares repurchased by the Company under the New Repurchase Mandate to the New Issue Mandate, subject to a maximum of 10% of the issued share capital of the Company as at the date of passing of the relevant resolution.

As at the Latest Practicable Date, the total number of Shares in issue was 2,931,142,969 Shares. Upon the passing of the relevant resolutions at the AGM and assuming no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the AGM, the Company would be allowed (i) pursuant to the New Issue Mandate to allot, issue and deal with 586,228,593 Shares, representing 20% of the issued share capital of the Company as at the date of passing of the relevant resolution; and (ii) pursuant to the New Repurchase Mandate to repurchase 293,114,296 Shares, representing 10% of the issued share capital of the Company as at the date of passing of the relevant resolution. The Directors have no immediate plans to allot and issue any Shares under the New Issue Mandate.

An explanatory statement giving certain information in respect of the New Repurchase Mandate as required under the Listing Rules to be included in this circular is set out in Appendix I to this circular.

PROPOSED TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND ADOPTION OF THE NEW SHARE OPTION SCHEME

The Existing Share Option Scheme

The Existing Share Option Scheme was adopted by the Company on 18 September 2003. Under the terms of the Existing Share Option Scheme, unless otherwise cancelled or amended, the Existing Share Option Scheme would remain in force for a period of 10 years from the date of its adoption. Apart from the Existing Share Option Scheme, the Company had no other subsisting share option scheme as at the Latest Practicable Date.

During the term of the Existing Share Option Scheme and up to the Latest Practicable Date, a total of 53,080,000 Share Options were granted thereunder, of which:

- (i) 26,250,000 Share Options were granted in 2004 and all of them had been exercised;
- (ii) 4,120,000 Share Options were granted in 2007 and all of them had lapsed;
- (iii) 6,500,000 Share Options were granted in 2008 and all of them had lapsed;

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- (iv) 7,760,000 Share Options were granted in 2009, of which 1,710,000 had lapsed prior to the share consolidation and right issues (with bonus issue) of the Company in 2010 (the “**Adjustment**”), and the remaining 6,050,000 Share Options were then adjusted to 728,000 Share Options as a result of the Adjustment, of which 160,041 had lapsed and 567,959 remained outstanding; and
- (v) 8,450,000 Share Options were granted in 2010 and adjusted to 1,016,793 Share Options as a result of the Adjustment, of which 233,442 had lapsed and 783,351 remained outstanding.

As at the Latest Practicable Date, there were in aggregate 1,351,310 Share Options outstanding which will continue to be valid and exercisable during the prescribed exercisable period in accordance with the Existing Share Option Scheme after the Existing Share Option Scheme is terminated.

Termination of the Existing Share Option Scheme

According to the terms of the Existing Share Option Scheme, the Company may by resolution at a general meeting at any time resolve to terminate the operation of the Existing Share Option Scheme and in such event, no further Share Option will be offered but the provisions of the Existing Share Option Scheme will remain in force to the extent necessary to give effect to the exercise of any Share Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Existing Share Option Scheme and Share Options granted prior to such termination will continue to be valid and exercisable in accordance with the Existing Share Option Scheme.

The Board proposes to terminate the operation of the Existing Share Option Scheme and adopt the New Share Option Scheme before the Existing Share Option Scheme expiring at the close of business on 17 September 2013. It is proposed that subject to the approval by the Shareholders at the AGM of the adoption of the New Share Option Scheme and the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which fall to be allotted and issued upon the exercise of the Share Options in accordance with the terms and conditions of the New Share Option Scheme, the operation of the Existing Share Option Scheme shall be terminated (such that no further Share Option could thereafter be granted under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in full force and effect) and the New Share Option Scheme will take effect.

Adoption of the New Share Option Scheme

The Board proposes the adoption of the New Share Option Scheme, which will be valid for 10 years from the Adoption Date.

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The purpose of the New Share Option Scheme is to replace the Existing Share Option Scheme and to enable the Company to grant Share Options to the selected Eligible Persons as incentives or rewards for their contribution or potential contribution to the development and the growth of the Group.

The Board considers that the New Share Option Scheme will motivate more persons to make contribution to the Group, facilitate the retention and the recruitment of high-calibre staff of the Group and that it is in the interests of the Group as a whole for a broad category of Eligible Persons to be given incentives to participate in the growth of, and make contribution to, the Group in the form of Share Options to subscribe for Shares. Furthermore, the Board considers that the Eligible Persons will share common interests and objectives with the Group upon their exercise of the Share Options, which is beneficial to the long-term development of the Group. In addition, the adoption of the New Share Option Scheme is in line with modern commercial practice that full-time or part-time employees, directors, management, advisers, consultants and shareholders of the Group and its affiliates be given incentives to work towards enhancing the value and attaining the long-term objectives of the Company and for the benefit of the Group as a whole. As such, the Directors consider that the adoption of the New Share Option Scheme is in the interests of the Company and the Shareholders as a whole. The provisions of the New Share Option Scheme will comply with the requirements of Chapter 17 of the Listing Rules.

The rules of the New Share Option Scheme provide that the Board may specify the Eligible Persons to whom Share Options shall be granted, the number of Shares subject to each Share Option and the date on which the Share Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Share Option Scheme. There is no performance target specified in the New Share Option Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Eligible Persons to acquire proprietary interests in the Company. The Company does not at present intend to appoint a trustee to the New Share Option Scheme.

As at the Latest Practicable Date, there were 2,931,142,969 Shares in issue. Assuming that no further Share will be allotted, issued or repurchased prior to the AGM, the total number of Shares that may fall to be allotted and issued under the New Share Option Scheme after the resolution regarding the proposed adoption of the New Share Option Scheme is passed at the AGM would be 293,114,296 Shares, representing approximately 10% of the total number of Shares in issue.

