
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 shares in Wai Yuen Tong Medicine Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

**WAI YUEN TONG MEDICINE HOLDINGS LIMITED****(位元堂藥業控股有限公司)****(incorporated in Bermuda with limited liability)***(Stock Code: 897)****DISCLOSEABLE AND CONNECTED TRANSACTION –
PROVISION OF FINANCIAL ASSISTANCE TO AN ASSOCIATE**

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

Nuada Limited

A letter from the Independent Board Committee to the Independent Shareholders is set out on page 10 of this circular and a letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 16 of this circular.

A notice convening a special general meeting of the Company to be held at 37th Floor, Two International Finance Centre, 8 Finance Street, Hong Kong on Thursday, 15 March 2007 at 9:30 a.m. is set out on page 21 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

* *For identification purposes only*

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DEFINITIONS

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

“All Access”	All Access Limited, an indirect wholly-owned subsidiary of LeRoi and a company incorporated in the British Virgin Islands with limited liability
“Allied Victory”	Allied Victory Investment Limited, an indirect wholly-owned subsidiary of Wang On and a company incorporated in Hong Kong with limited liability
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company” or “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
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors of the Company
“Financial Assistance”	the financial assistance provided by the Company, through its indirect wholly-owned subsidiary to LeRoi under the Loan Agreement
“First Purchase”	the conditional purchase to be made by a wholly-owned subsidiary of LeRoi of the entire issued share capital and a related shareholder’s loan of a wholly-owned subsidiary of Wang On which currently operates 10 retail stalls selling fresh pork meat and related produce in the wet markets owned and operated by Wang On
“Gain Better”	Gain Better Investments Limited, an indirect wholly-owned subsidiary of the Company and a company incorporated in the British Virgin Islands, directly held 25.32% interests in LeRoi
“Group” or “WYT Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Leung Wai Ho, Mr. Yuen Chi Choi, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou constituted to advise the Independent Shareholders in respect of the Financial Assistance
“Independent Shareholders”	Shareholders other than Wang On and its associates and those who are required to abstain from voting under the Listing Rules and their respective associates (if any)
“Joint Announcement”	the announcement issued jointly by LeRoi, Wang On and WYT on 2 February 2007
“Latest Practicable Date”	23 February 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“LeRoi”	LeRoi Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“LeRoi Group”	LeRoi and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated as of 26 January 2007 entered into between Gain Better and LeRoi pursuant to which Gain Better agreed to provide the loan facility to LeRoi upon and subject to the terms and conditions contained therein
“Nuada”	Nuada Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“PRC”	the People’s Republic of China

DEFINITIONS

“Second Purchase”	the conditional purchase to be made by a wholly-owned subsidiary of LeRoi of the entire issued share capital and a related shareholder’s loan of a wholly-owned subsidiary of Wang On which currently holds four properties in Kowloon of Hong Kong and commits to purchase two additional properties in Kowloon of Hong Kong
“SGM”	a special general meeting of the Company to be convened for considering and, if thought fit, approving, amongst other matters, the Financial Assistance
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“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
“HK\$”	Hong Kong dollars, being the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



WAI YUEN TONG MEDICINE HOLDINGS LIMITED

(位元堂藥業控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 897)

Executive Directors:

Mr. Tang Ching Ho (*Chairman*)

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

Independent non-executive Directors:

Mr. Leung Wai Ho

Mr. Yuen Chi Choi

Mr. Siu Man Ho, Simon

Mr. Cho Wing Mou

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head office and principal

place of business:

5th Floor

Wai Yuen Tong

Medicine Building

9 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

26 February 2007

To the Shareholders

Dear Sir/Madam

**DISCLOSEABLE AND CONNECTED TRANSACTION –
PROVISION OF FINANCIAL ASSISTANCE TO AN ASSOCIATE**

INTRODUCTION

On 2 February 2007, the Company announced that Gain Better (an indirect wholly-owned subsidiary of the Company) and LeRoi (an indirect associate of the Company) entered into the Loan Agreement under which Gain Better will grant to LeRoi an unsecured loan facility with a limit of up to HK\$35,000,000. Pursuant to the Loan Agreement, LeRoi has an option to drawdown at any time within 3 years after the date of obtaining the approval of the Independent Shareholders at the SGM, on one or more occasions, amounts in the multiple of HK\$500,000 at an interest rate of 6.5% per annum.

