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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 CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which involves:

- (1) a proposed Share Consolidation whereby every twenty (20) Existing Shares in issue will be consolidated into one (1) Consolidated Share;
- (2) a proposed Capital Reduction whereby: (a) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (b) the nominal value of all the issued Consolidated Shares shall be reduced from HK\$0.2 each to HK\$0.01 each and the issued share capital of the Company shall be reduced by HK\$0.19 per Consolidated Share in issue; and
- (3) transferring all the credits arising from the Capital Reduction to the contributed surplus account of the Company for use by the Board in any manner permitted by Bermuda law.

CHANGE IN BOARD LOT SIZE

The Existing Shares are traded on the Stock Exchange in board lot size of 20,000 Existing Shares. The Board proposes to change the board lot size of the Existing Shares to 5,000 New Shares upon the Capital Reorganisation becoming effective.

* *For identification purpose only*

WARNING

Shareholders should take note that the Capital Reorganisation is conditional upon satisfaction of conditions set out in the paragraph headed “Conditions of the Capital Reorganisation”. Therefore, the Capital Reorganisation may or may not proceed.

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

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. A circular containing, among other things, (i) further details of the Capital Reorganisation and the Change in Board Lot Size; and (ii) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 19 February 2016.

PROPOSED CAPITAL REORGANISATION

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- (3) transferring all the credits arising from the Capital Reduction to the contributed surplus account of the Company for use by the Board in any manner permitted by Bermuda law.

As at the date of this announcement, the authorised share capital of the Company was HK\$600,000,000.00 comprising 60,000,000,000 Existing Shares of HK\$0.01 each, of which 6,325,714,453 Existing Shares have been issued and fully paid or credited as fully paid. Immediately following the Capital Reorganisation, the authorised share capital of the Company will be HK\$600,000,000.00 divided into 60,000,000,000 New Shares of HK\$0.01 each, of which 316,285,722 New Shares will be in issue and the aggregate nominal value of the issued share capital of the Company will be HK\$3,162,857.22 (assuming that no Existing Shares are issued or repurchased from the date of this announcement until the effective date of the Capital Reorganisation). A credit of HK\$60,094,287.31 will arise as a result of the Capital Reduction. Such credit (which includes any credit arising as a result of the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation) will be transferred to the contributed surplus account of the Company.

Assuming no Existing Shares are issued or repurchased from the date of this announcement until the effective date of the Capital Reorganisation, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately after the Share Consolidation becoming effective	Immediately after the Capital Reorganisation becoming effective
Nominal value of each share in issue	HK\$0.01 per Existing Share	HK\$0.20 per Consolidated Share	HK\$0.01 per New Share
Issued and fully paid up share capital or credited as fully paid up	HK\$63,257,144.53 divided into 6,325,714,453 Existing Shares	HK\$63,257,144.53 divided into 316,285,722.65 Consolidated Shares (Note)	HK\$3,162,857.22 divided into 316,285,722 New Shares

Note: The fractional share of 0.65 will be cancelled pursuant to the Capital Reduction.

Under the laws of Bermuda, contributed surplus is a distributed reserve and the Directors may apply the contributed surplus of the Company in any manner permitted by the Companies Act and the bye-laws of the Company.

Fractional entitlement to the New Shares

Any fractional Consolidated Share to which an individual Shareholder is entitled to will not be issued by the Company to such Shareholder, but will be aggregated, sold and retained for the benefit of the Company. Any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (a) the passing of the necessary special resolution(s) by the Shareholders approving the Capital Reorganisation at the SGM;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares in issue and to be issued upon the Capital Reorganisation becoming effective and the New Shares which may fall to be allotted and issued upon exercise of the Share Options outstanding and to be granted under the Share Option Scheme(s); and
- (c) compliance with Section 46(2) of the Companies Act to effect the Capital Reduction, which includes the publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act.

Reasons for the Capital Reorganisation

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the Company approaches the extremity of HK\$0.01, the Stock Exchange reserves the right to require the Company either to change the trading method or to proceed with a consolidation of its shares.

In view of the recent trading price of the Existing Shares, the Board proposes to implement the Capital Reorganisation.

The Board is of the opinion that the Capital Reorganisation will enable the Company to comply with the trading requirements under the Listing Rules and will provide the Company with greater flexibility in possible fund raisings in the future. Furthermore, the credit in the contributed surplus account arising from the Capital Reduction will enable the Company to set off its accumulated losses as may arise from time to time and may be applied in the future for distribution to the Shareholders or in any manner permitted by the Companies Act and the bye-laws of the Company.

