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BEIJING YU SHENG TANG PHARMACEUTICAL GROUP LIMITED

北京御生堂藥業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1141)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

**Placing Agent
CHUNG NAM SECURITIES LIMITED**

PLACING OF UP TO 823,695,952 NEW SHARES UNDER GENERAL MANDATE

The Board announced that on 24 October 2011, after trading hours, the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Placing Agent has conditionally agreed to place for up to 823,695,952 new Shares on a best effort basis, to not less than six Placees, at a price of HK\$0.093 per Share.

The maximum number of 823,695,952 Placing Shares under the Placing represent 20.00% of the existing issued share capital of the Company of 4,118,479,760 Shares as at the date of this announcement and approximately 16.67% of the then issued share capital of 4,942,175,712 Shares as enlarged by the Placing.

The Placing Price of HK\$0.093 represents (i) a discount of approximately 17.70% to the closing price of the Shares of HK\$0.113 quoted on the Stock Exchange on 24 October 2011, being the date of the Placing Agreement and (ii) a discount of approximately 15.45% to the average closing price of the Shares of approximately HK\$0.110 quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 24 October 2011.

* For identification purpose only

The maximum gross proceeds from the Placing will be approximately HK\$76.6 million and the maximum net proceeds from the Placing will be approximately HK\$74.4 million which will be used as general working capital of the Group.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement.

As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING

The Board announced that on 24 October 2011, after trading hours, the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Placing Agent has conditionally agreed to place for up to 823,695,952 new Shares on a best effort basis, to not less than six Placees, at a price of HK\$0.093 per Share.

THE PLACING AGREEMENT

Date:

24 October 2011

Issuer:

The Company

Placing Agent and Placees:

Chung Nam Securities Limited is the Placing Agent. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

The Placees, being independent individual, corporation and/or institutional investors, who and whose ultimate beneficial owners will be third parties independent of and not connected with the Company and its connected persons.

The Placing is on a best effort basis. The Placing Shares will be placed to not less than six Placees. It is expected that none of the Placees will become substantial Shareholder of the Company immediately after the Placing.

Number of Placing Shares:

The maximum number of 823,695,952 Placing Shares under the Placing represent 20.00% of the existing issued share capital of the Company of 4,118,479,760 Shares as at the date of this announcement and approximately 16.67% of the then issued share capital of 4,942,175,712 Shares as enlarged by the Placing.

Ranking of Placing Shares:

The Placing Shares under the Placing will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price:

The Placing Price of HK\$0.093 represents (i) a discount of approximately 17.70% to the closing price of the Shares of HK\$0.113 quoted on the Stock Exchange on 24 October 2011, being the date of the Placing Agreement; and (ii) a discount of approximately 15.45% to the average closing price of the Shares of approximately HK\$0.110 quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 24 October 2011.

The maximum net placing price for the Placing is approximately HK\$0.090 per Share.

The Placing Price was negotiated on arm's length basis between the Company and the Placing Agent. The Directors consider that the Placing Price is fair and reasonable based on current market conditions and is in the interests of the Company and the Shareholders as a whole.

Placing commission payable to the Placing Agent:

The Placing Agent will receive a placing commission calculated as 2.5% of the amount equal to the Placing Price multiplied by the number of the Placing Shares.

Conditions of the Placing Agreement:

Completion is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares.

The Company and the Placing Agent shall use their respective best endeavours to procure the fulfilment of the conditions and in particular, shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may reasonably be required by each other and/or the Stock Exchange and/or the SFC in connection with the fulfilment of the conditions.

If the conditions are not fulfilled on or prior to 30 November 2011 (or such later date as the Company and the Placing Agent shall agree in writing), the Placing Agreement and all the obligations thereunder will cease and terminate and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

Termination and force majeure events:

The Placing Agreement may be terminated by the Placing Agent if at any time prior to 10:00 a.m. on the date of completion for the Placing Agreement, in the absolute opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (i) any material breach of any of the representations and warranties under the Placing Agreement; or
- (ii) any of the following events:
 - (a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
 - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
 - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - (d) a change or development involving a prospective change in taxation in Hong Kong, Bermuda or the People's Republic of China or the implementation of exchange controls which shall or might materially and adversely affect the Group (as a whole) or its present or prospective shareholders in their capacity as such; or
 - (e) any change or deterioration in the conditions of local, national or international securities markets occurs.