* *For identification purposes only*

LETTER FROM THE BOARD

Wang On is a connected person of the Company by virtue of its holding of 49% of shareholding interests in the Company. Since the Company proposes to provide the Financial Assistance to LeRoi for the benefit of Wang On, a connected person of the Company as described above, in relation to a series of transactions under the First Purchase and the Second Purchase, therefore the Financial Assistance constitutes a discloseable transaction and connected transaction of the Company under Rule 14.06(2) and Rule 14A.13(3) of the Listing Rules.

According to the Listing Rules, the Financial Assistance is subject to the Independent Shareholders' approval at the SGM, voting by way of poll. Wang On and its associates are required to abstain from voting on the relevant resolutions in respect of the Financial Assistance at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the Financial Assistance and Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

The purpose of this circular is to provide you with, among other things, (i) further details of the transactions contemplated under the Financial Assistance; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter from Nuada to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the SGM to seek approval from the Independent Shareholders for the Financial Assistance.

FINANCIAL ASSISTANCE

The Loan Agreement

Date:

26 January 2007

Parties:

Lender: Gain Better, an indirect wholly-owned subsidiary of the Company

Borrower: LeRoi, an indirect associate of the Company

Facility amount: a maximum aggregate principal amount of up to HK\$35,000,000

LETTER FROM THE BOARD

Facility period: at any time during the period commencing on 29 January 2007 and ending on but excluding the earlier of (i) the date falling 3 years after the date of the Loan Agreement or such later date as Gain Better may agree in writing; and (ii) the date on which the loan facility is terminated under the provisions of the Loan Agreement.

Interest rate: 6.5% per annum on the amount drawn under the loan facility shall be paid by LeRoi at the maturity date of the Loan Agreement.

Pursuant to the Loan Agreement, the loan facility can be drawn by LeRoi on the date after obtaining the approval of the Independent Shareholders at the SGM in a multiple of HK\$500,000. LeRoi shall repay the aggregate principal amount drawn together with interests on or before the date falling 36 months after the date of the Loan Agreement, or such later date (if any) as Gain Better and LeRoi may agree in writing. The loan facility will be financed by the internal resources of the Group.

REASONS FOR ENTERING INTO THE LOAN AGREEMENT

As at the Latest Practicable Date, Gain Better, an indirect wholly-owned subsidiary of the Company, holds approximately 25.32% of the shareholding interests in LeRoi. The Directors consider that since LeRoi is an associate company of the Company, providing the Financial Assistance to LeRoi will facilitate the business development of the LeRoi Group and may in turn improve returns to the WYT Group in the long run. The provision of Financial Assistance will tight up some of the working capital of WYT but such financial assistance causes no material adverse effect to WYT. Gain Better has been informed by LeRoi that the loan facility is intended to be utilized by LeRoi to settle the consideration under the First Purchase and the Second Purchase and for the routine business operations and general working capital of the LeRoi Group.

The Loan Agreement was determined after arm's length negotiations between LeRoi and Gain Better. The Directors consider that the provision of the Financial Assistance and the terms of the Loan Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE FINANCIAL ASSISTANCE

The provision of Financial Assistance will have no effect on the assets and liabilities of the Group but it will generate an annual interest income of HK\$2,275,000 in the event that the loan facility under the Financial Assistance is fully utilised by LeRoi.

INFORMATION ON THE COMPANY

The Company is principally engaged in the production and sale (i) traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of "Wai Yuen Tong" and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong; and (ii) western pharmaceutical products under the brand name of "Madame Pearl's".

