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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**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 securities in Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司\*), you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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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)**

### MAJOR TRANSACTION IN RELATION TO THE UNDERWRITING OF THE RIGHTS ISSUE PROPOSED BY CHINA AGRI-PRODUCTS EXCHANGE LIMITED AND NOTICE OF SPECIAL GENERAL MEETING

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A notice convening the SGM to be held at 20/F., Alexandra House, 18 Charter Road, Central, Hong Kong on Wednesday, 8 April 2015 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend and vote in person at the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

13 March 2015

\* For identification purpose only

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## DEFINITIONS

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*In this circular, unless the context otherwise specifies, the following expressions shall have the following meanings:*

“8 January Joint Announcement”	the joint announcement dated 8 January 2015 issued by the Company, CAP, PNG and WOG in relation to, among others, the underwriting of the Rights Issue pursuant to the Underwriting Agreement and the application for the Whitewash Waiver
“29 January Joint Announcement”	the joint announcement dated 29 January 2015 issued by the Company, CAP, PNG and WOG in relation to, among others, the extension of the time limit for despatch of the CAP Circular and the revised timetable for the Rights Issue
“2019 CAP Bonds”	the unsecured five-year 10.0% coupon bonds issued by CAP on 28 November 2014 to Winning Rich
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjusted Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of CAP upon the Capital Reorganisation becoming effective
“Application Forms”	collectively, the EAF(s) and the PAL(s)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of CAP
“business day”	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal no. 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
“CAP”	China Agri-Products Exchange Limited 中國農產品交易有限公司, 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: 0149)
“CAP Board”	the board of CAP Directors

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## DEFINITIONS

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“CAP Circular”	the circular to be despatched to the CAP Shareholders in relation to, among other things, the Capital Reorganisation, the change in board lot size, the PNG Irrevocable Undertaking, the Underwriting Agreement, the Rights Issue, the Special Deal and the Whitewash Waiver
“CAP Director(s)”	the director(s) of CAP
“CAP Group”	CAP and its subsidiaries
“CAP Independent Shareholder(s)”	the CAP Shareholder(s), other than: (i) the CAP Directors (excluding the independent non-executive CAP Directors), the chief executive of CAP and their respective associates; and (ii) members of the Concert Group and shareholders who are involved in, or interested in, the PNG Irrevocable Undertaking, the Underwriting Agreement, the Rights Issue, the Special Deal and the Whitewash Waiver
“CAP SGM”	the special general meeting of CAP to be convened and held to consider and approve, among other things, the proposed Capital Reorganisation, the Underwriting Agreement, the Rights Issue, the Special Deal and the Whitewash Waiver
“CAP Shareholder(s)”	the holder(s) of the CAP Share(s), the Consolidated Share(s) or the Adjusted Share(s) (as the case may be)
“CAP Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of CAP prior to the implementation of the Capital Reorganisation
“Capital Reduction”	the proposed reduction of the CAP’s issued share capital whereby: (i) the nominal value of all the issued Consolidated Shares shall be reduced from HK\$0.08 each to HK\$0.01 each and the issued share capital of CAP shall accordingly be reduced to the extent of HK\$0.07 per Consolidated Share in issue; and (ii) any fractional Consolidated Share in the issued share capital of CAP arising from the Share Consolidation shall be cancelled
“Capital Reorganisation”	the proposed reorganisation of CAP’s issued share capital which comprises: (i) the Share Consolidation; (ii) the Capital Reduction; and (iii) applying the credit arising from the Capital Reduction to set-off the accumulated loss of CAP

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## DEFINITIONS

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“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 and the Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 897)
“Concert Group”	means, as at the Latest Practicable Date, Mr. Tang’s Associates, PNG, WOG, the Company and parties acting in concert with any one of them, including their respective subsidiaries (including WYT Underwriter and Onger Investments (the existing substantial CAP Shareholder))
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	means ordinary share(s) of HK\$0.08 each in the issued share capital of CAP immediately upon the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whose registered addresses in CAP’s register of members as at the Record Date are in places where the CAP Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such CAP Shareholders
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate(s)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

\* For identification purpose only

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## DEFINITIONS

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“Joint Announcements”	the 8 January Joint Announcement and the 29 January Joint Announcement
“Kingston”	Kingston Securities Limited, a corporation licensed by the SFC to carry out business in Type 1 regulated activity (dealing in securities) under the SFO
“Last Trading Day”	23 December 2014, being the last trading day for the CAP Shares on the Stock Exchange before the release of the 8 January Joint Announcement
“Latest Time For Acceptance”	4:00 p.m. on Wednesday, 6 May 2015, or such later time or date as may be agreed between the Underwriters and CAP in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time For Termination”	4:00 p.m. on the fourth business day after the Latest Time For Acceptance or such later time or date as may be agreed between the Underwriters and CAP in writing, being the latest time to terminate the Underwriting Agreement
“Latest Practicable Date”	10 March 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for the inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tang’s Associates”	together, (i) Mr. Tang Ching Ho, an executive director of WOG and the Company; (ii) Ms. Yau Yuk Yin, the spouse of Mr. Tang Ching Ho and also an executive director of WOG; (iii) Accord Power Limited as trustee for the Tang’s Family Trust, a discretionary trust founded by Mr. Tang Ching Ho; and (iv) Caister Limited, a company incorporated in the British Virgin Islands with limited liability and which is wholly-owned by Mr. Tang Ching Ho
“Onger Investments”	Onger Investments Limited, a wholly-owned subsidiary of PNG and a company incorporated in the British Virgin Islands which is principally engaged in investment holding
“Overseas Shareholder(s)”	the CAP Shareholder(s) whose address(es) on the register of members of CAP on the Record Date are outside Hong Kong

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## DEFINITIONS

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“PAL(s)”	provisional allotment letter(s) for the Rights Issue
“PNG”	PNG Resources Holdings Limited PNG資源控股有限公司, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 221)
“PNG Group”	PNG and its subsidiaries
“PNG Irrevocable Undertaking”	an irrevocable undertaking dated 23 December 2014 (as varied on 28 January 2015) given by Onger Investments in favour of CAP in respect of the subscription by Onger Investments of up to 516,192,728 Rights Shares
“PNG SGM”	the special general meeting of PNG to be convened and held to consider and approve, among other things, the subscription of up to 516,192,728 Rights Shares under the Rights Issue pursuant to the PNG Irrevocable Undertaking and the transactions contemplated thereunder
“PNG Shareholder(s)”	the holder(s) of the ordinary share(s) of HK\$0.01 each in the issued share capital of PNG
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Prospectus”	the prospectus to be despatched to the CAP Shareholders on the Prospectus Posting Date in connection with the Rights Issue in such form as may be agreed between CAP and the Underwriters
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Prospectus Posting Date”	Tuesday, 21 April 2015, or such other day as may be agreed between CAP and the Underwriters, being the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	the CAP Shareholder(s), whose names appear on the register of members of CAP as at the Record Date, other than the Excluded Shareholders

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## DEFINITIONS

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“Record Date”	Monday, 20 April 2015, being the date by reference to which entitlements to the Rights Issue will be determined
“Rights Issue”	the proposed issue of the Rights Shares by way of rights to the Qualifying Shareholders for subscription on the terms to be set out in the Prospectus Documents
“Rights Share(s)”	1,724,168,248 Adjusted Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of eight (8) Adjusted Shares for every one (1) Adjusted Share held on the Record Date pursuant to the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the underwriting of the Underwritten Shares by WYT Underwriter under the Rights Issue pursuant to the Underwriting Agreement
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Consolidation”	the consolidation of share(s) in the issued share capital of CAP whereby every eight (8) CAP Shares of nominal value of HK\$0.01 each will be consolidated into one (1) Consolidated Share of nominal value of HK\$0.08
“Shareholder(s)”	the holder(s) of the Share(s)
“Special Deal”	the repayment by CAP of indebtedness owed to the PNG Group and the WOG Group, using a portion of the aggregate net proceeds from the Rights Issue as more particularly set out in the sub-section headed “8. The Special Deal” in section 9 of Part B of the 8 January Joint Announcement, which constitutes a “special deal” under Note 5 to Rule 25 of the Takeovers Code