The Directors consider that it is not appropriate to state the value of the Share Options which may be granted under the New Share Option Scheme as if they had been granted as at the Latest Practicable Date. The Directors believe that any statement regarding the value of the Share Options as at the Latest Practicable Date will not be meaningful to the Shareholders, since the Share Options to be granted shall not be assignable, and no holder of the Share Options shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any Share Option.

LETTER FROM THE BOARD

In addition, any such valuation would have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions, including the subscription price, the exercise period, the lock-up period (if any), the interest rate, the expected volatility and other variables. As no Share Options had been granted as at the Latest Practicable Date under the New Share Option Scheme, certain variables are not available for calculating the value of the Share Options thereunder, and the Directors believe that any calculation of the value of the Share Options under the New Share Option Scheme as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and may be misleading to the Shareholders and the investors of the Company.

None of the Directors is a trustee of the New Share Option Scheme nor has a direct or indirect interest in the trustees of the New Share Option Scheme (if any).

Conditions precedent of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (i) the passing of ordinary resolution(s) by the Shareholders at the AGM to (1) approve and adopt the New Share Option Scheme; (2) authorise the Board to grant Share Options under the New Share Option Scheme; and (3) authorise the Board to allot and issue Shares pursuant to the exercise of any Share Options to be granted pursuant to the New Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any Share on the Stock Exchange which may fall to be allotted and issued by the Company pursuant to the exercise of the Share Options in accordance with the terms and conditions of the New Share Option Scheme.

Subject to the obtaining of the Shareholders' approval with respect to the adoption of the New Share Option Scheme at the AGM, the total number of Shares which may be issued upon the exercise of all Share Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company as at the date on which the New Share Option Scheme is adopted unless the Company obtains fresh approval from Shareholders to renew the 10% limit on the basis that the maximum number of Shares in respect of which Share Options may be granted under the New Share Option Scheme together with any Share Options outstanding and yet to be exercised under the New Share Option Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company from time to time.

A summary of the principal rules of the New Share Option Scheme is set out in Appendix II to this circular. A copy of the New Share Option Scheme is available for inspection at the Company's principal place of business in Hong Kong at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong during normal business hours from the date hereof up to the date of the AGM.

LETTER FROM THE BOARD

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Share Options granted under the New Share Option Scheme.

As at the Latest Practicable Date, no Shareholder had a material interest in the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme. As such, no Shareholder is required to abstain from voting on the resolution in relation thereto at the AGM.

RE-ELECTION OF THE RETIRING DIRECTORS

The Board currently consists of seven Directors, namely Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas and Ms. Tang Mui Fun, as the executive Directors, Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Yuen Chi Choi and Mr. Cho Wing Mou, as the independent non-executive Directors.

In accordance with Bye-law 87 of the Bye-laws, Ms. Tang Mui Fun, Mr. Yuen Chi Choi and Mr. Cho Wing Mou will retire as Directors by rotation at the AGM and, being eligible, offer themselves for re-election. Mr. Yuen Chi Choi and Mr. Cho Wing Mou had served the Company as independent non-executive Directors for more than nine years and pursuant to Appendix 14 to the Listing Rules, their further appointment as independent non-executive Directors should be subject to a separate resolution to be approved by the Shareholders. Nonetheless, the Company believes that both Mr. Yuen Chi Choi and Mr. Cho Wing Mou can independently express opinions on the affairs and contribute to the growth of the Group for the reason that each of Mr. Yuen and Mr. Cho has been meeting the independence guidelines set out in Rule 3.13 of the Listing Rules and has not involved in the daily operations and management of the Group.

Biographical details of Ms. Tang Mui Fun, Mr. Yuen Chi Choi and Mr. Cho Wing Mou required to be disclosed pursuant to the Listing Rules are set out in Appendix III to this circular. If a valid notice from a Shareholder to propose a person to stand for election as a Director at the AGM is received in accordance with the Bye-laws after the printing of this circular, the Company will issue a supplementary circular to inform Shareholders of the details of such additional candidate(s) proposed.

PROPOSED AMENDMENTS TO THE BYE-LAWS

In light of enhancing the efficiency and cost effectiveness and in compliance with the requirements of the Listing Rules, the Board proposes to seek the approval of the Shareholders by way of special resolutions to be passed at the AGM for the amendments to the Bye-laws and the adoption of the amended and restated Bye-laws by consolidating the various previous amendments made to the Bye-laws. The major proposed amendments are as follows:

- (a) clarifying the procedures for removal of auditors before the end of their term of office; and

LETTER FROM THE BOARD

- (b) authorising the Board to fill the casual vacancy of auditors of the Company without first obtaining Shareholders' approval at the special general meeting of the Company.

Details of the proposed amendments to the Bye-laws are set out in the notice of the AGM. As no Shareholder has a material interest in such amendments, no Shareholder is required to abstain from voting on the special resolution(s) to approve the amendments to the Bye-laws at the AGM.

Shareholders are advised that the Bye-laws are available only in English and the Chinese translation of the amendments to the Bye-laws provided in the notice of the AGM in Chinese is for reference only. In case of any inconsistency, the English version shall prevail.

RESPONSIBILITY STATEMENT

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

THE AGM

A notice of the AGM, which is convened for the purpose of considering and, if thought fit, approving, among other things, (i) the grant of the New Issue Mandate and the New Repurchase Mandate; (ii) the proposed termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme; (iii) the re-election of the retiring Directors; and (iv) the proposed amendments to the Bye-laws is set out on pages AGM-1 to AGM-7 of this circular.