LETTER FROM THE BOARD

INFORMATION ON THE LEROI GROUP

The LeRoi Group is principally engaged in the trading of fashion apparel to the market in the PRC.

IMPLICATIONS OF THE LISTING RULES

Wang On is a connected person of the Company by virtue of its holding of 49% of shareholding interests in the Company. Since the Company proposes to provide the Financial Assistance to LeRoi for the benefit of Wang On, a connected person of the Company as described above, in relation to a series of transactions under the First Purchase and the Second Purchase, therefore the Financial Assistance constitutes a discloseable transaction and connected transaction of the Company under Rule 14.06(2) and Rule 14A.13(3) of the Listing Rules.

According to the Listing Rules, the Financial Assistance is subject to the Independent Shareholders' approval at the SGM, voting by way of poll. Wang On and its associates are required to abstain from voting on the relevant resolutions in respect of the Financial Assistance at the SGM.

SGM

The SGM will be held to consider and, if thought fit, pass the resolutions to approve the Financial Assistance by way of poll by the Independent Shareholders. Wang On and its associates will abstain from voting on the relevant resolutions in respect of the Financial Assistance.

There was no (i) voting trust or other agreement or arrangement or understanding entered into by or binding upon Wang On or its respective associates; or (ii) obligation or entitlement of Wang On or its respective associates, whereby it had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of its Shares to a third party, either generally or on a case-by-case basis as at the Latest Practicable Date.

There is no discrepancy between the beneficial shareholding interest of Wang On in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the SGM.

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

LETTER FROM THE BOARD

PROCEDURES FOR DEMANDING A POLL

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

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

RECOMMENDATION

Nuada has been appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Financial Assistance. Nuada considers that the terms and conditions of the Loan Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned. The text of the letter of advice from Nuada containing its recommendation and the principal factors it has taken into account in arriving at its recommendation are set out on pages 11 to 16 of this circular.

The Independent Board Committee, having taken into account the advice of Nuada, considers the Financial Assistance are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions relating to the Loan Agreement. The full text of the letter from the Independent Board Committee is set out on page 10 of this circular.

For reasons set out above, the Directors consider that the Financial Assistance are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all the relevant resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

GENERAL

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

Yours faithfully,
For and on behalf of
Wai Yuen Tong Medicine Holdings Limited
Chan Chun Hong, Thomas
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



WAI YUEN TONG MEDICINE HOLDINGS LIMITED

(位元堂藥業控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 897)

26 February 2007

To the Independent Shareholders

Dear Sirs,

We have been appointed as the Independent Board Committee to advise you in connection with the terms of the Financial Assistance, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 26 February 2007 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Financial Assistance, the advice of Nuada in relation thereto as set out on pages 11 to 16 of the Circular, we are of the view that the terms of the Financial Assistance are in the interests of the Company and the terms thereof, viewed as a whole, are fair and reasonable so far as the Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Financial Assistance.

Yours faithfully,

For and on behalf of the Independent Board Committee

Leung Wai Ho	Yuen Chi Choi	Siu Man Ho, Simon	Cho Wing Mou
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>

* For identification purposes only

LETTER OF ADVICE FROM NUADA LIMITED

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited setting out its opinion regarding the terms of the Loan Agreement prepared for the purpose of incorporation in this circular.

Nuada Limited

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

26 February 2007

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE TO AN ASSOCIATE

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the terms of the Loan Agreement, details of which are set out in the letter from the Board (the “Letter”) contained in the circular of WYT dated 26 February 2007 to the Shareholders (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 26 January 2007, LeRoi and Gain Better, an indirect wholly owned subsidiary of WYT entered into the Loan Agreement under which Gain Better will grant to LeRoi an unsecured loan facility with a limit of up to HK\$35,000,000. The LeRoi Board has confirmed that the purpose of this facility is for settling the consideration for the acquisition of the entire issued share capital of Greatest Wealth Limited (“Greatest Wealth”) and Allied Victory as well as their respective related shareholder’s loans from the Wang On Group (the “Acquisitions”) as announced in the Joint Announcement, and for the routine business operations of LeRoi and its subsidiaries. Pursuant to the Loan Agreement, LeRoi has an option to drawdown at any time within 3 years after the date of obtaining the approval of the Independent Shareholders at the SGM, on one or more occasions, amounts in the multiple of HK\$500,000 at an interest rate of 6.5% per annum.