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## DEFINITIONS

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“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time For Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price in respect of each Rights Share, being of HK\$0.30
“subsidiaries”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers promulgated by the SFC
“Underwriters”	WYT Underwriter and Kingston
“Underwriting Agreement”	the underwriting agreement dated 23 December 2014 (as varied on 8 January 2015 and 28 January 2015) entered into between CAP, the Company and the Underwriters in relation to the Rights Issue
“Underwritten Shares”	all the Rights Shares in excess of the aggregate of: (i) 346,192,728 Rights Shares that will be provisionally allotted to and subscribed for by Onger Investments (or its associates) pursuant to the PNG Irrevocable Undertaking; and (ii) 170,000,000 Rights Shares for which Onger Investments (or its associates) will subscribe by way of excess application pursuant to the PNG Irrevocable Undertaking, which are fully underwritten by the Underwriters pursuant to the terms and subject to the conditions of the Underwriting Agreement
“Untaken Shares”	all those Underwritten Shares for which duly completed Application Forms (accompanied by cheques or banker’s cashier order for the full amount payable on the applications which are honoured on first, or at the option of CAP, subsequent presentation) have not been lodged for acceptance by Qualifying Shareholders, or received, as the case may be, on or before the Latest Time For Acceptance

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## DEFINITIONS

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“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Concert Group to make a general offer for all the issued Adjusted Shares not already owned or agreed to be acquired by the Concert Group which may otherwise arise as a result of the subscription of the Rights Shares by members of the Concert Group pursuant to the PNG Irrevocable Undertaking and the Underwriting Agreement
“Winning Rich”	Winning Rich Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“WOG”	Wang On Group Limited (宏安集團有限公司)*, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1222)
“WOG Group”	WOG and its subsidiaries
“WYT Underwriter”	Jade Range Limited (翠嶺有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company which is principally engaged in investment holding
“WYT Underwriter Subscription Amount”	the aggregate Subscription Price payable by WYT Underwriter to CAP for the Untaken Shares which WYT Underwriter is required to subscribe under the Underwriting Agreement, less any amounts payable to WYT Underwriter under the Underwriting Agreement
“%”	per cent.

\* For identification purpose only

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Tang Ching Ho, *JP (Chairman)*  
Mr. Chan Chun Hong, Thomas  
*(Managing Director)*  
Ms. Tang Mui Fun

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

Mr. Leung Wai Ho, *MH*  
Mr. Siu Man Ho, Simon  
Mr. Cho Wing Mou

*Head office and principal place of  
business in Hong Kong:*

5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

13 March 2015

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO THE UNDERWRITING OF  
THE RIGHTS ISSUE PROPOSED BY  
CHINA AGRI-PRODUCTS EXCHANGE LIMITED**

**INTRODUCTION**

References are made to (i) the 8 January Joint Announcement in respect of, among other things, the underwriting of the Rights Issue pursuant to the Underwriting Agreement; and (ii) the 29 January Joint Announcement in relation to, among others, the extension of the time limit for despatch of the CAP Circular and the revised timetable for the Rights Issue.

\* For identification purpose only

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## LETTER FROM THE BOARD

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As stated in the 8 January Joint Announcement, CAP proposed to raise gross proceeds of approximately HK\$517.3 million, before expenses, by way of the Rights Issue. CAP proposes to allot and issue 1,724,168,248 Rights Shares at the Subscription Price of HK\$0.30 per Rights Share, on the basis of eight (8) Adjusted Shares for every one (1) Adjusted Share held on the Record Date. The Rights Issue is conditional on, among other things, the Capital Reorganisation becoming effective.

The Executive has given its consent to an extension of the time limit for despatch of the CAP Circular with notice of the CAP SGM to the CAP Shareholders from Thursday, 29 January 2015 to Friday, 13 March 2015, under Rule 8.2 of the Takeovers Code.

The underwriting by WYT Underwriter of up to 660,000,000 Rights Shares under the Underwriting Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. It is subject to the notification, publication and shareholders' approval requirements under the Listing Rules.

The purpose of this circular is to provide you with, among other things, further details of the Underwriting Agreement and the transactions contemplated thereunder in compliance with the requirements of the Listing Rules and a notice convening the SGM.

### THE UNDERWRITING AGREEMENT

On 23 December 2014, WYT Underwriter, Kingston, CAP and the Company entered into the Underwriting Agreement under which the Underwriters agreed to fully underwrite the Rights Issue (excluding the Rights Shares subject to the PNG Irrevocable Undertaking) as follows:

- (i) WYT Underwriter will underwrite the first 660,000,000 Underwritten Shares (assuming no further CAP Share or Adjusted Share will be issued or repurchased on or before the Record Date); and
- (ii) Kingston will fully underwrite all remaining Underwritten Shares not already taken up by WYT Underwriter, being 547,975,520 Rights Shares.

Each of the Underwriters will receive a commission fee of 2.5% of the aggregate Subscription Price for their respective maximum number of Underwritten Shares agreed to be underwritten.

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## LETTER FROM THE BOARD

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### Principal Terms of the Underwriting Agreement

- Date : 23 December 2014 (as varied on 8 January 2015 and 28 January 2015)
- Parties : (i) CAP;  
(ii) WYT Underwriter;  
(iii) Kingston; and  
(iv) the Company.
- Total number of Underwritten Shares : 1,207,975,520 Rights Shares, being the total number of Rights Shares to be issued by CAP minus the maximum aggregate number of Rights Shares to be subscribed by Onger Investments pursuant to the PNG Irrevocable Undertaking and on the basis that no further CAP Share or Adjusted Share will be issued or repurchased on or before the Record Date.
- Commission : 2.5% of the aggregate Subscription Price in respect of the respective maximum number of Underwritten Shares agreed to be underwritten by each of the Underwriters, payable to each of the Underwriters. The commission rates were determined after arm's length negotiations between CAP and the Underwriters with reference to, among other things, the scale of the Rights Issue and the market rate.
- Latest Time For Termination : 4:00 p.m. on the fourth business day after the Latest Time For Acceptance or such later time or date as may be agreed between the Underwriters and CAP in writing, being the latest time to terminate the Underwriting Agreement.

Kingston and its ultimate beneficial owners are independent of the Company and is not a connected person of the Company.

As at the Latest Practicable Date, the Company, through its wholly-owned subsidiaries, held approximately 24.37% interest in PNG which, through its wholly-owned subsidiary, held approximately 20.08% interest in CAP. Furthermore, as at the Latest Practicable Date, Mr. Chan Chun Hong, Thomas, the executive Director and managing Director, was also an executive director of PNG and CAP. Save as disclosed above, CAP is independent of the Company and is not a connected person of the Company.

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## LETTER FROM THE BOARD

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### **Underwriting obligation of each Underwriters**

WYT Underwriter has agreed to underwrite the first 660,000,000 Underwritten Shares (assuming no further CAP Share or Adjusted Share will be issued or repurchased on or before the Record Date). The WYT Underwriter Subscription Amount, rounded down to the nearest HK\$500,000, will be set-off, on a dollar-for-dollar basis, in accordance with the terms of the Underwriting Agreement, against the outstanding aggregate principal amount of HK\$720 million owing by CAP to Winning Rich under the 2019 CAP Bonds.

To the extent that the WYT Underwriter Subscription Amount exceeds the amount set-off as mentioned above, WYT Underwriter shall pay to CAP such excess in cash.

Kingston has agreed to fully underwrite, in cash, all remaining Underwritten Shares that have not been taken up by WYT Underwriter, being 547,975,520 Rights Shares.

No sub-underwriting arrangement will be made by WYT Underwriter.

### **Other undertakings**

The Company irrevocably undertakes to CAP that it will procure the due and punctual performance, observance and compliance by WYT Underwriter of all of its obligations under the Underwriting Agreement.