The Directors are not aware of any Shareholder who is required to abstain from voting at the AGM. Pursuant to Rule 13.39(4) of the Listing Rules and/or the Bye-laws, the voting on all proposed resolutions set out in the notice of the AGM will be taken by way of a poll and an announcement on the poll results will be published by the Company on the websites of the Stock Exchange and the Company in the manner prescribed under Rule 13.39(5) of the Listing Rules after the AGM.

A form of proxy for use by the Shareholders at the AGM is enclosed with this circular. Whether or not you intend to attend and vote in person at the AGM, 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 AGM or any adjournment thereof (as the case may be).

LETTER FROM THE BOARD

Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors are of the opinion that (i) the grant of the New Issue Mandate and the New Repurchase Mandate; (ii) the proposed termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme; (iii) the re-election of the retiring Directors; and (iv) the proposed amendments to the Bye-laws are in the interests of the Company and the Shareholders as a whole and, accordingly, the Directors recommend all Shareholders to vote in favour of the resolutions set out in the notice of the AGM contained herein.

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*)
Tang Ching Ho
Chairman

* For identification purpose only

This appendix serves as an explanatory statement as required by the Listing Rules to provide the requisite information to you for your consideration of the New Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was HK\$29,311,429.69, comprising 2,931,142,969 Shares, and the outstanding Share Options was 1,351,310. If such outstanding Share Options are exercised in full on or prior to the date of passing of the resolution in respect of the New Repurchase Mandate, a further 1,351,310 Shares will be in issue.

Subject to the passing of the relevant resolution(s) as set out in the notice of the AGM and assuming that no further Shares are/will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of AGM, the Directors will be authorised to purchase up to 293,114,296 Shares pursuant to the New Repurchase Mandate. Assuming that all outstanding Share Options are exercised in full on or before the date of passing of the resolution in respect of the New Repurchase Mandate and assuming no further Shares are/will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the AGM, the total number of Shares in issue will be 2,932,494,279 and the Directors will be authorised to repurchase up to an aggregate nominal amount of HK\$2,932,494.27 (representing 293,249,427 Shares with a nominal value of HK\$0.01 each).

2. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

3. FUNDING OF REPURCHASES

The Company must fund the repurchase entirely from the Company's available cash flow or working capital facilities legally available for such purpose in accordance with its memorandum of association, the Bye-laws, the laws of Bermuda and other applicable laws.

There will not be any material adverse impact on the working capital requirement or gearing level of the Company as compared with the positions disclosed in the audited consolidated financial statements set out in the Company's annual report for the year ended 31 March 2013 in the event that the New Repurchase Mandate is to be exercised in full at any time during the proposed repurchase period.

As set out above, the New Repurchase Mandate will only be exercised when the Directors believe that such purchases will benefit the Company and the Shareholders as a whole.

4. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, have any present intention, in the event that the New Repurchase Mandate is approved by the Shareholders at the AGM, to sell Shares to the Company under the New Repurchase Mandate.

No connected person has notified the Company that he has a present intention to sell any Shares to the Company, or that he has undertaken not to sell any Shares held by him to the Company, in the event that the New Repurchase Mandate is granted by the Shareholders at the AGM.

5. SHARE REPURCHASE MADE BY THE COMPANY

The Company had not purchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

6. DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company pursuant to the New Repurchase Mandate in accordance with the Listing Rules, the memorandum of association of the Company, the Bye-laws and the applicable laws of Bermuda so far as the same may be applicable.

7. EFFECT OF THE TAKEOVERS CODE

If, on the exercise of the power to repurchase Shares pursuant to the New Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of such increase, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date and to the best knowledge and belief of the Directors, Wang On Group, and parties acting in concert with it, were interested or deemed to be interested in approximately 24.87% of the existing issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares under the New Repurchase Mandate and if there is no other change in the issued share capital of the Company, the shareholding of Wang On Group in the Company will be increased to approximately 27.64% of the issued share capital of the Company. The Directors are not aware of any consequence which may arise under the Takeovers Code as a result of any repurchases made under the New Repurchase Mandate.

The Directors have no present intention to exercise the power to repurchase the Shares to the extent that the aggregate amount of the share capital of the Company in public hands would be reduced to less than 25%.

8. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the last twelve months are as follows:

Month	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2012		
July	0.140	0.096
August	0.149	0.123
September	0.160	0.114
October	0.147	0.120
November	0.145	0.126
December	0.155	0.125
2013		
January	0.265	0.139
February	0.295	0.236
March	0.265	0.196
April	0.216	0.185
May	0.240	0.195
June	0.230	0.193
July (up to and including the Latest Practicable Date)	0.217	0.194

The following is a summary of the principal rules of the New Share Option Scheme but does not form part of, nor was it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the New Share Option Scheme:

1. PURPOSE OF THE NEW SHARE OPTION SCHEME

The purpose of the New Share Option Scheme is to enable the Board to grant Share Options to selected Eligible Persons as incentives or rewards for their contribution or potential contribution to the development and growth of the Group.

2. WHO MAY JOIN AND BASIS OF ELIGIBILITY

The Board may, at its absolute discretion and on such terms as it may think fit, grant Share Options to any Eligible Person to subscribe at a price calculated in accordance with paragraph 3 below for such number of Shares as it may determine in accordance with the terms of the New Share Option Scheme.

The basis of eligibility of any of the Eligible Persons to the grant of Share Options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

3. OPTION PRICE FOR SUBSCRIPTION OF SHARES

The option price per Share payable on the exercise of a Share Option is to be determined by the Board provided always that it shall be at least the higher of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of a Share Option is accepted by the Eligible Person), which must be a business day; and
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of offer of grant, (as subsequently adjusted pursuant to the terms of the New Share Option Scheme, if relevant),

provided that the option price per Share shall in no event be less than the nominal amount of the Share.