Wang On holds 49% of the shareholding interests in WYT which indirectly holds 25.32% of the shareholding interests in LeRoi. Since WYT proposes to provide the Financial Assistance to LeRoi for the benefit of Wang On, a connected person of WYT, in relation to the

LETTER OF ADVICE FROM NUADA LIMITED

Acquisitions, the Financial Assistance constitutes a discloseable and connected transaction of WYT under Rule 14.06(2) and Rule 14A.13(3) of the Listing Rules. According to the Listing Rules, the Financial Assistance is subject to the Independent Shareholders' approval at the SGM, voting by way of poll. Wang On and its associates are required to abstain from voting on the relevant resolutions in respect of the Financial Assistance at the SGM.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Loan Agreement is in the interests of WYT and the shareholders of WYT as a whole, in the ordinary and usual course of business of the Group, on normal commercial terms, and fair and reasonable.

BASES AND ASSUMPTIONS

In formulating our opinion, we have relied on the accuracy of the information and facts supplied, and the opinions and representations expressed to us by the Directors, WYT and its management. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by WYT and the Directors, and have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statements of intention of WYT or its Directors as set out in the Circular will be implemented.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Directors, WYT and its management in connection with the Loan Agreement and discussed with the management of the WYT Group so as to assess the fairness and reasonableness of the terms of the Loan Agreement. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Loan Agreement.

We have assumed that all information and representations made or referred to in the Circular and provided to us by WYT and the Directors, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be true, complete and accurate at the date of the SGM. We have not, however, carried out any independent verification of the information and representations provided to and reviewed by us nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of WYT, Wang On, LeRoi and/or their respective subsidiaries or associates. We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the Loan Agreement.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable

LETTER OF ADVICE FROM NUADA LIMITED

Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the Loan Agreement and in giving our advice to the Independent Board Committee and the Independent Shareholders are set out below:

Background and reasons for the Loan Agreement

The WYT Group is principally engaged in the production and sale of (i) traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of “Wai Yuen Tong” and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong; and (ii) western pharmaceutical products under the brand name of “Madame Pearl’s”. LeRoi, being an associate company of WYT, is principally engaged in the trading of fashion apparel to the market in the PRC.

Financial information of LeRoi

A summary of the audited consolidated financial statements of the LeRoi Group for the two financial years ended 31 March 2006 and the unaudited consolidated financial statements of the LeRoi Group for the six months ended 30 September 2006 are set out below:

	For the year ended 31 March		For the six months ended
	2005	2006	30 September
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Audited)	(Unaudited)
Turnover	111,031	78,833	21,540
Gross Profit	32,165	20,256	10,082
Net Profit/(Loss)	(3,640)	(39,410)	(1,081)
			As at
	As at 31 March		30 September
	2005	2006	2006
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Audited)	(Unaudited)
Net assets	83,101	44,862	43,781
Net current assets	69,927	32,939	33,327

LETTER OF ADVICE FROM NUADA LIMITED

The LeRoi Group recorded an audited turnover of approximately HK\$78.8 million for the financial year ended 31 March 2006, representing a decrease of approximately 29.0% as compared to approximately HK\$111.0 million for the financial year ended 31 March 2005. The gross profit of the LeRoi Group also decreased from approximately HK\$32.2 million for the financial year ended 31 March 2005 to approximately HK\$20.3 million for the financial year ended 31 March 2006, while the net loss of the LeRoi Group heightened from approximately HK\$3.6 million for the financial year ended 31 March 2005 to approximately HK\$39.4 million for the financial year ended 31 March 2006.

