

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



WING SHAN INTERNATIONAL LIMITED

榮山國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 570)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTEREST OF FOSHAN NANHAI PHARMACEUTICAL GROUP MEDICINAL MATERIAL CO. LTD.*

The Purchaser, a wholly-owned subsidiary of the Company, has entered into the Equity Interest Transfer Agreement with the Vendor after Stock Exchange trading hours on 2 July 2009, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire equity interest of Nanhai Pharmaceutical for a cash Consideration of RMB4,000,000 (equivalent to approximately HK\$4,537,000) subject to adjustment.

As the applicable percentage ratios for the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

The Vendor is owned as to 25.5% by each of Mr. Yang and Mr. Xu who are executive Directors. As such, the Vendor is an associate of the connected persons of the Company and the Acquisition also constitutes a connected transaction of the Company pursuant to the Listing Rules. As the applicable percentage ratios are more than 2.5% but less than 25% and the Consideration is less than HK\$10,000,000, the Acquisition is subject to the reporting and announcement requirement and is exempt from the independent Shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

Reference is made to the announcement and circular of the Company dated 16 December 2008 and 31 December 2008 respectively in relation to the Previous Major and Connected Transaction, which has been approved by the independent Shareholders in an extraordinary general meeting of the Company held on 19 January 2009.

As the Previous Major and Connected Transaction and the Acquisition are expected to complete within a 12-month period, they are aggregated and treated as one transaction pursuant to Rule 14A.25 of the Listing Rules. Based on the applicable percentage ratios, the Acquisition when aggregated with the Previous Major and Connected Transaction constitutes a major transaction. As the Acquisition and the Previous Major and Connected Transaction on an aggregated basis does not result in a higher transaction classification as compared to that for the Previous Major and Connected Transaction, they will not be subject to additional Listing Rules requirements. The Acquisition, being a discloseable and connected transaction itself, will not be reclassified by aggregating with the Previous Major and Connected Transaction.

THE EQUITY INTEREST TRANSFER AGREEMENT

Date

2 July 2009

Parties

佛山市南海醫藥集團有限公司 (Foshan Nanhai Pharmaceutical Group Co. Ltd.*) as the Vendor

廣東環球制藥有限公司 (Guangdong Medi-World Pharmaceutical Co. Ltd.*), an indirect wholly-owned subsidiary of the Company, as the Purchaser

Equity interest to be acquired

Pursuant to the Equity Interest Transfer Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the entire equity interest of Nanhai Pharmaceutical.

Consideration

The Consideration is RMB4,000,000 (equivalent to approximately HK\$4,537,000) and will be payable in cash by the Purchaser to the Vendor at Completion. The Consideration will be funded by internal resources of the Group. The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor and based on the price-earnings ratio of approximately 7.9 times of the audited profit of Nanhai Pharmaceutical for the year ended 31 December 2008, with reference to the price-earnings ratios of the companies listed on the Stock Exchange which are engaged in similar principal business as Nanhai Pharmaceutical.

According to the Equity Interest Transfer Agreement, if the net asset value as shown in the latest management accounts of Nanhai Pharmaceutical prior to Completion is less than the net asset value as shown in the audited financial statements of Nanhai Pharmaceutical as at 31 December 2008, the difference of such net asset value will be deducted from the Consideration as being the final consideration for the Acquisition. However, if the net asset value as shown in the latest management accounts of Nanhai Pharmaceutical prior to Completion exceeds the net asset value as shown in the

audited financial statements of Nanhai Pharmaceutical as at 31 December 2008, no adjustment to the Consideration is required.