4. ACCEPTANCE OF OFFERS

An offer for the grant of Share Options must be accepted within thirty (30) days inclusive of the day on which such offer was made. The amount payable by the grantee of a Share Option to the Company on acceptance of the offer for the grant of a Share Option is HK\$1.00.

5. MAXIMUM NUMBER OF SHARES

- (A) Subject to sub-paragraphs (B) and (C) below, the maximum number of Shares issuable upon the exercise of all Share Options to be granted under the New Share Option Scheme and any other share option schemes of the Company as from the commencement of the Scheme Period (excluding, for this purpose, Share Options which have lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue as at the Adoption Date (the “**Scheme Mandate**”). The Shares underlying any Share Options granted under the New Share Option Scheme or any other share option schemes of the Company which have been cancelled (but not Share Options which have lapsed) will be counted for the purpose of the Scheme Mandate.
- (B) The Scheme Mandate may be refreshed at any time by obtaining the approval of the Shareholders in a general meeting provided that the new limit under the refreshed Scheme Mandate must not exceed 10% of the Shares in issue at the date of the Shareholders’ approval of such refreshed Scheme Mandate. Share Options previously granted under the New Share Option Scheme or any other share option schemes of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the total number of Shares subject to the refreshed Scheme Mandate.
- (C) The Company may also, by obtaining separate approval of the Shareholders in a general meeting, grant Share Options beyond the Scheme Mandate provided the Share Options in excess of the Scheme Mandate are granted only to Eligible Persons specifically identified by the Company before such approval is sought.
- (D) The aggregate number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No Share Options may be granted under the New Share Option Scheme of the Company if this will result in the limit being exceeded.

6. MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PERSON

The maximum number of Shares issued and to be issued upon the exercise of the Share Options granted under the New Share Option Scheme and any other share option schemes of the Company to any Eligible Person(s) (including cancelled, exercised and outstanding Share Options), in any 12-month period up to the date of grant shall not exceed 1% of the number of Shares in issue, unless (i) a circular is despatched to the Shareholders; (ii) the Shareholders approve the grant of the Share Options in excess of the

1% limit referred to in this paragraph; and (iii) the relevant Eligible Person and his associates shall abstain from voting. The number and terms (including the exercise price) of Share Options to be granted to such Eligible Person(s) must be fixed before Shareholders' approval.

7. GRANT OF SHARE OPTIONS TO CERTAIN CONNECTED PERSONS

(A) Any grant of a Share Option to a Director, chief executive of the Company or substantial shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Share Options).

(B) Where any grant of Share Options to a substantial shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon the exercise of the Share Options already granted and to be granted to such person under the New Share Option Scheme and any other share option schemes of the Company (including Share Options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at each date of grant, in excess of HK\$5 million,

such further grant of Share Options is required to be approved by Shareholders in general meeting in accordance with the Listing Rules. Any change in the terms of a Share Option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders.

8. TIME OF GRANT AND EXERCISE OF SHARE OPTIONS

The Company may not grant any Share Options after inside information has come to its knowledge until such it has announced the information. In particular, no Share Options may be granted during the period commencing one (1) month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company's annual or interim results; and (ii) the deadline for the Company to publish its annual or interim results announcement, and ending on the date of actual publication of the results announcement.

No Share Options may be granted to an Eligible Person who is subject to the Model Code during the periods or times in which such Eligible Person is prohibited from dealing in Shares pursuant to the Model Code.

A Share Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period commencing on such date on or after the date on which the Share Option is granted as the Board may determine in granting the Share Options and expiring at the close of business on such date as the Board may determine in granting the Share Options but in any event shall not exceed ten (10) years from the date of grant (which is the date of offer of grant if the offer for the grant of the Share Options is accepted).

9. PERFORMANCE TARGETS

Save as determined by the Board and provided in the offer of the grant of the relevant Share Options, there is no performance target which must be achieved before any of the Share Options can be exercised.

10. RANKING OF SHARES

If under the terms of a resolution passed or an announcement made by the Company prior to the date of exercise of a Share Option, a dividend is to be or is proposed to be paid, or Shares are to be issued or proposed to be issued by way of the capitalisation of profits or reserves or by way of rights under an offer made pro rata, to Shareholders on the register of members of the Company on a date prior to such date of exercise, the Shares to be issued upon such exercise will not rank for such dividend or such Shares. Subject to as aforesaid, Shares allotted upon the exercise of an outstanding Share Option will be subject to all the provisions of the Bye-laws for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of such exercise. Shares allotted upon the exercise of a Share Option for the time being outstanding shall not carry voting rights until completion of the registration of the holder of Share Option (or any other person) as the holder thereof.

11. RIGHTS ARE PERSONAL TO GRANTEE

A Share Option is personal to the grantee and the grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Share Option or attempt to do so.

