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Wai Yuen Tong Medicine Holdings Limited

(位元堂藥業控股有限公司)*
(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE RIGHTS SHARES FOR EVERY EXISTING
SHARE HELD ON THE RECORD DATE**

Financial adviser to

Wai Yuen Tong Medicine Holdings Limited



KINGSTON CORPORATE FINANCE LIMITED

Underwriter to the Rights Issue



KINGSTON SECURITIES LIMITED

**Independent financial adviser to the independent board committee of
Wai Yuen Tong Medicine Holdings Limited**



Shenyin Wanguo Capital (HK) Limited



Wang On Group Limited

(宏安集團有限公司)*
(Incorporated in Bermuda with limited liability)

(Stock Code: 1222)

**(1) DISCLOSEABLE TRANSACTION:
SUBSCRIPTION OF RIGHTS SHARES
PROVISIONALLY ALLOTTED TO RICH TIME
STRATEGY LIMITED ON THE RECORD
DATE AND APPLICATION FOR 285,280,000
EXCESS RIGHTS SHARES;
AND
(2) THE WHITEWASH WAIVER**

Financial adviser to

Wang On Group Limited



WYT - PROPOSED RIGHTS ISSUE

WYT proposes to raise approximately HK\$157.1 million, before expenses, by issuing not less than 1,047,260,766 Rights Shares and not more than 1,047,260,892 Rights Shares at a price of HK\$0.15 per Rights Share by way of the Rights Issue on the basis of three Rights Shares for every existing WYT Share held on the Record Date. Qualifying Shareholders are entitled to apply for excess Rights Shares not taken up in excess of their respective entitlements under the Rights Issue.

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, all transfers of WYT Shares must be lodged for registration with the Registrar by 4:00 p.m. on Thursday, 10 November 2005 and the WYT Shareholders are not Excluded Shareholders. The register of members is expected to be closed from Friday, 11 November 2005 to Wednesday, 16 November 2005 (both dates inclusive) to determine the entitlements to the Rights Issue.

Pursuant to the Irrevocable Undertakings, Wang On has irrevocably undertaken to procure that Rich Time (an indirect wholly-owned subsidiary of Wang On and the substantial shareholder of WYT) will, and Rich Time has irrevocably undertaken to, among other things, (i) take up all of Rich Time's entitlements under the Rights Issue (being 299,196,993 Rights Shares); and (ii) make an excess application for 285,280,000 Rights Shares under the Rights Issue. WYT will comply with Rule 7.21(a) of the Listing Rules pursuant to which Rights Shares under excess application will be allocated on a fair basis. The balance of the Rights Shares not taken up by Rich Time pursuant to the Irrevocable Undertakings, being not less than 462,783,773 Rights Shares and not more than 462,783,899 Rights Shares, are underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement.

The estimated net proceeds from the Rights Issue will be approximately HK\$152.1 million, which is intended to be applied as to approximately HK\$16 million for the redemption of 2005 Convertible Notes, approximately HK\$50 million for the repayment of bank loan, approximately HK\$8 million to open new retail shops, approximately HK\$30 million for the possible investment in new business opportunities and the remaining balance of approximately HK\$48.1 million for general working capital of WYT Group. As at the date of this announcement, no particular investment has been identified by WYT and should any investment to be made, WYT will comply with the Listing Rules. The WYT Directors consider that the Rights Issue could strengthen the financial position of WYT Group and will enable suitable investments to be made promptly as and when the opportunities arise.

WANG ON - DISCLOSEABLE TRANSACTION

Pursuant to the Irrevocable Undertakings, Wang On has irrevocably undertaken to procure that Rich Time will, and Rich Time has irrevocably undertaken to, take up all of Rich Time's entitlements under the Rights Issue (being 299,196,993 Rights Shares) and, in addition, make an excess application for 285,280,000 Rights Shares under the Rights Issue. The subscription of the Rights Shares provisionally allotted to Rich Time on the Record Date together with the application of 285,280,000 excess Rights Shares by Rich Time under the Rights Issue constitutes a discloseable transaction for Wang On pursuant to Chapter 14.06(2) of the Listing Rules.