Conditions and Completion

Completion is subject to the satisfaction or waiver by the Purchaser of the following conditions:—

- (i) the execution of the Equity Interest Transfer Agreement and the Acquisition having been approved by the shareholders of the Vendor;
- (ii) the execution of the Equity Interest Transfer Agreement and the Acquisition having been approved by the board of directors of the Vendor;
- (iii) the Purchaser being satisfied with the results of the financial, business and legal due diligence in respect of Nanhai Pharmaceutical and such due diligence not having revealed that the representations, undertakings or warranties given by the Vendor under the Equity Interest Transfer Agreement being materially breached, inaccurate or misleading;
- (iv) the Vendor having agreed and procured the resignation of the existing directors of Nanhai Pharmaceutical and agreed appointments of the 3 directors nominated by the Purchaser to the board of directors of Nanhai Pharmaceutical;
- (v) an announcement regarding the Acquisition having made by the Company in accordance with the Listing Rules and the execution of the Equity Interest Transfer Agreement and the Acquisition having been approved by the Directors; and
- (vi) the obtaining of a notification of approval issued by the Administration of Industry and Commerce of Foshan City for the registrations regarding the transfer of ownership of the entire equity interest in Nanhai Pharmaceutical to the Purchaser and the appointment of persons nominated by the Purchaser as directors and legal representative of Nanhai Pharmaceutical.

Completion will take place on the third Business Day after the above conditions are satisfied or waived by the Purchaser. If the above conditions are not satisfied or waived by the Purchaser within 3 months after signing of the Equity Interest Transfer Agreement and no agreement of extension of time is reached by the parties, the Equity Interest Transfer Agreement shall become null and void.

Following Completion, Nanhai Pharmaceutical will become an indirect wholly-owned subsidiary of the Company. As a result, its assets and financial results will be consolidated into the accounts of the Group with effect from the date of Completion.

INFORMATION ON THE VENDOR AND NANHAI PHARMACEUTICAL

The Vendor is a company established in the PRC with limited liability and is principally engaged in the management of investment in the sectors of pharmaceuticals, medical equipments, hospital, sanitary materials and health food.

Nanhai Pharmaceutical is a company established in the PRC with limited liability. Nanhai Pharmaceutical is principally engaged in the business of sales of traditional Chinese medicines, over-the-counter Chinese medicine, traditional Chinese medicine prepared in ready-to-use forms, toxic Chinese herbal medicine used for medical purpose, dietary supplements, processing of traditional Chinese medicine and manufacturing traditional Chinese medicine prepared in ready-to-use forms.

Based on the audited accounts for each of the two years ended 31 December 2007 and 31 December 2008 prepared in accordance with the PRC accounting standards, the net profit before tax of Nanhai Pharmaceutical was RMB450,070 (equivalent to approximately HK\$510,492) and RMB689,101 (equivalent to approximately HK\$781,612), respectively and the net profit after tax of Nanhai Pharmaceutical was RMB280,147 (equivalent to approximately HK\$317,756) and RMB506,776 (equivalent to approximately HK\$574,810), respectively.

As at 31 December 2008, the audited net asset value of Nanhai Pharmaceutical was approximately RMB1,526,776 (equivalent to approximately HK\$1,731,745).

The Vendor's original purchase cost for the entire equity interest of Nanhai Pharmaceutical was RMB700,000 (equivalent to approximately HK\$793,975), representing the entire paid-up capital of Nanhai Pharmaceutical.

REASONS FOR THE ACQUISITION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture and sale of Chinese medicine and pharmaceutical products in the PRC.

Following the Group's acquisition of 廣東環球制藥有限公司 (Guangdong Medi-World Pharmaceutical Co. Ltd.*) and its subsidiaries which was completed in February 2009, the Board considers that the Acquisition would allow the Company to further penetrate into the pharmaceutical business in the PRC. Aligning with the continuous and steady economic growth in the PRC, people in the PRC are becoming more health-conscious and more willing to spend in medical and health area. As one of the Group's strategies is to establish a unified purchase platform to lower material costs through economies of scale, the Board considers that the Acquisition will create synergistic benefits to the Group for this purpose and enables the Company to broaden its revenue base and further improve the financial performance of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Interest Transfer Agreement are normal commercial terms and are fair and reasonable, and the Acquisition is in the interest of the Company and the Shareholders as a whole.