12. RIGHTS OF EXERCISE FOR GRANTEES WHO WERE CATEGORY A ELIGIBLE PERSONS

If a grantee of a Share Option who at the time of grant of a Share Option to him qualified as an Eligible Person because he was a Category A Eligible Person ceases to be such a Category A Eligible Person:

- (i) by reason of ill-health or injury or disability or death, then he or (as the case may be) his personal representative(s) may exercise his outstanding Share Option within six (6) months or up to the expiration of the relevant option period, whichever is earlier, failing which the Share Option will lapse; or

- (ii) because the relevant member of the Group or the relevant substantial shareholder or the relevant company controlled by the relevant substantial shareholder by reason of his employment or engagement with, or secondment to, which he qualified as a Category A Eligible Person at the time the Share Option was granted ceases to be a member of the Group or a substantial shareholder or a company controlled by the relevant substantial shareholder (as the case may be), then he may exercise his outstanding Share Option within six (6) months or up to the expiration of the relevant option period, whichever is earlier, failing which the Share Option will lapse; or
- (iii) by reason of retirement in accordance with his contract of employment or service, then he may exercise his outstanding Share Option within six (6) months after he so ceases or, if the Board in its absolute discretion determine, within six (6) months following the date of his sixtieth (60th) birthday where the retirement takes effect prior to such date, failing which the Share Option will lapse; or
- (iv) by reason of voluntary resignation or dismissal, or upon expiration of his term of directorship (unless immediately renewed upon expiration), or by termination of his employment or service in accordance with the termination provisions of his contract of employment or service by the relevant company otherwise than by reason of redundancy, then his outstanding Share Options shall lapse on the date he so ceases; or
- (v) on the grounds that he has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally or has committed any serious misconduct or has been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the grantee or the Group or the relevant substantial shareholder or the relevant company controlled by the relevant substantial shareholder into disrepute), then his outstanding Share Options shall lapse automatically on the date of his ceasing to be an Eligible Person; or
- (vi) for any other reason, any Share Options exercisable at the date he so ceases may be exercised within three (3) months of the date he so ceases, failing which the Share Option will lapse,

provided always that in each case the Board in its absolute discretion may decide that such Share Options or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.

13. RIGHTS OF EXERCISE FOR GRANTEES WHO WERE CATEGORY B ELIGIBLE PERSONS

If a grantee of a Share Option who at the time of grant of a Share Option to him qualified as an Eligible Person because he was a Category B Eligible Person:

- (i) ceases to be a Category B Eligible Person by reason that such grantee ceases to be a holder of any securities issued by the relevant member of the Group, then his outstanding Share Option shall lapse on the date he so ceases; or
- (ii) ceases to be a Category B Eligible Person because the relevant member of the Group by reason of his holding of securities in which he qualified as a Category B Eligible Person at the time the Share Option was granted ceases to be a member of the Group, then he may exercise his outstanding Share Option within six (6) months after he so ceases or up to the expiration of the option period, whichever is earlier, failing which the Share Option will lapse; or
- (iii) (if the grantee is an individual) dies, then his personal representative(s) may exercise his outstanding Share Option within six (6) months after his death or up to the expiration of the option period, whichever is earlier, failing which the Share Option will lapse; or
- (iv) has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally or has committed any serious misconduct or has been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the grantee or the Group into disrepute), then his outstanding Share Option shall lapse automatically on the date of the relevant court order, resolution, misconduct or conviction or the effective date of the relevant arrangements or composition (as the case may be),

provided always that in each case the Board in its absolute discretion may decide that such Share Option or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.

14. RIGHTS OF EXERCISE FOR GRANTEES WHO WERE CATEGORY C ELIGIBLE PERSONS

If a grantee of a Share Option who at the time of grant of a Share Option to him qualified as an Eligible Person because he was a Category C Eligible Person:

- (i) has, in the absolute determination of the Board, committed any breach of contract entered into between such Eligible Person and the relevant member of the Group; or

- (ii) has committed any act of bankruptcy or become insolvent or made any arrangements or composition with his creditors generally or committed any serious misconduct or been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the grantee or the Group into disrepute),

then his outstanding Share Option shall lapse and determine automatically on the date of the Board's determination referred to in (i) above or, as the case may be, the date of the relevant court order, resolution, misconduct or conviction or the effective date of the relevant arrangements or composition (as the case may be) for the relevant event referred to in (ii) above; or

- (iii) if the grantee (if he is an individual) dies, then his personal representative(s) may exercise his outstanding Share Option within six (6) months after his death or up to the expiration of the option period, whichever is earlier, failing which the Share Option will lapse,

provided always that in each case the Board in its absolute discretion may decide that such Share Option or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.

15. RIGHTS ON EXERCISE FOR GRANTEES WHICH WERE COMPANIES CONTROLLED BY ANY OF THE ELIGIBLE PERSONS

In respect of any Share Option granted to a company which qualified as an Eligible Person because it was a company controlled by a person ("**Such Person**") who was a Category A Eligible Person or Category B Eligible Person or Category C Eligible Person:

- (i) the relevant provisions set out in paragraph 12, 13, or 14 (as the case may be) would apply to its outstanding Share Option as if the Share Option had been granted to Such Person; and
- (ii) its outstanding Share Option shall lapse on the date it ceases to be a company controlled by Such Person,

provided always that in each case the Board in its absolute discretion may decide that such Share Options or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.

16. FAILURE TO MEET CONTINUING ELIGIBILITY CRITERIA

If the Board in the offer granting the relevant Share Option has specified that the grantee has to meet certain continuing eligibility criteria and that the failure of the grantee to meet any such continuing eligibility criterion would entitle the Company to cancel the Share Option then outstanding (or part thereof), then upon the failure of the grantee to meet any such continuing eligibility criterion, his outstanding Share Option shall lapse and determine on the date the Board exercises the Company's right to cancel the Share Option on the ground of such failure.

17. RIGHTS ON A GENERAL OFFER

If a general offer by way of takeover is made to all the Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror, the grantee of a Share Option shall, subject to paragraph 8 above, be entitled to exercise at any time within a period of fourteen (14) days after such control has been obtained by the offeror any Share Option in whole or in part to the extent not already exercised (and notwithstanding any restrictions which would otherwise have prevented such Share Option from being exercisable at that time). For the avoidance of doubt, a Share Option not so exercised shall remain valid in accordance with its terms and subject to such restrictions as applied to it before the general offer.

