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YANION INTERNATIONAL HOLDINGS LIMITED

(益安國際集團有限公司)*

(Incorporated in Bermuda with limited liability)

PLACING OF NEW SHARES UNDER GENERAL MANDATE AND RESUMPTION OF TRADING

SUMMARY

The board of directors of the Company is pleased to announce that the Company and Dao Heng Securities Limited entered into a conditional placing agreement dated 24th May, 2002 in relation to the placing of up to 68,000,000 new ordinary shares of HK\$0.50 each in the capital of the Company at an issue price of HK\$1.40 per share to six or more independent investors, on a “best effort” basis.

The Placing Shares represent approximately 13.1% of the Company’s total issued share capital at the date of this announcement and approximately 11.5% of the issued share capital of the Company as enlarged by the issue of the Placing Shares. Out of the net proceeds of the Placing of up to approximately HK\$92.7 million, approximately HK\$62.6 million will be used to finance the capital contribution to the PRC JV to be established between the Group and a subsidiary of 中國藥材集團公司 (Chinese National Group Corporation of Traditional and Herbal Medicine) as disclosed in announcements dated 3rd January, 2002 and 12th April, 2002 and the balance will be used as general working capital of the Company.

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

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 24th May, 2002 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 28th May, 2002.

As stated in the announcements of the Company dated 3rd January, and 12th April, 2002, pending the fulfilment of certain conditions in the conditional sale and purchase agreement dated 2nd January, 2002 (the “S&P Agreement”) and the supplemental agreement dated 11th April, 2002 (the “Supplemental Agreement”), the Group will establish a joint venture (the “PRC JV”) with a subsidiary of 中國藥材集團公司 (Chinese National Group Corporation of Traditional and Herbal Medicine). The PRC JV will engage in the pharmaceutical business in the PRC and will possess intellectual properties of 16 medicines and related machineries and equipment, and will have a working capital in excess of RMB60 million for business expansion upon full establishment.

To finance the capital contribution to the PRC JV and to raise additional general working capital, the Company has entered into a placing agreement with the Placing Agent on 24th May, 2002, the details of which are as described below.

AGREEMENT DATED 24TH MAY, 2002

Issuer

Yanion International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”)

Placing Agent and placees

Dao Heng Securities Limited (the “Placing Agent”), who (together with its ultimate beneficial owners) are independent of and not connected with the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)), has conditionally agreed to place (the “Placing”) up to 68,000,000 new ordinary shares of HK\$0.50 each in the capital of the Company (the “Placing Shares”) at an issue price of HK\$1.40 per Placing Share (the “Placing Price”) to six or more investors who are (together with their ultimate beneficial owners) independent of and not connected with any directors, chief executive or substantial shareholders of the Company or any of their subsidiaries or any of their respective associates (as defined under the Listing Rules), on a “best effort” basis.

Upon completion of the Placing, no new substantial shareholder will be introduced.

Placing Shares

Up to 68,000,000 new ordinary shares of HK\$0.50 each in the capital of the Company.

The Placing Shares represent approximately 13.1% of the existing issued share capital of the Company and approximately 11.5% of the issued share capital of the Company as enlarged by the issue of the Placing Shares. The Placing Shares will be issued under the general mandate granted to the directors of the Company at the special general meeting of the Company held on 8th January, 2002.

The Placing Shares will rank pari passu in all respects with the existing shares in issue.

Placing Price

The Placing Price of HK\$1.40 per Placing Share represents a discount of approximately 3.4% to the closing price of HK\$1.45 per share of the Company as quoted on the Stock Exchange on 23rd May, 2002, and a discount of approximately 4.8% to the average closing price of HK\$1.47 per share of the Company for the last ten consecutive trading days up to and including 23rd May, 2002.

Condition of the Placing

Completion of the Placing is conditional upon the Listing Committee of the Stock Exchange granting a listing of, and permission to deal in, the Placing Shares, which is expected to take place on or before 13th June, 2002 or such other date as the Company and the Placing Agent may mutually agree. In the event that such condition is not fulfilled (or waived) on or before 28th June, 2002 (or such other date as the parties may mutually agree), the Placing shall lapse and cease to be of any effect and neither of the parties hereto shall have any rights and remedies against the other.