WANG ON - WHITEWASH WAIVER

Assuming (i) Rich Time takes up all of its entitlements under the Rights Issue (being 299,196,993 Rights Shares); (ii) an insufficient number of Qualifying Shareholders (excluding Rich Time) subscribe for the Rights Shares such that the 285,280,000 Rights Shares applied for by Rich Time under the excess application form are fully and successfully allotted to Rich Time (please refer to the sub-paragraph headed "Shareholding structure of WYT" in this announcement); and (iii) there is no change in the issued share capital and shareholding structure of WYT from the date of this announcement to immediately before completion of the Rights Issue, Wang On and its concert parties will increase their aggregate shareholding from approximately 28.57% of the existing issued share capital of WYT to approximately 49.00% of the issued share capital of WYT as enlarged by the issue of Rights Shares. WYT undertakes that it will make prior arrangements before completion of the Rights Issue to ensure minimum public float is maintained immediately after the issue of the Rights Shares. Under Rule 26 of the Takeovers Code, Wang On and its concert parties will be required to make a mandatory general offer for all the issued WYT Shares not already owned or agreed to be acquired by Wang On or its concert parties. An application will be made by Wang On to the Executive for the Whitewash Waiver, which, if granted, would be subject to the approval of the Independent WYT Shareholders on a vote taken by way of a poll. If the Whitewash Waiver is granted and approved by the Independent WYT Shareholders, the obligation of Wang On and its concert parties to make a mandatory general offer under Rule 26 of the Takeovers Code, will be waived. The Executive may or may not grant the Whitewash Waiver. Completion of the Rights Issue is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive. Therefore, if the Whitewash Waiver is not obtained, the Rights Issue will lapse and will not proceed.

WYT Shareholders and potential investors of WYT should note that completion of the Underwriting Agreement is conditional and may or may not proceed. WYT Shareholders and potential investors of WYT should exercise caution when dealing in the WYT Shares.

WARNING OF THE RISK OF DEALINGS IN WYT SHARES

WYT Shareholders and potential investors of WYT should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed “Termination of the Underwriting Agreement” below). Accordingly, the Rights Issue may or may not proceed.

WYT Shareholders and potential investors of WYT should therefore exercise caution when dealing in the WYT Shares, and if they are in any doubt about their position, they should consult their professional advisers. WYT Shareholders should note that the WYT Shares will be dealt in on an ex-entitlements basis commencing from Wednesday, 9 November 2005. The Rights Shares will be dealt in their nil-paid form from Friday, 18 November 2005 to Monday, 28 November 2005, both days inclusive. WYT Shareholders should note that dealings in such WYT Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any WYT Shareholder or other person dealing in such WYT Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be Tuesday, 6 December 2005), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any WYT Shareholder or other person contemplating selling or purchasing WYT Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

GENERAL

For WYT, the Rights Issue requires Independent WYT Shareholders’ vote by way of poll at the WYT SGM. The Rights Issue is also subject to the granting of the Whitewash Waiver by the Executive and the Whitewash Waiver is subject to the approval of the Independent WYT Shareholders on a vote taken by way of poll. Wang On and its concert parties and WYT Shareholders who are involved in, or interested in, the Rights Issue and the Whitewash Waiver are required to abstain from voting on the resolutions to approve the Rights Issue and the Whitewash Waiver at the WYT SGM.

An independent board committee of WYT has been formed to advise the Independent WYT Shareholders in relation to the Rights Issue and the Whitewash Waiver. Shen Yin Wanguo Capital has been appointed and approved by the independent board committee of WYT as the independent financial adviser to advise the independent board committee of WYT and the Independent WYT Shareholders in relation to the Rights Issue and the Whitewash Waiver.

A circular containing, among other things, details of (i) the Rights Issue and the Whitewash Waiver; (ii) the recommendations of the independent board committee of WYT in relation to the Rights Issue and the Whitewash Waiver; and (iii) a letter of advice from Shenyin Wanguo Capital to the independent board committee of WYT and the Independent WYT Shareholders in relation to the Rights Issue and the Whitewash Waiver together with a notice convening the WYT SGM, will be despatched to the WYT Shareholders and holders of Convertible Securities (for information only) as soon as practicable.

For Wang On, the subscription of the Rights Shares provisionally allotted to Rich Time on the Record Date together with the application for 285,280,000 excess Rights Shares by Rich Time under the Rights Issue pursuant to the Irrevocable Undertakings constitutes a discloseable transaction for Wang On under Chapter 14.06(2) of the Listing Rules.

A circular containing, among other things, further details of the subscription of the provisionally allotted Rights Shares together with the application of 285,280,000 excess Rights Shares by Rich Time under the Rights Issue will be despatched to the Wang On Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of WYT, trading in the WYT Shares on the Stock Exchange was suspended from 9:30 a.m. on Thursday, 6 October 2005 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the WYT Shares on the Stock Exchange with effect from 9:30 a.m. on Wednesday, 12 October 2005.