18. RIGHTS ON WINDING-UP

If notice is given by the Company to Shareholders of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, the Company shall forthwith give notice to all grantees of Share Options and each grantee shall be entitled, at any time no later than two (2) business days prior to the proposed general meeting of the Company to exercise any of his outstanding Share Options in whole or in part to the extent not already exercised (and notwithstanding any restrictions which would otherwise have prevented such Share Options from being exercisable at that time). If such resolution is duly passed, all Share Options shall, to the extent that they have not been exercised, thereupon lapse and determine on the commencement of the winding-up.

19. RIGHTS ON COMPROMISE OR ARRANGEMENT

In the event of a compromise or arrangement between the Company and Shareholders or the Company's creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company pursuant to the Companies Act, notice of the relevant meeting shall be given to the grantees of Share Options on the same day notice is given to the Shareholders and the Company's creditors, and thereupon each grantee (or where permitted his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Supreme Court of Bermuda be entitled to exercise his Share Option, but such exercise of a Share Option shall be conditional upon such compromise or arrangement being sanctioned by the Supreme Court of Bermuda and becoming effective. Failing such exercise, all Share Options will lapse.

20. LAPSE OF SHARE OPTIONS

A Share Option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph 8 above;
- (ii) the date on which the grantee commits a breach of paragraph 11 above, if the Board shall exercise the Company's right to cancel the Share Option;
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraph 12, 13, 14, 15 or 16 above; and
- (iv) the expiry of any of the relevant periods referred to in paragraphs 18 or 19 above.

21. CANCELLATION OF SHARE OPTIONS GRANTED BUT NOT YET EXERCISED

Following the cancellation of any Share Options granted under the New Share Option Scheme but not exercised, new Share Options may only be granted to the same grantee under the New Share Option Scheme with available unissued Share Options (excluding the cancelled Share Options) within the limit of the Scheme Mandate then available to the Board.

22. EFFECTS OF ALTERATIONS TO CAPITAL

In the event of any alteration in the capital structure of the Company by way of capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction while any Share Option remains exercisable), such corresponding alterations (if any) will be made in (i) the number of Shares subject to any outstanding Share Options; and/or (ii) the subscription price per Share as the independent financial adviser or the auditors for the time being of the Company shall at the request of the Company or any grantee certify in writing to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that the grantee shall have the same proportion of the issued share capital of the Company to which he was entitled before such alteration and the aggregate subscription price payable by the grantee on the full exercise of any Share Options shall remain as nearly as possible the same as (but not greater than) it was before such event, but so that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. Save in the case of a capitalisation issue, an independent financial adviser or the auditors for the time being of the Company must confirm to the Directors in writing that such adjustment(s) satisfy the aforesaid requirements and/or such other requirement prescribed under the Listing Rules from time to time.

23. PERIOD OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme will remain in force for a period of ten (10) years commencing on the date on which the New Share Option Scheme is adopted by Shareholders in general meeting and shall expire at the close of business on the day immediately preceding the tenth anniversary thereof unless terminated earlier by Shareholders in a general meeting.

24. ALTERATION TO THE NEW SHARE OPTION SCHEME

The New Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Persons (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules;
- (ii) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the New Share Option Scheme; or
- (iii) any material alteration to the terms and conditions of the New Share Option Scheme or any change to the terms of Share Options granted (except any alterations which take effect automatically under the terms of the New Share Option Scheme),

shall first be approved by the Shareholders in a general meeting provided that if the proposed alteration shall adversely affect a Share Option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the New Share Option Scheme.

The amended terms of the New Share Option Scheme shall still comply with Chapter 17 of the Listing Rules.

25. TERMINATION OF THE NEW SHARE OPTION SCHEME

The Company may by resolution in general meeting or the Board may at any time terminate the New Share Option Scheme and in such event no further Share Option shall be offered but the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Share Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the New Share Option Scheme.

Share Options granted prior to such termination at the time of termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

26. CONDITIONS OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme is conditional on (i) the passing by the Shareholders of an ordinary resolution at the AGM to approve the adoption of the New Share Option Scheme; and (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any Share Options which may be granted under the New Share Option Scheme.

The biographical details of Ms. Tang Mui Fun, Mr. Yuen Chi Choi and Mr. Cho Wing Mou, who are proposed, and being eligible, to be re-elected at the AGM are set out as follows:

EXECUTIVE DIRECTOR

Ms. Tang Mui Fun, aged 42, joined the Group in 2000 and was appointed as the Executive Director in September 2007. Ms. Tang is a member of the executive committee of the Company and acts as directors of certain subsidiaries of the Group. She is responsible for the overall strategic planning and development and policy-making for the core business operations of the Group. She graduated from the University of Hull (England) with a bachelor degree in accountancy. Prior to joining the Group, she had four years of experience in the accounting and auditing fields and five years of experience in general management. She is the sister of Mr. Tang Ching Ho, the Chairman of the Company.

Pursuant to the service agreement entered into between the Company and Ms. Tang, Ms. Tang is entitled to a director's fee of approximately HK\$1.68 million per annum and bonus at the discretion of the Board by reference to the Company's performance and the prevailing practice in the industry. The term of Ms. Tang's appointment is subject to the retirement by rotation and re-election at any subsequent annual general meeting of the Company in accordance with the provisions of the Bye-laws.