The Board considers that the Capital Reorganisation is beneficial to and in the interests of the Company and the Shareholders as a whole.

Effects of the Capital Reorganisation

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group and that on the date the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. No working capital will be lost as a result of the Capital Reorganisation and, except for the expenses involved in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Capital Reorganisation becoming effective. The Capital Reorganisation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Listing application and dealings

An application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation and the New Shares which may fall to be allotted and issued upon exercise of the Share Option(s) outstanding and to be granted under the Share Option Scheme(s).

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The New Shares in issue will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. All necessary arrangements will be made for the New Shares to be admitted into CCASS.

Free exchange of share certificates and arrangement for matching service for odd lots

Subject to the Capital Reorganisation becoming effective, which is expected to be on Wednesday, 16 March 2016, Shareholders may, during the prescribed period between Wednesday, 16 March 2016 and Tuesday, 26 April 2016 (both dates inclusive), submit existing share certificates for the Existing Shares to the Hong Kong Branch Share Registrar, **Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong**, to exchange, at the expense of the Company, for new share certificates for the New Shares. It is expected that the new share certificates for the New Shares will be available for collection within 10 Business Days from the date of submission for the exchange. Thereafter, the existing share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each share certificate of Existing Shares cancelled or each new share certificate issued for New Shares, whichever number of certificates issued or cancelled is higher. The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m. on Tuesday, 26 April 2016 and thereafter will not be accepted for delivery, trading and settlement purposes. Nevertheless, certificates of Existing Shares will continue to be good evidence of legal title and may be exchanged for certificates of New Shares at any time.

In order to facilitate the trading of odd lots (if any) of the New Shares, the Company will appoint a securities firm to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares. Details of the odd lot arrangement will be set out in the circular to be despatched to the Shareholders in relation to the Capital Reorganisation.

Shareholders holding the New Shares in odd lots should note that the matching of the sale and purchase of odd lots of the New Shares is on a best effort basis and successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Shareholders are recommended to consult their professional advisers if they are in doubt about the odd lot trading arrangement.

Adjustments in Relation to the Share Options

As at the date of this announcement, the Company has 1,077,434 outstanding Share Options granted under the Share Option Scheme(s), which entitle holders thereof to subscribe for 1,077,434 Existing Shares. The Capital Reorganisation may cause adjustments to the exercise prices of the Share Options and the number of New Shares to be issued under the outstanding Share Options pursuant to the terms and conditions of the Share Option Scheme(s). The Directors will determine any adjustments required to be made in respect the above as a result of the Capital Reorganisation. The Company will make further announcement about the adjustments in due course.

Save for the aforesaid, there are no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convertible or exchangeable into Existing Shares as at the date of this announcement.

CHANGE IN BOARD LOT SIZE

The Existing Shares are traded on the Stock Exchange in board lot size of 20,000 Existing Shares. The Board proposes to change the board lot size of the Existing Shares to 5,000 New Shares upon the Capital Reorganisation becoming effective.

Based on the closing price of HK\$0.072 per Existing Share as quoted on the Stock Exchange as at the date of this announcement, the estimated market value per board lot of 5,000 New Shares will be HK\$7,200 assuming the Capital Reorganisation becomes effective. The Board is of the view that the Change in Board Lot Size would reduce the effective minimum trading transaction size which enables the Company to attract more investors, improve the trading liquidity of the New Shares and broaden the Company's shareholder base.

EXPECTED TIMETABLE

Event	Time and date
	2016
Expected despatch date of the circular with notice of the SGM	Friday, 19 February
Latest time for lodging proxy forms for the SGM	10:00 a.m. on Sunday, 13 March
Expected date and time of the SGM	10:00 a.m. on Tuesday, 15 March
Announcement of results of the SGM	Tuesday, 15 March
Effective date and time of the Capital Reorganisation	9:00 a.m. on Wednesday, 16 March
Dealing in New Shares commences	9:00 a.m. on Wednesday, 16 March

Original counter for trading in the Existing Shares
in board lots of 20,000 temporarily closes 9:00 a.m. on
Wednesday, 16 March

Temporary counter for trading in the New Shares
in board lots of 1,000 (in the form of
existing share certificates) opens 9:00 a.m. on
Wednesday, 16 March