### **Conditions of the Rights Issue**

The Rights Issue is subject to the following conditions:

- (i) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two CAP Directors (or by their agents duly authorised in writing) in accordance with section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as having been approved by resolutions of the CAP Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders, if any, for information purposes only, on or before the Prospectus Posting Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and the permission to deal in, the Adjusted Shares and the Rights Shares (in both nil-paid and fully-paid forms) by no later than the first day of their dealings;

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## LETTER FROM THE BOARD

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- (iv) the Underwriting Agreement not being terminated by any of the Underwriters pursuant to the terms thereof prior to the Latest Time For Termination;
- (v) the passing of the necessary resolution(s) by the CAP Shareholders (or, where applicable, the CAP Independent Shareholders) at the CAP SGM approving and confirming: (a) the Capital Reorganisation, (b) the Rights Issue and the transactions contemplated thereunder (including the Underwriting Agreement) and authorising the CAP Directors to allot and issue the Rights Shares (in their nil-paid and fully-paid forms) (to be voted on by the CAP Independent Shareholders), (c) the Special Deal (to be voted on by the CAP Independent Shareholders), and (d) the Whitewash Waiver (to be voted on by the CAP Independent Shareholders), each in accordance with the Bye-Laws, the Listing Rules and the Takeovers Code on or before the Record Date;
- (vi) the passing of the necessary resolution(s) by the PNG Shareholders at the PNG SGM to approve, among others, the subscription of Rights Shares (including by way of excess application) under the Rights Issue pursuant to the PNG Irrevocable Undertaking and the transactions contemplated thereunder;
- (vii) the Executive granting to the Concert Group the Whitewash Waiver and the satisfaction of all conditions (if any) attached thereto and such other necessary waiver or consent (including for the Special Deal) as may be required to be obtained from the Executive for the transactions contemplated under the Rights Issue;
- (viii) the Capital Reorganisation having become effective;
- (ix) the compliance with and performance of all undertakings and obligations of Onger Investments, or any of its respective associates, under the PNG Irrevocable Undertaking;
- (x) the passing of the necessary resolution(s) by the Shareholders at the SGM to approve, among others, the underwriting of the Underwritten Shares by WYT Underwriter under the Rights Issue pursuant to the Underwriting Agreement and the transactions contemplated thereunder;
- (xi) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares; and
- (xii) there being no Specified Event occurring prior to the Latest Time For Termination.

The conditions are incapable of being waived. If any of the above conditions is not satisfied in whole by Tuesday, 12 May 2015 (or such other time and/or date specified therein) or such other time and/or date as CAP and the Underwriters may agree in writing, the Underwriting Agreement will terminate accordingly and the Rights Issue will not proceed. In such circumstance, no party will have any claim against the other parties for costs, damages, compensation or otherwise save for any antecedent breaches.

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## LETTER FROM THE BOARD

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### Termination of the Underwriting Agreement

The Underwriting Agreement may be terminated by any of the Underwriters prior to the Latest Time For Termination upon the occurrence of certain events. If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of any of the Underwriters, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of any of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the CAP Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not of the same kind or nature with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of any of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the CAP Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of any of the Underwriters is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of CAP or any member of the CAP Group which in the absolute opinion of any of the Underwriters will adversely affect the prospects of CAP, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the CAP Group or the destruction of any material asset of the CAP Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the CAP Group as a whole whether or not of the same kind or nature with any of the foregoing; or



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## LETTER FROM THE BOARD

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- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriters, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or CAP's securities on the Stock Exchange for a period of more than 10 consecutive business days, excluding any halt or suspension in connection with the clearance of the Joint Announcements, the CAP Circular, the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (viii) any moratorium, suspension or material restriction on trading of the CAP Shares or Adjusted Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

any of the Underwriters may by notice in writing to CAP and the other Underwriter, served prior to the Latest Time For Termination, to terminate the Underwriting Agreement.

Any of the Underwriters may by notice in writing to rescind the Underwriting Agreement if, prior to the Latest Time For Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of any of the Underwriters; or
- (ii) any Specified Event comes to the knowledge of any of the Underwriters.

If any notice of termination or rescission is given by any of the Underwriters before the Latest Time For Termination, the Underwriting Agreement will terminate and no party to the Underwriting Agreement will have any claim against any other party for costs, damages compensation or otherwise save for any antecedent breaches, and CAP is required to return any Subscription Price received from the Underwriters to the Underwriters on the second business day after the date of receipt of the notice of termination or rescission.

### INFORMATION RELATING TO THE RIGHTS ISSUE BY CAP

Basis of the Rights Issue	:	Eight (8) Adjusted Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK\$0.30 per Rights Share
Net price to CAP per Rights Share	:	Approximately HK\$0.29
Number of CAP Shares in issue as at the Latest Practicable Date	:	1,724,168,251 CAP Shares

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## LETTER FROM THE BOARD

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Number of Adjusted Shares in issue upon completion of the Capital Reorganisation	:	215,521,031 Adjusted Shares (assuming that no further CAP Share is issued or repurchased between the Latest Practicable Date and the date on which the Capital Reorganisation becomes effective)
Number of Rights Shares to be issued pursuant to the Rights Issue	:	1,724,168,248 Adjusted Shares
Total number of issued Adjusted Shares upon completion of the Rights Issue	:	1,939,689,279 Adjusted Shares

The total number of 1,724,168,248 Adjusted Shares issued pursuant to the Rights Issue represents:

- (i) approximately 800% of the number of the Adjusted Shares immediately upon completion of the Capital Reorganisation (based on CAP's existing issued share capital as at the Latest Practicable Date); and
- (ii) approximately 88.89% of CAP's issued share capital as enlarged by the issue of the Rights Shares.

### Subscription Price

The Subscription Price is HK\$0.30 per Rights Share, payable in full on acceptance. The Subscription Price represents:

- (i) a discount of approximately 82.48% to the adjusted closing price of HK\$1.712 per Adjusted Share, based on the closing price of HK\$0.214 per CAP Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 82.31% to the adjusted average closing price of approximately HK\$1.696 per Adjusted Share, based on the average closing price of approximately HK\$0.212 as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 34.35% to the theoretical ex-entitlement price of approximately HK\$0.457 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.214 per CAP Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 95.45% to the audited total equity attributable to the owners of CAP per Adjusted Share of approximately HK\$6.60 as at 31 December 2014 as adjusted for the effect of the Capital Reorganisation; and
- (v) a discount of approximately 72.43% to the adjusted closing price of HK\$1.088 per Adjusted Share, based on the closing price of HK\$0.136 per CAP Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

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## LETTER FROM THE BOARD

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### **Basis of determining the Subscription Price and subscription ratio of the Rights Issue**

The Subscription Price and the subscription ratio of the Rights Issue were determined, among others, as a result of arm's length negotiations between CAP and the Underwriters, taking into account that (i) the Rights Issue provides the Company an opportunity to invest in CAP at deep discount which could potentially yield a fruitful return in the future; (ii) WYT Underwriter can receive an underwriting commission of approximately HK\$5.0 million under the Underwriting Agreement even WYT Underwriter is not required to take up any of the 660,000,000 Rights Shares; (iii) if WYT Underwriter is required to take up all of the 660,000,000 Rights Shares, the Group could potentially record a net gain of approximately HK\$462.0 million (with the inclusion of the underwriting commission of HK\$5.0 million but before deduction of necessary reasonable expenses); and (iv) the cash outflow of the Group is limited to the extent of the WYT Underwriter Subscription Amount to be set-off against the outstanding aggregate principal amount owing by CAP to Winning Rich under the 2019 CAP Bonds. Please refer to the CAP Circular for more information in relation to the basis of determining the Subscription Price and the subscription ratio of the Rights Issue.

### **Status of the Rights Shares**

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares. Dealings in the Rights Shares will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

### **Application for listing of the Rights Shares**

CAP will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. Save for CAP's 1 per cent notes due 2024 which is listed on the Stock Exchange (Stock Code: 5755), no part of the securities of CAP is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

### **CAP's reasons for the Rights Issue**

The following sets out the reasons for the Rights Issue in the view of the CAP Board as set out in the section entitled "Reasons for the Rights Issue" as stated in the CAP Circular.

The CAP Group is currently engaged in the management and sales of agricultural produce exchanges in the PRC. The audited total value of the CAP Group's investment properties and stock of properties as at 31 December 2014 (as disclosed in the audited annual results of CAP for the year ended 31 December 2014) is approximately HK\$6,270.0 million and its property portfolio includes a total land reserve of approximately 2.1 million square meters as at 31 December 2014.

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## LETTER FROM THE BOARD

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The CAP Board is optimistic about the future growth and development of CAP, largely because of the continuing support of the agricultural sector by the PRC government.