As stated in the annual report 2006 of LeRoi, the LeRoi Group's loss for the financial year ended 31 March 2006 was due to the decrease in number of franchisees and drop in average sales per franchisee. Moreover, the LeRoi Group had provided for impairment of trade receivables of approximately HK\$11 million and obsolete inventories of approximately HK\$21 million. For the six months ended 30 September 2006, the LeRoi Group recorded an unaudited turnover of approximately HK\$21.5 million, representing a decrease of approximately 43% as compared to the previous corresponding period and suffered an unaudited net loss of approximately HK\$1.08 million. As stated in the interim report 2006 of LeRoi, the LeRoi Group's performance for the period was affected by the decrease in turnover which was a result of, amongst other things, keen competition in the domestic fashion market in the PRC and unfavourable weather condition. In view of the continuous losses of the LeRoi Group, we consider that the financial performance of the LeRoi Group's existing fashion apparel business is unsatisfactory and unpromising.

The LeRoi Group had net assets of approximately HK\$44.9 million as at 31 March 2006 as compared to HK\$83.1 million as at 31 March 2005, while the net current assets of the LeRoi Group amounted to approximately HK\$32.9 million as at 31 March 2006 as compared to approximately HK\$69.9 million as at 31 March 2005. As at 30 September 2006, the LeRoi Group had net assets of approximately HK\$43.8 million and net current assets of approximately HK\$33.3 million. In addition, the cash and bank balances of the LeRoi Group decreased from approximately HK\$16.6 million as at 31 March 2005 to approximately HK\$4.6 million as at 31 March 2006 and approximately HK\$5.5 million as at 30 September 2006. In view of the continuous losses of the LeRoi Group, we consider that the financial position of the LeRoi Group had been in general deteriorating and any business development of the LeRoi Group would be constrained. As such, we consider that the provision of the Financial Assistance would enhance the financial position and liquidity of the LeRoi Group for its business operations and future development.

Financing needs of LeRoi for the Acquisition

On 26 January 2007, All Access (an indirect wholly-owned subsidiary of LeRoi) and Wang On Commercial Management Limited ("WOCM") (an indirect wholly-owned subsidiary of Wang On) entered into a sale and purchase agreement pursuant to which All Access has conditionally agreed to acquire and WOCM has conditionally agreed to dispose of the entire issued share capital of Greatest Wealth and a related shareholder's loan at a consideration of HK\$8.0 million. Greatest Wealth currently operates 10 retail stalls selling fresh pork meat and related products in the wet markets owned and operated by Wang On.

LETTER OF ADVICE FROM NUADA LIMITED

On the same day, Garwell Investments Limited (“Garwell”) (an indirect wholly-owned subsidiary of LeRoi), and Suitbest Investments Limited (“Suitbest”) (an indirect wholly-owned subsidiary of Wang On) entered into the Second Sale and Purchase Agreement pursuant to which Garwell has conditionally agreed to acquire and Suitbest has conditionally agreed to dispose of the entire issued share capital of Allied Victory and a related shareholder’s loan. The sole assets held by Allied Victory are mainly comprised of the properties which are currently leased out. Allied Victory has also made a commitment to purchase the new properties at a total consideration of HK\$4.65 million.

In view of the purchase commitment made by Allied Victory, the consideration payable by Garwell under the Second Purchase will be subject to whether the purchase of the new properties can be completed before the completion date. In the event that Allied Victory fails to complete the purchase of the new properties on or before the completion date, the consideration will be approximately HK\$5.3 million (included the shareholder’s loan of the principal amount of HK\$5.08 million). In the event that the purchase of the new properties is completed on or before the completion date, the consideration will be approximately HK\$10.2 million (included the shareholder’s loan in the principal amount of HK\$9.98 million).