PROPOSED RIGHTS ISSUE

Issue statistics

- Basis of the Rights Issue : Three Rights Shares for every existing WYT Share held on the Record Date
- Subscription Price : HK\$0.15 per Rights Share
- Number of WYT Shares : 349,086,922 WYT Shares
in issue as at the date
of this announcement
- Number of Rights Shares : Not less than 1,047,260,766 Rights Shares and not more than 1,047,260,892 Rights Shares

- Number of Rights Shares : Pursuant to the Irrevocable Undertakings, Wang On has undertaken to be taken up by Rich Time : Pursuant to the Irrevocable Undertakings, Wang On has irrevocably undertaken to procure that Rich Time will, and Rich Time has irrevocably undertaken to, take up all of Rich Time's entitlements under the Rights Issue (being 299,196,993 Rights Shares) and, in addition, make an excess application for 285,280,000 Rights Shares under the Rights Issue. WYT will comply with Rule 7.21(a) of the Listing Rules pursuant to which Rights Shares under excess application will be allocated on a fair basis.
- Number of Rights Shares : Not less than 462,783,773 Rights Shares and not more than 462,783,899 Rights Shares are fully underwritten by the Underwriter pursuant to the Underwriting Agreement
- Number of WYT Shares : Not less than 1,396,347,688 WYT Shares and not more than 1,396,347,856 WYT Shares in issue upon completion of the Rights Issue

As at the date of this announcement, Rich Time, an indirect wholly-owned subsidiary of Wang On and the substantial shareholder of WYT, is the holder of the 2005 Convertible Notes which entitles it to subscribe for an aggregate of 20,000,000 WYT Shares at HK\$0.8 per WYT Share (subject to adjustment). Pursuant to the Irrevocable Undertakings, Wang On has irrevocably undertaken to procure that Rich Time will not, and Rich Time has irrevocably undertaken not to, exercise the conversion rights attaching to the 2005 Convertible Notes prior to the latest time for acceptance of the Rights Shares.

As at the date of this announcement, there are outstanding Convertible Loan Stocks which entitle the relevant holders to subscribe for/convert the same into an aggregate of 42 WYT Shares at £14 per WYT Share (subject to adjustment). Such holders are independent third parties not connected with WYT (as defined under the Listing Rules).

Save for the aforesaid 2005 Convertible Notes and the Convertible Loan Stocks, as at the date of this announcement, WYT has no outstanding options, warrants or other instruments convertible into WYT Shares.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. WYT will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Prospectus, for information only, to the Excluded Shareholders. To qualify for the Rights Issue, WYT Shareholders must at the close of business on the Record Date:

- (i) be registered on the register of members of WYT; and
- (ii) not being Excluded Shareholders.

In order to be registered as members of WYT on the Record Date, WYT Shareholders must lodge any transfer of WYT Shares (with the relevant share certificates) for registration with the Registrar by 4:00 p.m. on Thursday, 10 November 2005.

WYT will provisionally allot three Rights Shares in nil-paid form for every existing WYT Share held by the Qualifying Shareholders on the Record Date.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements and any Rights Shares provisionally allotted but not accepted by completing the excess application form for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for.

The WYT Directors will allocate the excess Rights Shares at their discretion, on a fair and equitable basis by reference to the number of excess Rights Shares applied for by each Qualifying Shareholder (including Rich Time), but will give preference to topping-up odd lots to whole board lots.

WYT Shareholders with WYT Shares held by a nominee company should note that the WYT Board will regard the nominee company as a single WYT Shareholder according to the register of members of WYT. Accordingly, WYT Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. WYT Shareholders with their WYT Shares held by a nominee company are advised to consider whether they would like to arrange registration of the relevant WYT Shares in the name of the beneficial owner(s) prior to the Record Date.

Information about the Wang On Group

The Wang On Group is principally engaged in property development and property investment; the management and sub-licensing of Chinese wet markets, shopping centres and car parks; and retail businesses. It also has interests in the pharmaceutical business through its investments in WYT.

Reasons for the subscription of provisionally allotted Rights Shares and application for excess Rights Shares by Rich Time

Pursuant to the Irrevocable Undertakings, Wang On has irrevocably undertaken to procure that Rich Time will, and Rich Time has irrevocably undertaken to, take up all of Rich Time's entitlements under the Rights Issue (being 299,196,993 Rights Shares, and having a total subscription price of approximately HK\$44,879,549 payable in cash) and in addition, make an excess application for 285,280,000 Rights Shares (having a total subscription price of HK\$42,792,000 payable in cash) under the Rights Issue.

With the increasing health awareness of the public and in particular the increasing popularity of Chinese medicinal and health related products, the Wang On Directors believe that the future of the pharmaceutical industry is promising. Given the established brand names of "Wai Yuen Tong" and "Madame Pearl's" and the expertise and experience of the WYT Group

in the pharmaceutical business, the Wang On Directors consider the WYT Group to be well positioned to take advantage of the anticipated growth in the pharmaceutical industry. The Wang On Directors are of the opinion that the terms of the Irrevocable Undertakings are fair and reasonable and in the interest of Wang On and Wang On Shareholders as a whole.

Closure of register of members

The register of members of WYT will be closed from Friday, 11 November 2005 to Wednesday, 16 November 2005, both dates inclusive, to determine the eligibility of the Rights Issue. No transfer of WYT Shares will be registered during this period.