As set out in the 8 January Joint Announcement, the agricultural sector has historically been an important component of China's economy and for the China's Twelfth Five Year Plan (2011-2015), the PRC government aims to enhance the industry based on the national modern agriculture development plan. Under the plan, the PRC government will: (i) establish a mechanism to ensure steady increase in agricultural investment, including the continual increase in investment to boost agricultural production, rural development and farmers' well-being, improving the rural financial services, as well as guiding social resources into agriculture; (ii) strengthen support and protection for agriculture by improving its agricultural reward and subsidy policy and reforming the regulatory mechanism for agricultural markets; and (iii) further liberalise and open-up the PRC's agriculture sector to the outside world by promoting international cooperation in agriculture and enhancing agricultural trade.

Against the backdrop of (i) continued robust growth in the overall PRC economy; (ii) favourable government policy in respect of the agricultural industry (which has led to an increase in property values of and rental income from agricultural produce exchanges); and (iii) optimistic market sentiment, the CAP Board expects that the value of the CAP Group's investments in PRC agricultural produce exchanges will continue to grow, thereby continuing to bring a positive economic return to CAP and the CAP Shareholders as a whole.

Further set out in the 8 January Joint Announcement, in view of the optimistic future prospects of the business of the CAP Group, the Rights Issue will strengthen the capital base of CAP and bolster its ability to capitalise upon greater business opportunities associated with its principal business engagements.

The expenses in relation to the Rights Issue, including financial, legal and other professional advisory fees, underwriting commissions, printing and translation expenses, will be borne by CAP. Having sought financing in various ways such as equity placements, as well as bank and other borrowings, and having considered the costs of such fund-raising alternatives, the CAP Board (excluding the independent non-executive CAP Directors whose opinion will be set out in the CAP Circular, after having been advised by an independent financial adviser) presently considers the Rights Issue as the most commercially viable option for CAP in the prevailing circumstances. This is for the following reasons:

- (i) **benefits of a rights issue** — the Rights Issue affords all CAP Shareholders equal opportunity to subscribe for their pro-rata provisional entitlement of the Rights Shares and hence avoids dilution, and participate as fully as they wish in the growth opportunity of CAP by way of applying for excess Rights Shares. It also allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefit. By comparison, had CAP raised equity of similar size in the form of a placing, then such an exercise would not have allowed all CAP Shareholders to participate in the capital exercise and they would be diluted without being given an opportunity to maintain their percentage interests;

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## LETTER FROM THE BOARD

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- (ii) **costs of other fund-raising alternatives** — as of 31 December 2014, the CAP Group has the following outstanding interest-bearing bank and other borrowings:

<b>Type of Borrowings</b>	<b>Approximate Outstanding Amount (in HK\$ millions)</b>	<b>Approximate Effective Interest Rate (% per annum)</b>
Bank loans	1,111.2	2.7%-7.8%
Related party loans	1,354.4	10.3%-10.9%
Third party loans	579.7	5%-12%
Total	3,045.3	

This represented a gearing ratio of approximately 146.7% as of 31 December 2014, which is calculated by dividing the total outstanding loan amount of approximately HK\$3,045.3 million net of pledged bank deposits and cash and cash equivalents of totally approximately HK\$293.3 million, by total shareholders' funds in the amount of approximately HK\$1,876.3 million. CAP notes that an issuance of convertible bonds would increase the gearing of CAP without strengthening CAP's equity base until the bond is converted, at which time the existing shareholders of CAP will still suffer a dilution. As for additional bank borrowings, such would further increase CAP's gearing ratio without strengthening its equity base and there is no assurance that such borrowings of this size can be obtained; and

- (iii) **efforts in seeking other financing alternatives** — while CAP has considered, and is still actively searching for, other financing alternatives including equity and debt financing, it is uncertain as to when and on what terms these financing alternatives will be made available. In particular, during the past 12 months, CAP has undertaken (A) separate placements of CAP Shares on 3 September 2014 and 6 November 2014, (B) an issue of unsecured bonds on 28 November 2014 to the Company, PNG and WOG (see below), (C) a placing of unsecured bonds via a medium term note program, (D) a placing of five-year, 7.3% per annum coupon unlisted bonds, and (E) a rights issue. CAP has also approached certain financial institutions and obtained certain loan facilities. Among the options that CAP has considered is a long term bond with an effective interest rate ranging from approximately 10.3% to approximately 11.6% per annum and borrowings from PRC banks and financial institutions with effective interest rates of 2.7% to 8.4%.

On 28 November 2014, the Company, PNG and WOG, through their wholly-owned subsidiaries, subscribed for unsecured bonds newly-issued by CAP, the net proceeds of which were fully applied by CAP towards repayment of outstanding indebtedness of CAP owed to the Company, PNG and WOG, respectively.

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## LETTER FROM THE BOARD

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The details of the bonds are as follows:

Bondholder	Parent of bondholder	Principal amount of subscription (in HK\$ million)	Interest Rate (per annum)	Maturity Date
Double Leads Investments Limited	WOG	200	8.5%	28 November 2016
		<u>330</u>	10.0%	28 November 2019
		530		
Peony Finance Limited	PNG	150	10.0%	28 November 2019
Winning Rich	the Company	<u>720</u>	10.0%	28 November 2019
		<u><u>1,400</u></u>		

The Rights Issue will allow CAP to strengthen its capital base and liquidity without incurring interest costs. The Rights Issue will also allow CAP to materially reduce its gearing ratio, thereby improving the financial health of the CAP Group. Taking into account the capital needs of the CAP Group, the benefits of the Rights Issue and the costs of other fund-raising alternatives, the CAP Board (excluding the independent non-executive CAP Directors whose opinion will be set out in the CAP Circular, after having been advised by an independent financial adviser) is of the view that the Rights Issue is in the interests of CAP and the CAP Shareholders as a whole.

### REASONS FOR UNDERWRITING THE UNDERWRITTEN SHARES UNDER THE UNDERWRITING AGREEMENT

Having considered the reasons for the Rights Issue given by the CAP Board as mentioned in the section headed “CAP’s reasons for the Rights Issue”, the Directors believe that the underwriting of Underwritten Shares may provide the Group with an opportunity to invest at a deep discount to market price and total equity attributable to owners of CAP and participate in the future development of CAP without fresh cash outflow (as the subscription monies payable by WYT Underwriter will be off-set against the outstanding principal amount of the 2019 CAP Bonds owing by CAP to the WYT Group).

While CAP is recording a net loss, the Directors note that CAP’s business is in development stage, with agricultural produce exchanges at construction or early operation stage, and it will take time for its capital investment to generate a steady income stream. In this regard, the Company notes that as CAP’s agriculture produce exchanges are brought into operation, CAP has reported an increase in property rental income and commission income from agricultural produce exchange markets, while CAP continues to expand its land bank.

In addition, regardless of whether or not WYT Underwriter is required to take up any Rights Shares, WYT Underwriter will still receive an underwriting commission of approximately HK\$5 million.

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## LETTER FROM THE BOARD

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The Directors note the litigation in respect of CAP's Wuhan Baisazhou Agricultural By-product Grand Market Company Limited (the "**Litigation**"), and the illustrative figures on the potential impact on CAP as set out on pages IV-7 to IV-8 in the CAP Circular. The latest development of the Litigation arose after the signing of the Underwriting Agreement. Having taken into account (i) the economic benefit of the underwriting arrangement marrying to the Company as mentioned above, (ii) the potential outcome of the Litigation and impact on CAP being subject to many contingencies, based on the information on the Litigation currently disclosed by CAP, the Directors decided not to exercise its right of termination under the Underwriting Agreement.

The Board also considers the Subscription Price to be attractive in that it represents:

- (i) a discount of approximately 82.48% to the adjusted closing price of HK\$1.712 per Adjusted Share, based on the closing price of HK\$0.214 per CAP Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 34.35% to the theoretical ex-entitlement price of approximately HK\$0.457 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.214 per CAP Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a significant discount of approximately 95.45% to the audited total equity attributable to the owners of CAP per Adjusted Share of approximately HK\$6.60 as at 31 December 2014 as adjusted for the effect of the Capital Reorganisation; and
- (iv) a deep discount of approximately 69.70% to the unaudited total equity attributable to the owners of CAP of approximately HK\$0.99 per Adjusted Share upon completion of the Rights Issue which is based on the audited total equity attributable to the owners of CAP as at 31 December 2014 and the net proceeds from the Rights Issue.