If at any time prior to 10:00 a.m. on 13th June, 2002 or such other date as the Company and the Placing Agent may mutually agree, there develops, occurs or comes into effect any event, development or change which, in the opinion of the Placing Agent, is or is likely to be adverse to the Company, then the Placing Agent may by notice in writing to the Company to terminate the Placing.

Reason for the Placing

The principal activity of the Company is investment holding. The Group is principally engaged in the business of manufacturing and trading of audio/visual products, personal office appliances and medical devices; and development of Internet phone and video-on-demand system. The Directors believe that, with the PRC's accession to the World Trade Organisation and the growth in the economy of the PRC, there will be significant growth opportunities in the pharmaceutical industry in the PRC. Therefore, the S&P Agreement and the Supplemental Agreement were entered into by the Group for the establishment of the PRC JV which, in the view of the Directors, will enhance the Group's long term competitive position in the PRC pharmaceutical business through leveraging on the supply and distribution network of 中國藥材集團公司 (Chinese National Group Corporation of Traditional and Herbal Medicine).

The directors of the Company consider that it is in the best interest of the Company to raise further capital from the equity market by way of the placing in order to enhance the capital base of the Company as well as to strengthen the cash flow of the Company. Out of the net proceeds of up to approximately HK\$92.7 million, approximately HK\$62.6 million will be used to finance the capital contribution to the PRC JV to be established between the Group and a subsidiary of 中國藥材集團公司 (Chinese National Group Corporation of Traditional and Herbal Medicine) as disclosed in announcements dated 3rd January, 2002 and 12th April, 2002 and the balance will be used as general working capital of the Company. The total investment and registered capital of the PRC JV is RMB126,000,000. The Group's total capital contribution commitment to the PRC JV is RMB65,772,000 which, based on the exchange rates of US\$1.00 to RMB8.19 and HK\$1.00 to RMB1.05, will be translated into approximately US\$8.0 million and HK\$62.6 million respectively. Further announcement will be made relating to the completion of the S&P Agreement and the Supplemental Agreement.

Change of shareholding as a result of the Placing

The shareholding of the Company before and after completion of the Placing are summarised as follows (assuming that 68,000,000 Placing Shares has been successfully placed by the Placing Agent):

Name of shareholders	Shareholdings	% before completion of the Placing	Shareholdings	% after completion of the Placing
Leung Wah Chai (<i>Note 1</i>)	33,915,600	6.51	33,915,600	5.76
Butt Wing Han (<i>Note 1</i>)	8,915,250	1.71	8,915,250	1.51
Leung Tai Shing	17,320,500	3.33	17,320,500	2.94
Kamga Investment Limited (<i>Note 2</i>)	2,983,500	0.57	2,983,500	0.51
Bestbond Company Limited (<i>Note 3</i>)	6,800,000	1.31	6,800,000	1.16
Other directors	13,400,000	2.57	13,400,000	2.28
Public	437,415,823	84.00	505,415,823	85.84
Total	<u>520,750,673</u>	<u>100.00</u>	<u>588,750,673</u>	<u>100.00</u>

Note 1: Mr. Leung Wah Chai and Madam Butt Wing Han are Directors.

Note 2: Kamga Investment Limited held 2,983,500 Shares. Mr. Leung Wah Chai and Madam Butt Wing Han are controlling shareholders and directors of Kamga Investment Limited.

Note 3: Bestbond Company Limited held 6,800,000 Shares. Mr. Leung Wah Chai and Mr. Leung Tai Shing are directors and controlling shareholders of Bestbond Company Limited.

Resumption of trading

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 24th May, 2002 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 28th May, 2002.

By order of the Board
Chiu Lai Chun, Rhoda
Company Secretary

Hong Kong, 27th May, 2002

* for identification purposes only

“Please also refer to the published version of this announcement in the Hong Kong i-Mail”.