Subscription Price

The subscription price for the Rights Shares is HK\$0.15 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her provisional allotment of Rights Shares under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 49.15% to the closing price of HK\$0.2950 per WYT Share as quoted on the Stock Exchange on 5 October 2005, being the last trading day before the date of this announcement;
- (ii) a discount of approximately 19.48% to the theoretical ex-entitlement price of approximately HK\$0.1863 per WYT Share based on the aforesaid closing price per WYT Share; and
- (iii) a discount of approximately 50.08% to the average closing price of HK\$0.3005 per WYT Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 5 October 2005.

The Subscription Price was determined after arm's length negotiations between WYT and the Underwriter. The WYT Directors consider that the terms of the Rights Issue are fair and reasonable and in the interests of WYT and WYT Shareholders as a whole. The WYT Directors also consider that the discount of the effective price for each Rights Share as compared to the recent market prices would encourage WYT Shareholders to participate in the Rights Issue.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid and issued) will rank *pari passu* in all respects with the WYT Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

Certificates of the fully-paid Rights Shares

Subject to fulfillment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Thursday, 8 December 2005 to those entitled thereto at their own risks. No fractional entitlements or allotments are expected to arise as a result of the Rights Issue.

Rights of the Excluded Shareholders

If at the close of business on the Record Date, a WYT Shareholder's address on the register of member of WYT is in a place outside Hong Kong, that WYT Shareholder may not be eligible to take part in the Rights Issue as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. The WYT Board will make enquiries to its lawyers as to whether the issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to Rule 13.36(2)(a) of the Listing Rules. If, after making such enquiry, the WYT Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Excluded Shareholders.

WYT will send the Prospectus to the Excluded Shareholders for their information only but will not send the provisional allotment letter and the excess application form to them. The Excluded Shareholders will be entitled to vote at the WYT SGM to consider and, if thought fit, pass the resolutions approving, among other things, the Rights Issue.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to the relevant Excluded Shareholder in Hong Kong dollars. WYT will keep individual amounts of less than HK\$100 for its own benefit. Any unsold Rights Shares will be available for excess application.

Application for listing

WYT will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. Dealings in the nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

Underwriting Agreement dated 6 October 2005

Pursuant to the Underwriting Agreement, the Underwriter agreed to underwrite not less than 462,783,773 Rights Shares and not more than 462,783,899 Rights Shares. The Underwriter and its ultimate beneficial owners are not connected persons (as defined in the Listing Rules) of WYT.

WYT will pay to the Underwriter an underwriting commission calculated at 2.5% of the aggregate Subscription Price of the Rights Shares underwritten by the Underwriter.

Termination of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement by notice in writing to WYT at any time prior to 4:00 p.m. on the third Business Day after the date on which the latest time for acceptance of the Rights Shares falls, which is expected to be Tuesday, 6 December 2005, or such date as may be agreed between WYT and the Underwriter, if there occurs:

- (i) an introduction of any new law or regulation or any material change in existing laws or regulations (or the judicial interpretation thereof), or any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict) resulting in a material adverse change in the local securities market conditions; or**
- (ii) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout which, in the reasonable opinion of the Underwriter, have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/ or payments pursuant to the Rights Issue or underwriting thereof; or**
- (iii) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or**
- (iv) any change or development involving a prospective material change in taxation or exchange control (or implementation of any exchange control) in Hong Kong or other jurisdictions relevant to the WYT Group which shall or might materially adversely affect WYT; or**
- (v) any material adverse change in the business or in the financial or trading position of the WYT Group; or**
- (vi) any other material adverse change whether or not ejusdem generis with any of the foregoing, which in the reasonable opinion of the Underwriter:**
 - (1) has or will have a material adverse effect on WYT or the WYT Group or the Rights Issue; or**
 - (2) has or will have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or**
 - (3) makes it inadvisable or inexpedient for WYT to proceed with the Rights Issue, or**

- (vii) any matter or event showing any of the warranties, undertakings or provisions contained in the Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated; or**
- (viii) any material breach by Wang On and Rich Time of any provision in the Irrevocable Undertakings; or**
- (ix) any statement contained in any Prospectus Documents has become or been discovered to be untrue, incorrect or misleading in any material respect; or**
- (x) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of the Underwriter, a material omission in the context of the Rights Issue; or**
- (xi) any event, act or omission which gives or is likely to give rise to any material liability of WYT, Wang On and Rich Time arising out of or in connection with any warranties or undertakings contained in the Underwriting Agreement; or**
- (xii) any material breach of or material omission to observe by WYT any of the warranties, obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or**
- (xiii) the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the WYT Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or**
- (xiv) WYT shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of WYT,**

then and in any such case the Underwriter in its reasonable discretion may (but shall not be bound to), upon giving notice to WYT, terminate the Underwriting Agreement with immediate effect.