As stated in the Joint Announcement, Greatest Wealth recorded audited net profits before and after tax of HK\$486,984 and HK\$398,173 respectively for the year ended 31 March 2006 and Allied Victory generates monthly gross rental income of about HK\$28,400 from three of the properties. The LeRoi Directors consider that after completion of the Acquisitions, the LeRoi Group can diversify into new areas of business which are wet market retailing and property investment, and that the pork business of Greatest Wealth will be profitable and the rental receiving by Allied Victory will provide steady cash flow in the long run. The LeRoi Directors believe that the acquisitions of Greatest Wealth and Allied Victory can (i) strengthen the revenue stream of the LeRoi Group; (ii) reduce the risk in reliance on a single line of business; and (iii) mitigate the continuous loss making in the fashion apparel business. For details regarding the reasons for the Acquisitions, please refer to the Joint Announcement.

The consideration for the First Purchase and the Second Purchase will be payable in cash upon completion. In this regard, the Loan Agreement was entered into between the WYT Group and the LeRoi Group in respect of the provision the Financial Assistance to the LeRoi Group for settlement of such consideration as well as for the routine business operations of LeRoi. Given the principal business of the WYT Group in the production and sale of traditional Chinese medicine and western pharmaceutical products, we consider that the provision of the Financial Assistance is not in the ordinary and usual course of business of the WYT Group. Nevertheless, in view of (i) the unsatisfactory and unpromising financial performance of the LeRoi Group for the two financial years ended 31 March 2006 and the six months ended 30 September 2006 as well as the general deteriorating financial position of the LeRoi Group as detailed above; and (ii) the Financial Assistance is intended to be provided by the WYT Group to LeRoi, being an associate company of WYT, for the benefit of acquiring profitable and cash generating businesses and improving financial position of LeRoi so as to facilitate its business development, which may in turn benefit the WYT Group, we consider that the provision of the Financial Assistance by the WYT Group to LeRoi is reasonable

LETTER OF ADVICE FROM NUADA LIMITED

Principal terms of the Loan Agreement

Pursuant to the Loan Agreement, Better Gain will grant to LeRoi an unsecured loan facility with a limit of up to HK\$35,000,000, and LeRoi has an option to drawdown at any time within 3 years after the date of obtaining the approval of the Independent Shareholders at the SGM, on one or more occasions, amounts in the multiple of HK\$500,000 at an interest rate of 6.5% per annum (the “Interest Rate”). LeRoi shall repay the aggregate principal amount drawn together with interests on or before the date falling 36 months after the date of the Loan Agreement, or such later date (if any) as Gain Better and LeRoi may agree in writing.

As disclosed in the interim report 2006 of WYT, the WYT Group had bank balances and cash of approximately HK\$90.7 million as at 30 September 2006. As advised by WYT, the idle cash of WYT may be placed in fixed bank deposits and the current applicable interest rates for fixed bank deposits of WYT ranged from 2.75% to 5.0% per annum. It was also disclosed in the interim report 2006 of WYT that as at 30 September 2006, the WYT Group had an amount due from associates of approximately HK\$20.5 million, of which approximately HK\$12.3 million carried interest at 4% to 6.5% per annum and the balance were interest-free. As the Interest Rate falls within such ranges of interest rates for WYT’s fixed bank deposits and the amount due from associates to the WYT Group, we consider that the Interest Rate is fair and reasonable and the Loan Agreement is on normal commercial terms.

Taking into account (i) the purpose for the Loan Agreement in providing financial assistance to LeRoi, being an associate company of WYT, for the Acquisitions and for the routine business operations of LeRoi; and (ii) the interest income receivable by the WYT Group at a reasonable rate for the amount of drawdown under the Loan Agreement, we also consider that the entering into of the Loan Agreement is in the interest of WYT and the Shareholders as a whole.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the terms of the Loan Agreement is not in the ordinary and usual course of business of the WYT Group but is fair and reasonable and on normal commercial terms, and that the provision of the Financial Assistance is in the interest of WYT and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM in respect of the Loan Agreement.