First day of free exchange of existing share certificates
for new share certificates for the New Shares Wednesday, 16 March

Original counter for trading in the New Shares
in new board lots of 5,000 (in the form of
new share certificates) re-opens 9:00 a.m. on Friday, 1 April

Parallel trading in the New Shares (in the form of
new share certificates and existing
share certificates) commences 9:00 a.m. on Friday, 1 April

Designated broker starts to stand in the market to
provide matching service for odd lots of
the New Shares 9:00 a.m. on Friday, 1 April

Temporary counter for trading in the New Shares
in board lots of 1,000 (in the
form of existing share certificates) closes 4:00 p.m. on Friday, 22 April

Parallel trading in the New Shares (in the form of
new share certificates and existing
share certificates) ends 4:00 p.m. on Friday, 22 April

Designated broker ceases to stand in the market to provide
matching service for odd lots of the New Shares 4:00 p.m. on Friday, 22 April

Last day of free exchange of existing
share certificates for the new share certificates Tuesday, 26 April

Notes:

1. All dates and time set out in this announcement refer to Hong Kong dates and time.
2. Dates or deadlines specified in this announcement are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) at the website of the Stock Exchange at www.hkexnews.hk and the Company's website at <http://www.wyth.net> as and when appropriate and in accordance with the Listing Rules.

WARNING

Shareholders should take note that the Capital Reorganisation is conditional upon satisfaction of conditions set out in the paragraph headed “Conditions of the Capital Reorganisation”. Therefore, the Capital Reorganisation may or may not proceed.

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

GENERAL

The SGM will be convened and held for the Shareholders to consider, and if thought fit, to approve, among other things, the Capital Reorganisation. In compliance with the Listing Rules, all resolution(s) will be voted by way of a poll at the SGM. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Shareholders are required to abstain from voting on the resolution(s) in relation to the Capital Reorganisation to be proposed at the SGM.

The circular containing, among other things, (i) further details of the Capital Reorganisation and the Change in Board Lot Size; and (ii) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 19 February 2016.

DEFINITIONS

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

“Board”	the board of the Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Capital Reduction”	the proposed reduction of the issued share capital of the Company whereby: (i) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (ii) the nominal value of all the issued Consolidated Shares shall be reduced from HK\$0.2 each to HK\$0.01 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.19 per Consolidated Share in issue

“Capital Reorganisation”	the proposed capital reorganisation of the issued share capital of the Company involving the Share Consolidation, the Capital Reduction and transferring all the credits arising from the Capital Reduction to the contributed surplus account of the Company for use by the Board in any manner permitted by Bermuda law
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size for trading from 20,000 Existing Shares to 5,000 New Shares
“Company”	Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), an exempted company incorporated in Bermuda with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 897)
“Companies Act”	the Companies Act 1981 of Bermuda
“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$0.20 each in the issued share capital of the Company immediately upon the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company prior to the implementation of the Capital Reorganisation
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, namely Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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“New Share(s)”	the new ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Capital Reorganisation
“Share Consolidation”	the proposed share consolidation of share(s) in the issued share capital of the Company whereby every twenty (20) issued Existing Shares will be consolidated into one (1) Consolidated Share
“Shareholder(s)”	the holder(s) of the Existing Share(s), Consolidated Share(s), and/or New Shares(s), as the case may be
“Share Options”	the outstanding share options granted under the Share Option Scheme(s) to subscribe for Existing Shares and/or New Shares in accordance with the terms thereof
“Share Option Scheme(s)”	any share option scheme of the Company, including the old share option scheme of the Company adopted by the Shareholders at the special general meeting held on 18 September 2003, which has been terminated on 22 August 2013, and the new share option scheme of the Company adopted by the Shareholders at the annual general meeting held on 22 August 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
WAI YUEN TONG MEDICINE HOLDINGS LIMITED
(位元堂藥業控股有限公司*)
Chan Chun Hong, Thomas
Managing Director

Hong Kong, 1 February 2016

As at the date of this announcement, the executive Directors are Mr. Tang Ching Ho, Mr. Chan Chun Hong, Thomas and Ms. Tang Mui Fun and the independent non-executive Directors are Mr. Leung Wai Ho, Mr. Siu Man Ho, Simon, Mr. Cho Wing Mou and Mr. Li Ka Fai, David.

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