Save for all reasonable costs, fees, charges and expenses which may be incurred in connection with the Rights Issue, upon the giving of notice of termination, all

obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

Conditions of the Underwriting Agreement

The Underwriting Agreement is subject to, inter alia, the following conditions being fulfilled:

- (i) the passing by the Independent WYT Shareholders at the WYT SGM of resolutions to approve the Rights Issue and the Whitewash Waiver by way of poll;
- (ii) the Executive granting the Whitewash Waiver;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of, and permission to deal in, the Rights Shares, in their nil-paid and fully-paid forms;
- (iv) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents in compliance with the Listing Rules and the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) and the filing of one copy of each of the Prospectus Documents with the Registrar of Companies in Bermuda;
- (v) if required, the Bermuda Monetary Authority having granted the permission in respect of the issue of the Rights Shares;
- (vi) the posting of copies of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped “For information only” to the Excluded Shareholders, in each case, on the Posting Date; and
- (vii) (a) the delivery by WYT to the Underwriter of the Irrevocable Undertakings duly executed by Wang On and Rich Time forthwith after the signing of the Underwriting Agreement; and (b) the compliance by Wang On and Rich Time of all of their obligations as set out in the Irrevocable Undertakings.

None of the above conditions can be waived by the Underwriter. If any of the above conditions (i), (iv), (vi) and (vii)(a) are not fulfilled on or before the Posting Date or if any of the above conditions (ii), (iii), (v) and (vii)(b) are not fulfilled on or before the latest time for the Rights Issue to become unconditional (i.e. 6 December 2005), the Rights Issue shall lapse. The Rights Issue is also subject to the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms.

WARNING OF THE RISK OF DEALINGS IN WYT SHARES AND WANG ON SHARES

WYT Shareholders and potential investors of WYT should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed “Termination of the Underwriting Agreement” above). Accordingly, the Rights Issue may or may not proceed.

WYT Shareholders and potential investors of WYT should therefore exercise caution when dealing in the WYT Shares, and if they are in any doubt about their position, they should consult their professional advisers.

WYT Shareholders should note that the WYT Shares will be dealt in on an ex-entitlements basis commencing from Wednesday, 9 November 2005. The Rights Shares will be dealt in their nil-paid form from Friday, 18 November 2005 to Monday, 28 November 2005, both days inclusive. WYT Shareholders should note that dealings in such WYT Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any WYT Shareholder or other person dealing in such WYT Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be Tuesday, 6 December 2005), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any WYT Shareholder or other person contemplating selling or purchasing WYT Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

Shareholding structure of WYT

The following is the shareholding structure of WYT immediately before and after completion of the Rights Issue, assuming no Convertible Securities have been exercised/converted prior to completion of the Rights Issue and there is no change in the shareholding structure of WYT from the date of this announcement to immediately before completion of the Rights Issue:

	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue)		Immediately after completion of the Rights Issue (assuming no Qualifying Shareholder takes up his/her /its entitlement under the Rights Issue, except that Rich Time takes up all its entitlement under the Rights Issue (being 299,196,993 Rights Shares) and the 285,280,000 Rights Shares under the excess application made by Rich Time pursuant to the Irrevocable Undertakings have been fully allocated)	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Wang On Group	99,732,331	28.57%	398,929,324	28.57%	684,209,324	49.00%
Underwriter (<i>Note</i>)	-	-	-	-	462,783,773	33.14%
Public	249,354,591	71.43%	997,418,364	71.43%	249,354,591	17.86%
Total	349,086,922	100.00%	1,396,347,688	100.00%	1,396,347,688	100.00%

Note: The Underwriter and its ultimate beneficial owners are independent of and not connected with WYT and its connected persons (as defined under the Listing Rules) and are not acting in concert with Wang On. According to the Underwriter, the Underwriter has entered into a sub-underwriting agreement with a sub-underwriter, which is independent of and not connected with nor acting in concert with Wang On or the Underwriter, to sub-underwrite 50,000,000 underwritten Rights Shares, representing approximately 3.58% of the enlarged issued share capital of WYT immediately upon completion of the Rights Issue (assuming no Convertible Loan Stocks have been converted on or before the Record Date). Therefore, the Underwriter and the sub-underwriter will at no time hold 30% or more interests in WYT upon completion of the Rights Issue. The Underwriter will place down any Rights Shares to be taken up by them to the independent third parties not connected with WYT and their respective connected persons (as defined under the Listing Rules) and concert parties of Wang On.