Yours faithfully,
For and on behalf of
Nuada Limited

Bernard Chan
Executive Director

Po Chan
Executive Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short position in the securities of the Company and its associated corporations

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

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

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of Shareholder	Interest in Shares and underlying shares of the Company (Note 1)	Approximate percentage (Note 2)
Wang On Group Limited ("Wang On") (Note 2)	684,209,324 (L)	49%
Wang On Enterprises (BVI) Limited ("WOE") (Note 2)	684,209,324 (L)	49%
Rich Time Strategy Limited ("Rich Time") (Note 2)	684,209,324 (L)	49%

Notes:

1. The letter “L” denotes a long position in the shares of the Company.
2. Rich Time is wholly-owned by WOE, and WOE is a wholly-owned subsidiary of Wang On. WOE and Wang On are deemed to be interested in the 684,209,324 shares held by Rich Time.
3. The percentage represents the number of relevant shares over the total of 1,396,347,688 shares comprising the issued share capital of the Company as at the Latest Practicable Date.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, there was no other person (not being a Director or chief executive of the Company) who had an interest or short position in Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 March 2006, being the date to which the latest published audited consolidated accounts of the Group were made up.

4. DIRECTORS' SERVICE CONTRACTS

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

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

7. DIRECTORS' INTEREST IN ASSETS, CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2006 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group; and was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the date of this circular which was significant in relation to the business of the Group.

8. EXPERTS' QUALIFICATION AND CONSENTS

Name	Qualification
Nuada	a licensed corporation permitted to carry on businesses in type 6 (advising on corporate finance) regulated activity under the SFO

Nuada has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letter, report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, Nuada was not interested beneficially or otherwise in any Shares or shares in any of the Company's subsidiaries or associated companies and did not have any right, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any Shares or shares in any of the Company's subsidiaries or associated companies nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong up to and including the date of the SGM:

- (a) the letter of advice from Nuada, the text of which is set out on pages 11 to 16; and
- (b) the Loan Agreement.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.
- (b) The qualified accountant of the Company is Mr. Lao Wai Keung, CPA.
- (c) The company secretary of the Company is Mr. Chan Chun Hong, Thomas. He is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants.
- (d) The branch share registrar of the Company in Hong Kong is Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

NOTICE OF SGM



WAI YUEN TONG MEDICINE HOLDINGS LIMITED

(位元堂藥業控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 897)

NOTICE IS HEREBY GIVEN that a special general meeting of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”) will be held at 37th Floor, Two International Finance Centre, 8 Finance Street, Hong Kong on Thursday, 15 March 2007, at 9:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

“**THAT** (a) the conditional loan agreement dated as of 26 January 2007 (the “**Loan Agreement**”) between Gain Better Investments Limited (“**GBIL**”) (a subsidiary of the Company) and LeRoi Holdings Limited (“**LeRoi**”), a copy of which has been produced to the meeting and marked “A” and initialled by the chairman of this meeting for the purpose of identification, pursuant to which, inter alia, GBIL has agreed to provide an unsecured loan facility to LeRoi for an amount of up to HK\$35,000,000 at an interest rate of 6.5% per annum, the provision of which constitutes financial assistance from the Company to LeRoi and which is for the benefit of Wang On Group Limited; and (b) other transactions contemplated by or incidental to the Loan Agreement and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to the Loan Agreement, be and is hereby generally and unconditionally approved, confirmed and ratified.”

By Order of the Board
Wai Yuen Tong Medicine Holdings Limited
Chan Chun Hong, Thomas
Managing Director

Hong Kong, 26 February 2007

Notes:

- (1) A member of the Company entitled to attend and vote at the above meeting may appoint a proxy or more than one proxy to attend and vote on his behalf. A form of proxy for use at the above meeting is enclosed herewith. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointer or an attorney duly authorized in writing. If the appointer is a corporation, the form of proxy must be under its common seal or under the hand of an officer, attorney or other person authorized to sign the proxy.
- (3) In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of that power of attorney or authority, must be deposited at the Hong Kong branch share registrar of the Company, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (4) Completion and delivery of the form of proxy will not preclude members from attending and voting at the above meeting or any adjournment thereof, in which case the form of proxy shall be deemed to be revoked.

* *For identification purposes only*