As at the Latest Practicable Date, Ms. Tang held 78,214 Share Options under the Existing Share Option Scheme adopted by the Company on 18 September 2003 which are exercisable during the period between 8 January 2010 and 7 January 2019. Save as disclosed above, as at the Latest Practicable Date, Ms. Tang did not have any relationship with any other Directors, senior management, substantial or controlling Shareholders, nor have any interest in Shares within the meaning of Part XV of the SFO.

Ms. Tang did not hold any other directorship in listed companies in the past three years preceding the Latest Practicable Date.

There is no information which is discloseable nor is/was Ms. Tang involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and the Directors are not aware of any other matters regarding the re-election of Ms. Tang that needs to be brought to the attention of the Shareholders.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yuen Chi Choi, aged 52, joined the Company as an Independent Non-executive Director in August 2001. He is the chairman of the audit committee of the Company and a member of the remuneration committee and the nomination committee of the Company. Mr. Yuen is a certified public accountant in Hong Kong and an associate member of The Hong Kong Institute of Certified Public Accountants. He has more than 20 years of audit experience.

Mr. Yuen has entered into a service agreement with the Company for a term of three years. In accordance with the terms of the service contract, Mr. Yuen is entitled to a director's fee of HK\$120,000 per annum and will also be entitled to a fee in the amount of HK\$20,000 per annum determined with reference to his duties as a member of the audit committee of the Company. The term of Mr. Yuen's appointment is subject to the retirement by rotation and re-election at any subsequent annual general meeting of the Company in accordance with the provisions of the Bye-laws.

As at the Latest Practicable Date, Mr. Yuen did not have any relationship with any other Directors, senior management, substantial or controlling Shareholders (as defined in the Listing Rules) nor have any interest in the Shares within the meaning of Part XV of the SFO. Also, as at the Latest Practicable Date, he did not hold any other positions with the Company or any member of the Group.

Mr. Yuen did not hold any other directorship in listed companies in the past three years preceding the Latest Practicable Date.

There is no information which is discloseable nor is/was Mr. Yuen involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and the Directors are not aware of any other matters regarding the re-election of Mr. Yuen that needs to be brought to the attention of the Shareholders.

Mr. Cho Wing Mou, aged 72, joined the Company as an Independent Non-executive Director in September 2001. He is a member of the audit committee and the remuneration committee of the Company and the Chairman of the nomination committee of the Company. Mr. Cho has over 42 years of experience in the banking industry and was formerly appointed as a director and deputy general manager of Hua Chiao Commercial Bank Limited and The China State Bank Limited. He is a committee member of the 8th Political Consultative Conference Guangxi, a committee member of the 1st to 3rd Political Consultative Conference of Yulin City, Guangxi Province and a committee member of Political Consultative Conference of Maoming City, Guangdong Province and also the Chairman of Supervisor Gee Tuck General Association Hong Kong Limited and the vice president of Gee Tuck World Association Limited.

Mr. Cho has entered into a service agreement with the Company for a term of three years. In accordance with the terms of the service contract, Mr. Cho is entitled to a director's fee of HK\$120,000 per annum and will also be entitled to a fee in the amount of HK\$20,000 per annum determined with reference to his duties as a member of the audit committee of the Company. The terms of Mr. Cho's appointment is subject to the retirement by rotation and re-election at any subsequent annual general meeting of the Company in accordance with the provisions of the Bye-laws.

As at the Latest Practicable Date, Mr. Cho held 96,000 shares in PNG Resources Holdings Limited, an associated corporation of the Company. Save as disclosed above, as at the Latest Practicable Date, Mr. Cho did not have any relationship with any other Directors, senior management, substantial or controlling Shareholders (as defined in the Listing Rules) nor have any interest in the Shares within the meaning of Part XV of the SFO. Also, as at the Latest Practicable Date, he did not hold any other positions with the Company or any member of the Group.

Mr. Cho did not hold any other directorship in listed companies in the past three years preceding the Latest Practicable Date.

There is no information which is discloseable nor is/was Mr. Cho involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and the Directors are not aware of any other matters regarding the re-election of Mr. Cho that needs to be brought to the attention of the Shareholders.

NOTICE OF THE AGM



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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “AGM”) of Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*) (the “**Company**”) will be held at Garden Rooms A & B, 2/F., Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 22 August 2013 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. To receive, consider and adopt the audited consolidated financial statements and the reports of the directors and auditors of the Company for the year ended 31 March 2013.
2. To consider, approve and declare a final dividend of HK0.3 cents per share for the financial year ended 31 March 2013.
3. To re-elect the following retiring directors and to authorise the board of directors (the “**Board**” or “**Directors**”) to fix the remuneration of the Directors:
 - (i) Ms. Tang Mui Fun as an executive Director;
 - (ii) Mr. Yuen Chi Choi as an independent non-executive Director; and
 - (iii) Mr. Cho Wing Mou as an independent non-executive Director.
4. To re-appoint Ernst & Young as auditors of the Company and to authorise the Board to fix their remuneration.

AS SPECIAL BUSINESS, to consider and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions of the Company:

5. (A) “**THAT**:
 - (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the

* For identification purpose only

NOTICE OF THE AGM

powers of the Company to repurchase shares in the capital of the Company be and is hereby generally and unconditionally approved;

- (b) the aggregate Shares which may be repurchased or agreed to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate share capital of the Company in issue at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (c) 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 the laws of Bermuda or the Company’s bye-laws (the **“Bye-law(s)”**) 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 a general meeting.”