Taking into consideration the above reasons, the Board considers that (i) the Rights Issue presents a valuable investment opportunity for the Group; (ii) the terms of the Underwriting Agreement are fair and reasonable; and (iii) the underwriting by WYT Underwriter of the Underwritten Shares pursuant to the Underwriting Agreement is in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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### **EFFECT OF THE UNDERWRITING AGREEMENT ON THE GROUP'S SHAREHOLDING IN CAP AND THE FINANCIAL IMPACT ON THE COMPANY**

As of the Latest Practicable Date, the Company, through its wholly-owned subsidiaries, held approximately 24.37% interest in PNG which, through its wholly-owned subsidiary, held approximately 20.08% interest in CAP. Furthermore, as of the Latest Practicable Date, Mr. Chan Chun Hong, Thomas, the executive Director and managing director of the Company, was also an executive director of PNG and CAP. Save as disclosed above, CAP is independent of the Company and is not a connected person of the Company.

Assuming:

- (i) none of the Qualifying Shareholders (other than Onger Investments) or the transferees to whom any Qualifying Shareholders have transferred their provisional entitlements take up the Rights Shares to which they are entitled by the Latest Time For Acceptance or otherwise in accordance with the instructions printed on the PAL(s);
- (ii) Onger Investments receives in full the 170,000,000 Rights Shares under the excess application pursuant to the PNG Irrevocable Undertaking; and
- (iii) WYT Underwriter takes up 660,000,000 Rights Shares pursuant to the Underwriting Agreement,

the direct interests of the Group in the issued share capital of CAP immediately upon completion of the Rights Issue will increase from nil to approximately 34.03%. In such circumstances, CAP will become an associate of the Group and the Group's investment in CAP will be recorded in the consolidated financial statements of the Group using the equity method of accounting in accordance with Hong Kong Accounting Standard 28 "Investment in Associates". The shareholding interest in CAP will be classified as "investment in an associate" on the Group's consolidated statement of financial position, and any post-acquisition results and reserves of CAP attributable to the Group will be included in profit or loss and other comprehensive income, respectively, in the consolidated statement of profit or loss and other comprehensive income of the Group.

Upon completion of the Rights Issue:

- (i) assuming WYT Underwriter is not required to take up any of the 660,000,000 Rights Shares for which it has agreed to underwrite under the Underwriting Agreement, the Group would record a gain from the commission of approximately HK\$5.0 million received under the Underwriting Agreement;



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## LETTER FROM THE BOARD

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- (ii) assuming WYT Underwriter is required to take up all of the 660,000,000 Rights Shares for which it has agreed to underwrite under the Underwriting Agreement, the Group could potentially record a net gain of approximately HK\$462.0 million (before deduction of necessary reasonable expenses), which is calculated:
  - (a) on the basis of the audited total equity attributable to owners of CAP of approximately HK\$1,423.3 million for the year ended 31 December 2014;
  - (b) by reference to the Rights Issue which is expected to generate net proceeds of approximately HK\$501.7 million; and
  - (c) by including the commission of approximately HK\$5.0 million received under the Underwriting Agreement.

Details of the calculation of such potential net gain of approximately HK\$462.0 million is disclosed on Appendix III-4 and Appendix III-5. Such a potential gain is subject to the review by auditors and to CAP's financial position as at the date of completion of the Rights Issue. If the direct interests of the Group in the issued share capital of CAP immediately upon completion of the Rights Issue falls below 20%, the Group's investment in CAP will be accounted for as an available-for-sale investment which will be measured at fair value at each period end date with unrealised gains or losses recognised as other comprehensive income through the available-for-sale investment revaluation reserve until the investment is derecognised or impaired.

If WYT Underwriter is required to take up 660,000,000 Rights Shares, WYT Underwriter will be required to pay the aggregate Subscription Price of HK\$198 million which amount after deduction the commission of approximately HK\$5.0 million payable by CAP to WYT Underwriter under the Underwriting Agreement, will be set-off, in accordance with the terms of the Underwriting Agreement, against the outstanding aggregate principal amount owing by CAP to Winning Rich under the 2019 CAP Bonds.

The underwriting by WYT Underwriter of the Underwritten Shares pursuant to the Underwriting Agreement will increase the Group's net asset value of approximately HK\$462.0 million. Details of such effect on the assets and liabilities of the Group are set out in Appendix III to this circular.

### INFORMATION OF THE GROUP AND CAP

The Group is principally engaged in (i) the manufacturing, processing and retailing of 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; (ii) the processing and retailing of western pharmaceutical products, health food and personal care products under the brand names of "Madame Pearl's" and "Pearl's"; and (iii) property investment.

The CAP Group is currently engaged in the management and sales of agricultural produce exchanges in the PRC.

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## LETTER FROM THE BOARD

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According to the annual report of CAP for the year ended 31 December 2014, the total equity attributable to owners of CAP is approximately HK\$1,423.3 million. The following information is extracted respectively from the audited financial statements of CAP for the two financial years ended 31 December 2013 and 2014:

	<b>For the financial year ended 31 December 2014</b>	<b>For the financial year ended 31 December 2013</b>
	(Audited)	(Audited)
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue	298,043	408,544
(Loss)/Profit before taxation	(292,068)	419,176
(Loss)/Profit after taxation	(336,069)	220,719
(Loss)/Profit attributable to owners of the Company	(340,420)	154,980

### **Possible continuing connected transactions**

As of the Latest Practicable Date, the Company: (i) through its wholly-owned subsidiaries, held approximately 24.37% interest in PNG which, through its wholly-owned subsidiary, held approximately 20.08% interest in CAP; and (ii) is not a connected person of CAP.

On the basis that WYT Underwriter takes up 660,000,000 Rights Shares pursuant to the Underwriting Agreement, upon completion of the Rights Issue, the Group will be interested in 660,000,000 Adjusted Shares, representing approximately 34.03% interest in CAP. On such basis, the Company will become a substantial shareholder and a connected person of CAP, and the ongoing purchase of the Group's products by the CAP Group between the Group and the CAP Group will constitute continuing connected transactions for CAP. Details of such possible continuing connected transactions will be announced by CAP as and when appropriate.

### **LISTING RULES IMPLICATION**

As the applicable percentage ratio(s) in respect of the underwriting by WYT Underwriter of 660,000,000 Rights Shares under the Underwriting Agreement exceeds 25% but is less than 100%, the underwriting by WYT Underwriter pursuant to the Underwriting Agreement and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and therefore are subject to the notification, publication and shareholders' approval requirements under the Listing Rules.

### **THE SGM**

A notice convening the SGM is set out on pages SGM-1 to SGM-2 of this circular for the purpose of considering and, if thought fit, approving the ordinary resolution to approve, among other things, the underwriting by WYT Underwriter of up to 660,000,000 Rights Shares pursuant to the Underwriting Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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Other than the WOG Group, currently holding 20.5% equity interest in the Company as at the Latest Practicable Date, no Shareholder has any material interest in the Rights Issue, the Underwriting Agreement and any transactions contemplated thereunder is therefore required to abstain from voting at the SGM.

Pursuant to Rules 13.39(4) and 13.39(5) of the Listing Rules, the voting on the proposed resolution at the SGM will be taken by way of a poll and an announcement on the poll results will be made by the Company after the SGM.

Whether or not you are able to attend and vote in person at the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

### RECOMMENDATION

The Directors are of the opinion that the transactions contemplated under the Underwriting Agreement are fair and reasonable and believe that the entering into the Underwriting Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution approving, confirming and ratifying the entering into the Underwriting Agreement and the transactions contemplated thereunder at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully  
For and on behalf of the Board  
**Wai Yuen Tong Medicine Holdings Limited**  
(位元堂藥業控股有限公司\*)  
**Tang Ching Ho**  
*Chairman*

\* For identification purpose only

## 1. FINANCIAL INFORMATION

Financial information of the Group for (i) each of the three years ended 31 March 2012, 2013 and 2014 are disclosed in the annual reports of the Company for the years ended 31 March 2012 (pages 34 to 113), 2013 (pages 39 to 126) and 2014 (pages 47 to 134), respectively; and (ii) for the six months ended 30 September 2014 is disclosed in the interim report of the Company for the six months ended 30 June 2014 (pages 22 to 56). The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 March 2012, 2013 and 2014.