Financial information on the WYT Group

Based on the annual report of WYT for the year ended 31 March 2005, the audited consolidated net asset value of WYT as at 31 March 2005 and 31 March 2004 were approximately HK\$591.2 million and HK\$353.7 million respectively. The following table sets out a summary of the audited consolidated results of WYT for the two years ended 31 March 2005 based on its annual reports:

	For the year ended 31 March 2005 (Audited) <i>HK\$'000</i>	For the year ended 31 March 2004 (Audited) <i>HK\$'000</i>
Turnover	326,909	349,225
Loss before taxation	(61,580)	(28,248)
Loss before minority interests	(67,227)	(29,986)
Loss attributable to shareholders	(66,975)	(30,006)

Reasons for the Rights Issue and use of proceeds

The WYT Group is principally engaged in (i) the manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the name of “Wai Yuen Tong” and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong; (ii) manufacturing, processing and retailing of western pharmaceutical products under the brand name of “Madame Pearl’s”; and (iii) property holding and investment.

The estimated net proceeds from the Rights Issue will be approximately HK\$152.1 million, which is intended to be applied as to approximately HK\$16 million for the redemption of 2005 Convertible Notes, approximately HK\$50 million for the repayment of bank loan, approximately HK\$8 million to open new retail shops, approximately HK\$30 million for the possible investment in new business opportunities and the remaining balance of approximately HK\$48.1 million for general working capital of WYT Group. As at the date of this announcement, no particular investment has been identified by WYT and should any investment to be made, WYT will comply with the Listing Rules. The WYT Directors consider that the Rights Issue could strengthen the financial position of WYT Group and will enable suitable investments to be made promptly as and when the opportunities arise.

Given that the Rights Issue will enlarge the capital base of WYT and the Rights Issue provides an opportunity to WYT Shareholders to participate in the growth of WYT, the WYT Directors consider that the Rights Issue is in the interest of WYT and WYT Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in WYT will be diluted.

Fund raising activities of WYT in the 12 months immediately prior to this announcement

Date of announcement	Event	Net proceeds	Intended use of net proceeds	Actual use of net proceeds up to the date of this announcement	Unutilized amount as at the date of this announcement
20 January 2005	Placing of existing shares and top-up subscription of 552,000,000 shares at a price of HK\$0.065 per share (before capital reorganization took place)	Approximately HK\$35 million	HK\$10 million for the repayment of bank loans HK\$10 million for establishment of new retail shops HK\$15 million for general working capital	HK\$10 million for the repayment of bank loans HK\$10 million for establishment of new retail shops HK\$15 million for general working capital	- - -

EXPECTED TIMETABLE

2005

Despatch of the circular to the WYT Shareholders and Wang On Shareholders containing, among other things, notice of WYT SGM	Monday, 31 October
Last day of dealings in WYT Shares on a cum-entitlement basis	Tuesday, 8 November
First day of dealings in WYT Shares on an ex-entitlement basis	Wednesday, 9 November
Latest time for lodging transfers of WYT Shares in order to be qualified for the Rights Issue	4:00 p.m. on Thursday, 10 November
Register of members for WYT Shares closes	Friday, 11 November to Wednesday, 16 November (both dates inclusive)
Latest time for lodging forms of proxy for the purpose of the WYT SGM (not less than 48 hours before the WYT SGM)	10:00 a.m. on Monday, 14 November

Time and date of WYT SGM	10:00 a.m. on Wednesday, 16 November
Despatch of the Prospectus Documents	Wednesday, 16 November
Record Date	Wednesday, 16 November
Register of members for WYT Shares reopens	Thursday, 17 November
First day of trading in nil-paid Rights Shares	Friday, 18 November
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Wednesday, 23 November
Last day of trading in nil-paid Rights Shares	Monday, 28 November
Latest time for acceptance of and payment for Rights Shares	4:00 p.m. on Thursday, 1 December
Latest time for the Rights Issue to become unconditional	4:00 p.m. on Tuesday, 6 December
Announcement of the results of the Rights Issue	Thursday, 8 December
Despatch of refund cheques in respect of wholly or partly unsuccessful excess applications	Thursday, 8 December
Share certificates for fully-paid Rights Shares to be posted	Thursday, 8 December
Dealings in fully-paid Rights Shares commence	Monday, 12 December

Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Rights Issue will be announced as appropriate.