General Mandate:

The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting held on 26 August 2011. Under this general mandate, the Directors are allowed to allot and issue up to 823,695,952 Shares. As at the date of this announcement, no Shares have been issued and allotted under such general mandate and therefore, the Company is allowed to issue a maximum of 823,695,952 Shares under such general mandate. The Placing Shares will utilize 100% of the said 823,695,952 Shares that are allowed to be allotted and issued under such

general mandate. Accordingly, the Directors may consider further refreshment of general mandate before the forthcoming annual general meeting if thought fit and will comply with the relevant requirements under the Listing Rules.

Completion:

Completion of the Placing shall take place on the second Business Day upon the fulfillment of the conditions of the Placing (or such other time or date as the Company and the Placing Agent shall agree in writing).

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the business of supply and procurement of metal minerals, pharmaceutical products, provision of finance and securities investment. The maximum gross proceeds from the Placing will be approximately HK\$76.6 million and the maximum net proceeds from the Placing (after deducting the placing commission for the Placing and other expenses) of approximately HK\$74.4 million will be used as general working capital of the Group.

The Directors have considered different types of fund raising arrangement such as rights issue and open offer and the Directors consider that the Placing is the most efficient way in terms of cost and time involved for the Company. In the meantime, the Company can take this opportunity to broaden the capital base and shareholders base of the Company.

FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds
10 November 2010	Placing of 1,000,000,000 new shares at a price of HK\$0.32 per share under specific mandate	Approximately HK\$311.2 million	(i) For general working capital of the Group and/or (ii) repayment of debts of the Group and/or (iii) funding of appropriate investment opportunities if arise	Used as intended (approximately HK\$124 million used as general working capital of the Group and approximately HK\$187.2 million used to repurchase convertible notes issued by the Company)

SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing are set out as below, for illustration purposes:–

Shareholders	As at the date of this announcement		Upon completion of the Placing	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Substantial Shareholder:				
Global Wealthy Limited (<i>Note 1</i>)	437,433,866	10.62	437,433,866	8.85
Director:				
Suen Cho Hung, Paul	10,000,000	0.24	10,000,000	0.20
Other Shareholders:				
Placees	–	–	823,695,952	16.67
Other public Shareholders	3,671,045,894	89.14	3,671,045,894	74.28
Total	4,118,479,760	100.00	4,942,175,712	100.00

Notes:

1. Global Wealthy Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly owned subsidiary of Excelsior Kingdom Limited, which in turn is wholly owned by Mr. Suen Cho Hung, Paul, an Executive Director and the Chairman of the Company.
2. As at the date of this announcement, the outstanding share options that can subscribe for 16,000,000 Shares under the share option scheme of the Company held by Mr. Suen Cho Hung, Paul remain unexercised.
3. The above shareholding structure table assumes no other issue of new Shares and no repurchase of existing Shares before completion of the Placing.

DEFINITIONS

In this announcement, the following terms shall have the meanings set opposite them unless the context otherwise requires:

“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday or public holiday) on which banks generally are open for business in Hong Kong

“Company”	Beijing Yu Sheng Tang Pharmaceutical Group Limited (Stock Code: 1141), a company incorporated in Bermuda with limited liability and the shares of which are listed on main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any individual, corporation and/or institutional investors procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	placing of up to 823,695,952 new Shares on best effort basis by the Placing Agent at the Placing Price pursuant to the Placing Agreement
“Placing Agent”	Chung Nam Securities Limited, a deemed licensed corporation within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement entered into between the Placing Agent and the Company dated 24 October 2011 in respect of the Placing
“Placing Price”	HK\$0.093 per Share
“Placing Shares”	a maximum number of 823,695,952 new Shares to be placed under the Placing
“SFC”	Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
Suen Cho Hung, Paul
Chairman

Hong Kong, 24 October 2011

As at the date of this announcement, the Board comprises Mr. Suen Cho Hung, Paul (Chairman), Mr. Sue Ka Lok (Chief Executive Officer), Mr. Bai Jianjiang and Ms. Lee Chun Yeung, Catherine as Executive Directors and Mr. Wong Kwok Tai, Mr. Weng Yixiang and Mr. Lu Xinsheng as Independent Non-executive Directors.