The annual reports of the Company for the three years ended 31 March 2014 and the interim report of the Company for the six months ended 30 September 2014 are published on both of the websites of HKExnews (<http://www.hkexnews.hk>) and the Company (<http://www.wyth.net/pressrelease.php>), respectively.

### Quick links

Annual reports of the Company for the financial years ended 31 March 2012, 2013 and 2014 are available at the following internet links:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0716/LTN20120716315.pdf>;

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0722/LTN20130722453.pdf>;

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0612/LTN20140612417.pdf>

Interim report of the Company for the six months ended 30 September 2014 is available at the following internet link:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/1209/LTN20141209264.pdf>

## 2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 January 2015, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the Group had outstanding bank loans of approximately HK\$502.8 million, of which bank loans with an aggregate amount of approximately HK\$436.7 million were secured by the Group's land and buildings and investment properties and certain rental income generated from there. The carrying values of the Group's land and buildings and investment properties as at 31 January 2015, which were pledged to secure the Group's bank loans, amounted to approximately HK\$179.3 million and approximately HK\$485.7 million, respectively. In addition, the Group's unsecured bank loans with an aggregate amount of approximately HK\$66.1 million were guaranteed by corporate guarantees provided by group companies as at 31 January 2015. The Group's secured bank loans bear contractual interest rate ranging from Prime rate minus 2.50% to 2.90% or HIBOR plus 1.28% to 2.50%, whilst the Group's unsecured bank loans bear contractual interest rate ranging from HIBOR plus 1.28% to 2.0%.

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 31 January 2015, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

Save as disclosed above, the Directors were not aware of any material changes in the indebtedness and contingent liabilities of the Group after 31 January 2015 and up to the Latest Practicable Date.

### **3. WORKING CAPITAL STATEMENT**

Taking into account the financial resources available to the Group, including internally generated funds and available banking facilities of the Group, the Directors after due and careful enquiry are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

### **4. MATERIAL ADVERSE CHANGE**

Save for the information as disclosed in the announcement of the Company dated 20 October 2014 in respect of the profit warning regarding the interim results of the Group for the six-month period ended 30 September 2014, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2014, being the date on which the latest published audited consolidated financial statements of the Group were made up.

### **5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is principally engaged in (i) the manufacturing, processing and retailing of 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; (ii) the processing and retailing of western pharmaceutical, health food and personal care products under the brand names of “Madame Pearl’s” and “Pearl’s”; and (iii) property investment. There is no change in the Group’s principal activities since 31 March 2014, being the date on which the latest published audited consolidated financial statements of the Group were made up.

For the six-month period ended 30 September 2014, the Group’s results and performance were unsatisfactory and behind expectation. It recorded a drop in turnover of approximately 7.3% over the same period last year, achieved a turnover of approximately HK\$381.0 million (2013: approximately HK\$411.0 million). Besides, the Group recorded a decrease in profit for the six months ended 30 September 2014 as compared to the corresponding period in 2013, achieved a profit attributable to owners of the parent of approximately HK\$11.5 million (2013: approximately HK\$59.1 million). Such decline was mainly attributable to, among other things, the decrease in gross profit resulting from the decrease in the Group’s turnover and the loss on deemed partial disposal of equity interests in an associate, despite the gain from change in fair value of investments held-for-trading.

In order to minimise the general adverse effect on our business of the worsening global environment as well as the ever changing local government policy, control and measure, the Group will continue to make efforts to expand its product range, broaden its customer base, strengthen quality control and enhance marketing and promotion activities so as to further uplift the image and competitiveness of its brands and its products. Realising that people are attaching greater importance to personal health and well-being, the Group will produce more educational information relating to these topics and will publish in various media which can show to the public our dedication within the industry. In order to restore the sales momentum in other sale channels, such as chain stores, key accounts, open trade, overseas, etc., the Group will further increase its focus and concentration by adding more resources, including manpower, incentives, advertising and promotion budget to develop these alternative sale channels, with the aim of balancing the risks and reliance on retail business and shifting towards a more healthy sale channel mix. Besides, the Group will also make use of the cyber world, such as online shopping, cooperate with other agencies focusing on group purchase business, set up a fans page on Facebook and launch iPhone apps, which have already been recognised as an effective and efficient way to promote our brands and products and bring in potential new customers from the younger generation. On the other hand, the Group will also evaluate merger and acquisition opportunities as a means to speed up growth if it can bring synergy to our existing business, as well as diversification of our investment portfolio for strengthening and broadening our income base.

Continuously rising labour, raw materials and rental costs all add burden to the Group as they form a significant portion of the Group's operating costs. By adopting various cost control measures, such as exploring new suppliers to ensure raw materials purchased are of high quality and at competitive prices, reviewing various operating cycles and processes so as to improve our production efficiency and restructuring some of our retail shops, whether location or shop size, to achieve greater sales revenue deriving from lower overall rental costs, the Group's management seeks to maintain its profitability. The Group will also consider acquiring suitable retail premises, both for long term capital appreciation purpose and to minimise the effect of the rising trend in rental costs.

Going forward, to expand the Group's pharmaceutical manufacturing business as well as to fulfill the stringent change of quality system in the pharmaceutical industry is the next milestone of the Group. The Group is now paying its utmost effort and full attention in the construction of the new and modernised five-storey factory building located at Yuen Long Industrial Estate to house its pharmaceutical (western drug) manufacturing and traditional Chinese medicine manufacturing. The Group will also introduce the latest technologies and incorporate a research and development centre into this new factory. To prepare for the commencement of production of this new factory in 2017 and to ensure its capacity could be utilised efficiently, the Group has enhanced the effort on new products development and registration, especially focus on those Chinese and western medicinal products, which we believe that their uniqueness and curative effect are the key attraction to consumers and considering to be the future continuous income source to the Group. As such, the Group is confident that our leading position as a local Hong Kong brand in the pharmaceutical industry will be further strengthened.



## 1. FINANCIAL INFORMATION OF THE CAP GROUP

Financial information of the CAP Group for (i) each of the three financial years ended 31 December 2012, 2013 and 2014 are disclosed in the annual reports of CAP for the years ended 31 December 2012 (pages 35 to 111), 2013 (pages 39 to 127) and 2014 (pages 47 to 123), respectively.

The annual reports of CAP for the three financial years ended 31 December 2012, 2013 and 2014 have been published on both of the websites of HKExnews (<http://www.hkexnews.hk>) and CAP (<http://www.cnagri-products.com/html/index.php>).

### Quick links

Annual reports of CAP for the financial years ended 31 December 2012, 2013 and 2014 are available at the following internet links:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0415/LTN20130415780.pdf>

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0411/LTN201404111181.pdf>

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0302/LTN201503021037.pdf>

## 2. MANAGEMENT DISCUSSION AND ANALYSIS OF CAP GROUP

- A. For the year ended 31 December 2012** (as extracted from the annual report of CAP for the year ended 31 December 2012 and as such, references to “the Company”, “the Group” and “the Directors” in the below paragraphs shall be read as references to “CAP”, “CAP Group” and “CAP Directors” respectively)

### “SUMMARY OF FINANCIAL RESULTS

#### Turnover and gross profit

For the year ended 31 December 2012, the Group recorded a turnover of approximately HK\$287.5 million, a substantial increase of approximately HK\$75.7 million or approximately 35.7% increase from approximately HK\$211.8 million for the previous financial year. The increase was mainly attributed to the increase in turnover of agricultural produce exchange projects and sale of certain properties of Yulin Market.

The gross profit of the Group was increased by approximately 72.0% to approximately HK\$160.6 million from approximately HK\$93.4 million for the previous financial year. The gross profit margin of the Group for the financial year was approximately 55.9% as compared to approximately 44.1% for the previous financial year.

**Net gain in fair value of investment properties**

The rise of net gain in fair value of investment of approximately HK\$538.3 million (2011: approximately HK\$553.4 million) was mainly due to the increase in market value of property price in the PRC and rental income of our projects.

**Administrative expenses, selling expenses and finance cost**

General and administrative expenses were approximately HK\$236.2 million (2011: approximately HK\$259.3 million). The slight decrease was mainly due to tight control of operating expenses of different markets and conscious control of business development cost in various projects. Selling expenses were approximately HK\$12.7 million (2011: approximately HK\$53.6 million) which were significantly less than the year before due to the Group's promotion expenses at the agricultural produce exchange in Wuhan Baisazhou incurred in mid 2011 but did not recur in the year of 2012. Finance costs were approximately HK\$103.3 million (2011: approximately HK\$89.9 million) and the increase over those incurred in 2011 was mainly due to obtaining new interest bearing debts during the year under review.