WHITEWASH WAIVER

Assuming (i) Rich Time takes up all of its entitlements under the Rights Issue (being 299,196,993 Rights Shares); (ii) an insufficient number of Qualifying Shareholders (excluding Rich Time) subscribe for the Rights Shares such that the 285,280,000 Rights Shares applied for by Rich Time under the excess application form are fully and successfully allotted to Rich Time (please refer to the sub-paragraph headed “Shareholding structure of WYT” in this announcement); and (iii) there is no change in the issued share capital and shareholding structure of WYT from the date of this announcement to immediately before completion of the Rights Issue, Wang On and its concert parties will increase their aggregate shareholding from approximately 28.57% of the existing issued share capital of WYT to approximately 49.00% of the issued share capital of WYT as enlarged by the issue of Rights Shares. Under Rule 26 of the Takeovers Code, Wang On and its concert parties will be required to make a mandatory general offer for all the issued WYT Shares not already owned or agreed to be acquired by Wang On or its concert parties. An application will be made by Wang On and its concert parties to the Executive for the Whitewash Waiver, which, if granted, would be subject to the approval of the Independent WYT Shareholders on a vote taken by way of a poll. If the Whitewash Waiver is granted and approved by the Independent WYT Shareholders, the obligation of Wang On and its concert parties to make a mandatory general offer under Rule 26 of the Takeovers Code will be waived. The Executive may or may not grant the Whitewash Waiver. Completion of the Rights Issue is conditional upon, among other things, the granting of the Whitewash Waiver by the Executive. Therefore, if the Whitewash Waiver is not obtained, the Rights Issue will lapse and will not proceed.

WYT Shareholders and potential investors of WYT should note that completion of the Underwriting Agreement is conditional and may or may not proceed. WYT Shareholders and potential investors of WYT should exercise caution when dealing in the WYT Shares.

Wang On and its concert parties, including Rich Time, have not dealt in WYT Shares during the period beginning six months prior to the date of the Underwriting Agreement and ending on the date of this announcement.

RESTORATION OF PUBLIC FLOAT

The Stock Exchange has stated that if, upon completion of the Rights Issue, less than 25% of the WYT Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading in the WYT Shares; or
- there are too few WYT Shares in public hands to maintain an orderly market;

then it will consider exercising its discretion to suspend trading in the WYT Shares until a sufficient public float is attained.

As shown under the sub-paragraph headed “Shareholding structure of WYT”, assuming none of the Qualifying Shareholders take up any provisional allotments of the Rights Shares except that Rich Time takes up all of its entitlement under the Rights Issue (being 299,196,993 Rights Shares) and the 285,280,000 Rights Shares under the excess application

made by Rich Time pursuant to the Irrevocable Undertakings have been fully allocated, the public float of the WYT Shares will drop to approximately 17.86% immediately after completion of the Rights Issue. WYT undertakes that it will make prior arrangements before completion of the Rights Issue to ensure minimum public float is maintained immediately after the issue of the Rights Shares.

GENERAL

For WYT, the Rights Issue requires Independent WYT Shareholders' vote by way of poll at the WYT SGM. The Rights Issue is also subject to the granting of the Whitewash Waiver by the Executive and the Whitewash Waiver is subject to the approval of the Independent WYT Shareholders on a vote taken by way of poll at the WYT SGM. Wang On and its concert parties and WYT Shareholders who are involved in, or interested in, the Rights Issue and the Whitewash Waiver are required to abstain from voting on the resolutions to approve the Rights Issue and the Whitewash Waiver at the WYT SGM.

An independent board committee of WYT has been formed to advise the Independent WYT Shareholders in relation to the Rights Issue and the Whitewash Waiver. Shenyin Wanguo Capital has been appointed and approved by the independent board committee of WYT as the independent financial adviser to advise the independent board committee of WYT and the Independent WYT Shareholders in relation to the Rights Issue and the Whitewash Waiver.

A circular containing, among other things, details of (i) the Rights Issue and the Whitewash Waiver; (ii) the recommendations of the independent board committee of WYT in relation to the Rights Issue and the Whitewash Waiver; and (iii) a letter of advice from Shenyin Wanguo Capital to the independent board committee of WYT and the Independent WYT Shareholders in relation to the Rights Issue and the Whitewash Waiver together with a notice convening the WYT SGM, will be despatched to the WYT Shareholders and holders of Convertible Securities (for information only) as soon as practicable.

For Wang On, the subscription of the Rights Shares provisionally allotted to Rich Time on the Record Date together with the application for 285,280,000 excess Rights Shares by Rich Time under the Rights Issue pursuant to the Irrevocable Undertakings constitutes a discloseable transaction for Wang On under Chapter 14.06(2) of the Listing Rules.

A circular containing, among other things, further details of the subscription of the provisionally allotted Rights Shares together with the application of 285,280,000 excess Rights Shares by Rich Time under the Rights Issue will be despatched to the Wang On Shareholders as soon as practicable.

The WYT Board comprises two executive directors, namely Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas, a non-executive director, namely Mr. Leung Wai Ho, and three independent non-executive directors, namely Mr. Siu Man Ho, Simon, Mr. Yuen Chi Choi, Simon and Mr. Cho Wing Mou.

The Wang On Board comprises three executive directors, namely Mr. Tang Ching Ho, Ms. Yau Yuk Yin and Mr. Chan Chun Hong, Thomas, and four independent non-executive directors, namely Dr. Lee Peng Fei, Allen, Mr. Wong Chun, Justein, Dr. Siu Yim Kwan, Sidney and Mr. Siu Kam Chau.