(B) **“THAT:**

- (a) subject to paragraph (c) 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 otherwise deal with additional Shares, and to make, issue or grant offers, agreements and options (including bonds, warrants and securities or debentures convertible into Shares or options) and rights of exchange or conversion which would or might require the exercise of such powers either during or after the Relevant Period, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) 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 securities or debentures convertible into Shares or options) and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

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- (c) the aggregate 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 (a) above, otherwise than pursuant to:
- (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of the rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of any Share 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 in force from time to time,

shall not exceed the aggregate of (aa) 20% of the aggregate share capital of the Company in issue at the date of the passing of this resolution; and (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the aggregate share capital of the Company in issue at the date of the passing of this resolution), the said approval shall be limited accordingly; and

- (d) 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 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).”

- (C) “**THAT** conditional upon the passing of the resolutions numbered 5(A) and 5(B) above, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with additional Shares pursuant to the resolution numbered 5(B) above be and is hereby extended by the addition to the aggregate share capital of the Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate an amount representing the aggregate share capital of the Company repurchased or agreed to be repurchased by the Company since the granting of the general mandate pursuant to resolution numbered 5(A) above, provided that such amount shall not exceed 10% of the share capital of the Company in issue at the date of the passing of this resolution.”

6. “**THAT:**

subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the approval for the listing of, and the permission to deal in, the ordinary shares of HK\$0.01 each in the share capital of the Company (or such nominal amount as shall result from a capitalisation issue, rights issue, sub-division, consolidation, re-classification, reconstruction or reduction of share capital of the Company from time to time) (the “**Share(s)**”) to be issued pursuant to the exercise of the share options granted which may be granted under the new share option scheme (the “**New Share Option Scheme**”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose,

- (a) the New Share Option Scheme be and is hereby approved and adopted; and the Directors be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be

NOTICE OF THE AGM

necessary or expedient in order to give full effect to the New Share Option Scheme, including but without limitation to:

- (i) administer the New Share Option Scheme under which share options will be granted to the Eligible Persons (as defined in the New Share Option Scheme) eligible under the New Share Option Scheme to subscribe for Shares, including but not limited to determining and granting the share options in accordance with the terms of the New Share Option Scheme;
 - (ii) modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to the modification and/or amendment and subject to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”);
 - (iii) allot and issue from time to time such number of Shares in the share capital of the Company as may be required to be allotted and issued pursuant to the exercise of the share options under the New Share Option Scheme and subject to the Listing Rules;
 - (iv) make application at appropriate time or times to the Stock Exchange; and any other stock exchanges upon which the issued Shares may for the time being be listed, for listing of, and permission to deal in, any Shares which may hereafter from time to time be allotted and issued pursuant to the exercise of the share options under the New Share Option Scheme; and
 - (v) consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme; and
- (b) with effect from the date of the New Share Option Scheme becoming unconditional and coming into effect, the operation of the existing share option scheme of the Company which was adopted by the Company on 18 September 2003 (the “**Existing Share Option Scheme**”) be and is hereby terminated with effect from the adoption of the New Share Option Scheme and that no further share options will be granted under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with provisions of the Existing Share Option Scheme and share options granted prior to such termination shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme.”

NOTICE OF THE AGM

SPECIAL RESOLUTIONS

AS SPECIAL BUSINESS, to consider and, if thought fit, pass with or without amendments the following resolutions as special resolutions of the Company:

7. (A) “THAT the Bye-laws be amended as follows:

(a) **Bye-law 154(3)**

The existing Bye-law 154(3) be amended by inserting the following words in the third line of the existing Bye-law 154(3) after the words “expiration of his term of office and”

“such Auditor shall be allowed to attend and make written and/or verbal representations (if any) to the Shareholders at the general meetings. The Members”; and

(b) **Bye-law 157**

The existing Bye-law 157 be amended by deleting the words “convene a special general meeting to fill the vacancy” in the last line of the existing Bye-law 157 and replacing them with the following words:

“fill any casual vacancy in the office of Auditors, but while any such vacancy continues the surviving or continuing Auditors (if any) may act”.

(B) “THAT, subject to the passing of special resolution numbered 7(A) as set out in this notice, a new set of amended and restated bye-laws of the Company which consolidates all of the proposed amendments referred to in special resolution numbered 7(A) as set out in this notice and all previous amendments made pursuant to resolutions passed by members of the Company at general meetings, a copy of which has been produced at the meeting marked “B” and initialled by the chairman of the meeting for identification purpose, be and is hereby approved and adopted as the new bye-laws of the Company in substitution for and to the exclusion of the existing Bye-laws with immediate effect.”

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, 23 July 2013

* For identification purpose only

NOTICE OF THE AGM

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1. The register of members of the Company will be closed from Tuesday, 20 August 2013 to Thursday, 22 August 2013 (both days inclusive) during which period no transfer of share(s) will be effected. In order to determine the eligibility to attend and vote at the AGM or any adjourned meeting thereof (as the case may be), all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 19 August 2013.
2. The register of members of the Company will be closed from Thursday, 29 August 2013 to Friday, 30 August 2013 (both days inclusive) during which period no transfer of share(s) will be effected. In order to qualify for the proposed final dividend, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 26/F. Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 28 August 2013.
3. Any member of the Company entitled to attend and vote at the AGM is entitled to appoint one proxy or, if such member is a holder of more than one share of the Company, more than one proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
4. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney 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 practicable but in any event not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof (as the case may be).
5. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the AGM or any adjournment thereof (as the case may be) should they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any shares of the Company, any one of such holders may vote at the AGM either personally or by proxy in respect of such shares as if he/she was solely entitled thereto provided that if more than more of such joint holders be present at the AGM whether personally or by proxy, the person whose name stands first on the register of members of the Company in respect of such shares shall be accepted to the exclusion of the votes of the other joint holders.
7. All of the above resolutions will be voted by way of a poll at the AGM.