**Profit attributable to the owners of the Company**

The profit attributable to owners of the Company for the year was approximately HK\$145.7 million as compared to approximately HK\$117.7 million last year. The change was mainly due to the increase of recognition of sales of shops in Yulin Market as well as the outstanding business performance of Wuhan Baisazhou Market.

**DIVIDENDS**

The Directors do not recommend any payment of final dividend for the year ended 31 December 2012 (2011: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2011: Nil).

**REVIEW OF OPERATIONS**

During the year under review, the Group was principally engaged in the business of agricultural produce exchanges in the PRC.

**WUHAN Baisazhou Agricultural and By-Product Exchange Market**

Wuhan Baisazhou Market, located in the provincial capital of Hubei Province, is one of the largest agricultural produce exchange operators in the PRC. Wuhan Baisazhou Market is situated at the Hongshan District of Wuhan with a site area of approximately 270,000 square meters and a total gross floor area of approximately 160,000 square meters. In 2012, Wuhan Baisazhou Market was awarded as amongst the top 50 national agricultural wholesale markets by China Agricultural Wholesale Market Association.



During the year under review, the turnover of Wuhan Baisazhou Market increased approximately 58% as compared with that of 2011 which provided tremendous contribution to the Group. The operating performance saw a turnaround due to a series of effective marketing and promotion activities carried out in 2012.

#### **YULIN Agricultural and By-Product Exchange Market**

Yulin Market is one of the largest agricultural produce exchanges in Guangxi. It has various types of market stalls and multi-storey godowns. The Group successfully acquired 2 parcels of land of approximately 160,000 square meters in February 2011 and 73,000 square meters in December 2012 respectively, thereby expanding the land bank of Yulin Market to more than 470,000 square meters. The Group in 2012 partially completed the construction of an extension arm of the phase two development of Yulin Market, bringing to the Group a new income driver in 2012.

During the year under review, some of the shops were sold and contributed to the increase of the turnover of the Group in 2012.

#### **XUZHOU Agricultural and By-Product Exchange Market**

Xuzhou Market occupies approximately 200,000 square meters and is located in the northern part of Jiangsu Province in East China, comprises various market stalls and a godown. Xuzhou Market is the major marketplace for the supply of fruit and seafood to Xuzhou City and the northern part of Jiangsu Province with accelerating performance in the area of vegetable distribution. The operating performance of Xuzhou Market was steady and satisfactory as the income in 2012 increased by approximately 19% compared with the figure last year. Xuzhou Market was one of the five to be awarded in the first batch of credit rated wholesale agricultural markets by China Agricultural Wholesale Market Association in 2012.

### **MATERIAL ACQUISITIONS**

#### **Acquisition of Land**

##### **HENAN Luoyang City**

On 31 August 2012, the Group won a bid at the tender for a parcel of land in Luoyang City of Henan Province, the PRC (“**Henan**”) of approximately 133,000 square meters for a consideration of approximately RMB46.0 million, which the Group intends to develop as a new agricultural produce exchange.

**GUANGXI Yulin City**

On 24 December 2012, the Group successfully acquired a parcel of land in Yulin City of Guangxi of approximately 73,000 square meters for a consideration of RMB90.6 million which is intended to be an extension of the existing Yulin Market. This new site is adjacent to the Group's existing Yulin Market which should help expand Guangxi's existing operations.

**EVENTS AFTER THE REPORTING PERIOD****Acquisition of Land****HENAN Kaifeng City**

On 10 January 2013, the Group successfully acquired five parcels of land in Kaifeng City of Henan of an aggregate of approximately 408,000 square meters for a total consideration of approximately RMB116.3 million, planned for the development of a new agricultural exchange project in Henan.

**JIANGSU Huaian City**

On 15 January 2013, the Group won a bid at the tender for a parcel of land in Huaian City, Jiangsu Province, the PRC ("Jiangsu") of approximately 53,000 square meters for a consideration of RMB42.0 million, planned for the development of a new agricultural produce exchange project in Jiangsu.

**LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2012, the Group had total cash and cash equivalents amounting to approximately HK\$394.0 million (2011: approximately HK\$533.2 million) whilst total assets and net assets were approximately HK\$4,331.9 million (2011: approximately HK\$2,927.9 million) and approximately HK\$1,267.5 million (2011: approximately HK\$1,035.4 million), respectively. The Group's gearing ratio as at 31 December 2012 was approximately 1.0 (2011: approximately 0.6), being a ratio of total bank and other borrowings and promissory notes of approximately HK\$1,620.8 million (2011: approximately HK\$1,122.3 million), net of cash and cash equivalents of approximately HK\$394.0 million (2011: approximately HK\$533.2 million) to shareholders' funds of approximately HK\$1,267.5 million (2011: approximately HK\$1,035.4 million).

**CAPITAL COMMITMENT AND CONTINGENT LIABILITIES**

As at 31 December 2012, outstanding capital commitments, contracted but not provided for, amounted to approximately HK\$441.7 million (2011: approximately HK\$161.3 million) in relation to the purchase of property, plant and equipment and construction contracts. As at 31 December 2012, the Group had pledged investment properties and bank deposit with carrying amount of approximately HK\$1,313.4 million and approximately HK\$20.8 million respectively (2011: approximately HK\$1,039.0 million and approximately HK\$21.0 million) as security for bank financing. As at 31 December 2012, the Group had no significant contingent liabilities (2011: Nil).

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 December 2012. The revenue, operating costs and bank deposits of the Group are mainly denominated in Renminbi and Hong Kong dollars. Therefore, the Group is not exposed to any material foreign currency exchange risk.

**PROSPECTS**

Looking forward to 2013, the Group will continue to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well-developed management system and quality customer services. The Luoyang project is expected to start operation in 2013 and the Group believes this new flagship project in Henan will demonstrate a good business and operation model for other new projects.

The Group will continue to focus its investment in agricultural by-products wholesale markets in the PRC to further entrench its commitment to support the PRC State Council's Number 1 Policy of 2013 in the area of agricultural issues in consecutive 10 years. Leveraging on the strategic position the Group has attained in the 1st tier of agricultural products markets, the Group will endeavor to negotiate, build and expand its network of sizable wholesale markets by establishing partnership or investment in various provinces in the PRC.

With the favourable support of agricultural logistic business from the Central Government and our professional experience as a leader in the industry coupled with the significant increment of land bank, the Group is confident that this strategy and business model will deliver long-term benefits to the shareholders of the Company.

**NUMBER OF EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2012, the Group had 942 (2011: 820) employees, approximately 95.8% of whom were located in the PRC. The Group's remuneration policy is reviewed periodically and remuneration is determined by reference to market terms, company performance, and individual qualifications and performance."

- B. For the year ended 31 December 2013** *(as extracted from the annual report of CAP for the year ended 31 December 2013 and as such, references to “the Company”, “the Group” and “the Directors” in the below paragraphs shall be read as references to “CAP”, “CAP Group” and “CAP Directors” respectively)*

#### “SUMMARY OF FINANCIAL RESULTS

##### **Turnover and gross profit**

For the year ended 31 December 2013, the Group recorded a turnover of approximately HK\$408.5 million, representing a remarkable increase of approximately HK\$121.0 million or approximately 42.1% increase from approximately HK\$287.5 million last year. The increase was mainly attributable to the increase in turnover of the Group’s agricultural produce exchange markets and continuing sales recognition of certain property sales of the Yulin Market.

The gross profit of the Group increased by approximately 19.6% to approximately HK\$192.0 million from approximately HK\$160.6 million last year. The gross profit margin of the Group for the year was approximately 47.0%, compared to approximately 55.9% last year. The slight drop in gross profit margin was mainly due to the property sale margin being lower than that of the agricultural produce exchange market operation business.

##### **Net gain in fair value of investment properties**

The net gain in fair value of investment properties of approximately HK\$671.1 million (2012: approximately HK\$538.3 million) was mainly due to the increase in market value of the Group’s property projects in the PRC and growth in property management income from our projects.