SUSPENSION AND RESUMPTION OF TRADING

At the request of WYT, trading in WYT Shares on the Stock Exchange was suspended from 9:30 a.m. on Thursday, 6 October 2005 pending the release of this announcement. Applications have been made to the Stock Exchange for resumption of trading in the WYT Shares on the Stock Exchange with effect from 9:30 a.m. on Wednesday, 12 October 2005.

DEFINITIONS

“2005 Convertible Notes”	the convertible notes having an aggregate principal amount of HK\$16,000,000, issued by WYT on 15 March 2005 to Rich Time entitling it to subscribe for up to 20,000,000 WYT Shares at the conversion price of HK\$0.80 each (subject to adjustment)
“Business Day”	any day on which banks in Hong Kong are open for business for more than five hours
“concert parties”	the meaning ascribed to parties “acting in concert” under the Takeovers Code
“Convertible Loan Stocks”	the convertible unsecured loan stocks issued by WYT on 12 January 1999
“Convertible Securities”	the Convertible Loan Stocks and the 2005 Convertible Notes
“Excluded Shareholders”	WYT Shareholders whose names appear on the register of members of WYT on the Record Date and whose addresses as shown on such register are outside Hong Kong where the WYT Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such WYT Shareholders
“Executive”	the executive director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent WYT Shareholders”	WYT Shareholders, other than (i) Wang On and its concert parties; and (ii) those who are involved in, or interested in, the Rights Issue and the Whitewash Waiver

“Irrevocable Undertakings”	the irrevocable undertakings dated 6 October 2005 under which Wang On has irrevocably undertaken to procure that Rich Time will, and Rich Time has irrevocably undertaken to, (i) subscribe for Rich Time’s full entitlements pursuant to the Rights Issue (being 299,196,993 Rights Shares); (ii) apply for an aggregate of 285,280,000 excess Rights Shares; and (iii) not exercise the conversion rights attaching to the 2005 Convertible Notes prior to the latest time for acceptance of the Rights Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Posting Date”	16 November 2005, being the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be despatched to WYT Shareholders on the Posting Date in connection with the Rights Issue in such form as may be agreed between WYT and the Underwriter
“Prospectus Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Overseas Shareholders”	WYT Shareholders whose addresses on the register of member of the WYT are outside Hong Kong on the Record Date
“Qualifying Shareholders”	WYT Shareholders, whose names appear on the register of members of WYT as at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	16 November 2005, being the date by reference to which entitlements to the Rights Issue will be determined
“Registrar”	Secretaries Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, WYT’s Hong Kong branch share registrar
“Rich Time”	Rich Time Strategy Limited, an indirect wholly owned subsidiary of Wang On and substantial shareholder of WYT
“Rights Issue”	the proposed issue of the Rights Shares by way of rights issue to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents and summarised herein

“Rights Share(s)”	Not less than 1,047,260,766 WYT Shares and not more than 1,047,260,892 WYT Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of three rights shares for every existing WYT Share held on the Record Date pursuant to the Rights Issue
“Shenyin Wanguo Capital”	Shenyin Wanguo Capital (H.K.) Limited, a licensed corporation to carry on business in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the independent board committee of WYT and the Independent WYT Shareholders in respect of the Rights Issue and the Whitewash Waiver
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.15 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the underwriter to the Rights Issue
“Underwriting Agreement”	the underwriting agreement dated 6 October 2005 entered into between WYT and the Underwriter in relation to the Rights Issue
“Wang On”	Wang On Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Wang On Board”	the board of Wang On Directors
“Wang On Directors”	the directors of Wang On
“Wang On Group”	Wang On and its subsidiaries
“Wang On Shareholders”	holder(s) of ordinary shares in Wang On

“Whitewash Waiver”	the waiver from the obligation of Wang On and its concert parties to make a mandatory general offer for all the issued WYT Shares not already owned or agreed to be acquired by Wang On or its concert parties under Rule 26 of the Takeovers Code pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code as a result of the transactions contemplated under the Underwriting Agreement and the Irrevocable Undertakings
“WYT”	Wai Yuen Tong Medicine Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“WYT Board”	the board of WYT Directors
“WYT Directors”	the directors of WYT
“WYT Group”	WYT and its subsidiaries
“WYT SGM”	the special general meeting of WYT to be convened to be held to approve, among others, the Rights Issue and the Whitewash Waiver
“WYT Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of WYT
“WYT Shareholder(s)”	holder(s) of WYT Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the WYT Board
Chan Chun Hong, Thomas
Managing Director

By Order of the Wang On Board
Tang Ching Ho
Chairman

Hong Kong, 10 October 2005

* *For identification purposes only*

The WYT Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to the Wang On Group, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, other than those relating to the Wang On Group, have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

The Wang On Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to the WYT Group, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, other than those relating to the WYT Group, have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

Please also refer to the published version of this announcement in The Standard.