DISCLOSEABLE AND CONNECTED TRANSACTION

As the applicable percentage ratios for the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

The Vendor is owned as to 25.5% by each of Mr. Yang and Mr. Xu who are executive Directors. As such, the Vendor is an associate of the connected persons of the Company and the Acquisition also constitutes a connected transaction of the Company pursuant to the Listing Rules. As the applicable percentage ratios are more than 2.5% but less than 25% and the Consideration is less than HK\$10,000,000, the Acquisition is subject to the reporting and announcement requirement and is exempt from the independent Shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

Reference is made to the announcement and circular of the Company dated 16 December 2008 and 31 December 2008 respectively in relation to the Previous Major and Connected Transaction, which has been approved by the independent Shareholders in an extraordinary general meeting of the Company held on 19 January 2009.

As the Previous Major and Connected Transaction and the Acquisition are expected to complete within a 12-month period, they are aggregated and treated as one transaction pursuant to Rule 14A.25 of the Listing Rules. Based on the applicable percentage ratios, the Acquisition when aggregated with the Previous Major and Connected Transaction constitutes a major transaction. As the Acquisition and the Previous Major and Connected Transaction on an aggregated basis does not result in a higher transaction classification as compared to that for the Previous Major and Connected Transaction, they will not be subject to additional Listing Rules requirements. The Acquisition, being a discloseable and connected transaction itself, will not be reclassified by aggregating with the Previous Major and Connected Transaction.

DEFINITIONS

“Acquisition”	the proposed acquisition of the entire equity interest of Nanhai Pharmaceutical pursuant to the Equity Interest Transfer Agreement
“Business Day(s)”	any day(s) (other than a Saturday, Sunday or public holiday in the PRC) on which banks in the PRC are generally open for business
“Company”	Wing Shan International Limited (榮山國際有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB4,000,000 (equivalent to approximately HK\$4,537,000 million), subject to adjustment, payable by the Purchaser to the Vendor for the Acquisition pursuant to the Equity Interest Transfer Agreement

“Directors”	directors of the Company
“Equity Interest Transfer Agreement”	the equity interest transfer agreement dated 2 July 2009 entered into between the Vendor and the Purchaser in respect of the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Xu”	Mr. Xu Tiefeng (徐鉄峰), an executive Director
“Mr. Yang”	Mr. Yang Bin (楊斌), an executive Director
“Nanhai Pharmaceutical”	佛山市南海醫藥集團藥材有限公司 (Foshan Nanhai Pharmaceutical Group Medicinal Material Co. Ltd.*), a company established in the PRC with limited liability
“Previous Major and Connected Transaction”	the acquisition of Smartpoint International Limited and its subsidiaries, including the Purchaser, from Mr. Xu, Mr. Yang and Mr. Wu Chiu Kong, which constituted a major and connected transaction pursuant to the Listing Rules
“Purchaser”	廣東環球制藥有限公司 (Guangdong Medi-World Pharmaceutical Co. Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China
“Shareholders”	the holders of the ordinary shares of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	佛山市南海醫藥集團有限公司 (Foshan Nanhai Pharmaceutical Group Co. Ltd.*), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

For illustration purpose in this announcement, amounts in RMB have been translated into HK\$ at the rate of RMB0.88164 = HK\$1.00

By order of the Board
Wing Shan International Limited
DU Richeng
Chairman

Hong Kong, 2 July 2009

As at the date of this announcement, the Board comprises nine Directors, of which Mr. DU Richeng is a non-executive Director, Mr. YANG Bin, Mr. SITU Min, Mr. LI Songquan and Mr. XU Tiefeng are executive Directors, and Mr. LO Wing Yat, Mr. PANG Fu Keung, Mr. ZHANG Jianhui and Mr. WANG Bo are independent non-executive Directors.

* *For identification only*