##### **Administrative expenses, selling expenses and finance cost**

General and administrative expenses were approximately HK\$245.9 million (2012: approximately HK\$236.2 million). The slight increase was attributable to the Group’s administrative expenses and business development costs. Selling expenses were approximately HK\$42.8 million (2012: approximately HK\$12.7 million) and the increase was attributable to marketing and promotion expenses incurred at the newly constructed agricultural produce exchange market: Luoyang Market in 2013. Finance costs were approximately HK\$164.8 million (2012: approximately HK\$103.3 million) and such increase was due to obtaining new interest bearing debts in 2013.

**Profit attributable to the owners of the Company**

The profit attributable to owners of the Company for the year was approximately HK\$155.0 million as compared to approximately HK\$145.7 million last year. The moderate increment was mainly due to sales recognition of shops at the Yulin Market as well as the outstanding operating performance from the Wuhan Baisazhou Market.

**DIVIDENDS**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil). No interim dividend for 2013 was paid to the shareholders of the Company during the year (2012: Nil).

**REVIEW OF OPERATIONS**

The Group is principally engaged in the management and sales of agricultural produce exchange markets in the PRC. Both the operating performance and market ranking of our markets were satisfactory in 2013.

**Wuhan Baisazhou Agricultural and By-Product Exchange Market**

Located in the provincial capital of Hubei Province, Wuhan Baisazhou Market is one of the largest agricultural produce exchange operators in the PRC. Wuhan Baisazhou Market is situated in the Hongshan District of Wuhan City, with a site area of approximately 270,000 square metres, and a total gross floor area of approximately 160,000 square metres. In 2013, Wuhan Baisazhou Market was awarded “Top 10 National Agricultural Wholesale Markets” (in terms of transaction amount) by China Agricultural Wholesale Market Association. This award is a testament to the Group’s effort and expertise in being a top-tier agricultural produce market operator in the PRC.

During the year under review, turnover of the Wuhan Baisazhou Market continued to rise with 23.6% compared with that of 2012. Operating performance was encouraging as the Wuhan Baisazhou Market has established its reputation and track record to customers and tenants.

**Yulin Agricultural and By-Product Exchange Market**

Yulin Market is one of the largest agricultural produce exchanges in Guangxi, the PRC. It has various types of market stalls and multi-storey godown. The Group successfully acquired two parcels of land of approximately 160,000 square metres in February 2011 and approximately 73,000 square metres in December 2012, respectively. Yulin Market has a land reserve of approximately 73,000 square metres for future development. The Group has partially completed the construction of an extension to the phase two development of Yulin Market which became a new growth driver for the Group in 2013. In the year under review, Yulin Market was ranked “Top 75 National Agricultural Wholesale Markets” (in terms of transaction amount) by China Agricultural Wholesale Market Association. As a new member of the agricultural produce market, this award proved Yulin Market’s capability in becoming one of the key agricultural produce exchange markets in the Guangxi region.

During the year under review, the majority of the shops were sold and resultantly contributed to the Group’s increase in turnover in 2013. Both agricultural produce exchange market operation and property sale performance were satisfactory, achieving a revenue growth of approximately 27.1% and 73.3% respectively as compared with last year.

**Luoyang Agricultural and By-Product Exchange Market**

Luoyang Market is the new flagship project of the Group and the first agricultural produce exchange market project in Henan Province, the PRC. Henan Province was the third most populous province in the PRC with more than 94 million people according to 2010 National Census and the fifth largest provincial economy among the 31 provinces and municipalities in the PRC according to the 2012 National Bureau Statistics. The strategic move into Henan Province is a notable milestone for the Group’s future development in central China. The Group plans to build various types of market stalls and multi-storey shops. The Group successfully acquired two parcels of land: approximately 133,000 square metres in August 2012, and approximately 122,000 square metres in October 2013 respectively. The construction of the Luoyang Market has been partially completed. The Luoyang Market has commenced its trial run in late 2013 and is expected to become a key business driver for the Group in 2014.

**Xuzhou Agricultural and By-Product Exchange Market**

Xuzhou Market occupies approximately 200,000 square metres, and is located in the northern part of Jiangsu Province. The market houses various market stalls and godowns. Xuzhou Market is the major marketplace for the supply of fruit and seafood in the city, and the northern part of Jiangsu Province, the PRC. Xuzhou Market was ranked “Top 50 National Agricultural Wholesale Market” (in terms of transaction amount) by China Agricultural Wholesale Market Association in 2013.

The operating performance of Xuzhou Market was steady and satisfactory. Income in 2013 increased by approximately 12.1% as compared to last year.

## **MATERIAL ACQUISITIONS**

### **Acquisition of Lands**

On 10 January 2013, the Group won a bid at the tender for five parcels of land in Kaifeng City of Henan Province of approximately 408,000 square metres for a total consideration of approximately RMB116.3 million for the development of new agricultural produce exchange project in Henan Province. Details were disclosed in the Company's announcement dated 11 January 2013.

On 15 January 2013, the Group won a tender bid for a parcel of land in Huaian City, Jiangsu Province, aggregating approximately 53,000 square metres for a consideration of RMB42.0 million and will be developed into a new agricultural produce exchange market. Details were disclosed in the Company's announcement dated 16 January 2013.

On 21 October 2013, the Group won a tender bid for a parcel of land in Luoyang City, Henan Province, aggregating approximately 122,000 square metres for a consideration of approximately RMB43.1 million. This land will be developed as an extension to the existing agricultural produce exchange market. Details were disclosed in the Company's announcement dated 23 October 2013.

## **EVENT AFTER THE REPORTING PERIOD**

### **Acquisition of Lands**

On 12 January 2014, the Group won a bid at the tender for three parcels of land in Panjin City of Liaoning Province, aggregating approximately 160,000 square metres for a consideration of approximately RMB29.1 million. This site will be developed into a new agricultural produce exchange market. Details were disclosed in the Company's announcement dated 20 January 2014.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2013, the Group had total cash and cash equivalents amounting to approximately HK\$267.4 million (2012: approximately HK\$394.0 million) whilst total assets and net assets were approximately HK\$5,698.8 million (2012: approximately HK\$4,331.9 million) and approximately HK\$1,620.8 million (2012: approximately HK\$1,267.5 million), respectively. The Group's gearing ratio as at 31 December 2013 was approximately 1.3 (2012: approximately 1.0), being a ratio of total bank and other borrowings and promissory notes of approximately HK\$2,442.0 million (2012: approximately HK\$1,620.8 million), net of cash and cash equivalents of approximately HK\$267.4 million (2012: approximately HK\$394.0 million) to shareholders' funds of approximately HK\$1,620.8 million (2012: approximately HK\$1,267.5 million).



**CAPITAL COMMITMENT, PLEDGE AND CONTINGENT LIABILITIES**

As at 31 December 2013, outstanding capital commitments, contracted but not provided for, amounted to approximately HK\$590.5 million (2012: approximately HK\$441.7 million) in relation to the purchase of property, plant and equipment, and construction contracts. As at 31 December 2013, the Group had no significant contingent liabilities (2012: Nil).

As at 31 December 2013, the Group pledged the shares and all assets of certain subsidiaries and the loans owned by these subsidiaries to the Company to a subsidiary of Wang On Group Limited. Details of the said pledges were disclosed in the Company's announcement dated 16 July 2012. The Group also pledged certain investment properties and stock of properties with carrying amount of approximately HK\$1,836.0 million (2012: approximately HK\$1,313.4 million for investment properties and approximately HK\$20.8 million for bank deposit) to certain banks for secured bank loans.

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 December 2013. The revenue, operating costs and bank deposits of the Group are mainly denominated in Renminbi and Hong Kong dollars. Therefore, the Group is not exposed to any material foreign currency exchange risk.

**FUND RAISING ACTIVITIES****Placing of new shares under general mandate**

On 6 November 2013, the Company issued under the general mandate of the Company a total of 490 million new shares of the Company ("**Share(s)**") at a price of HK\$0.112 per Share under a placing through a placing agent. The aggregate net proceeds of approximately HK\$53.1 million was raised for the future development of existing and/or new agricultural produce exchange markets and for the general working capital of the Group. Details of the placing were disclosed in the announcements of the Company dated 25 October 2013 and 6 November 2013, respectively.



**Capital reorganisation, rights issue and bonus issue**

On 19 December 2013, the Company announced, inter alia, a capital reorganisation (the “**Capital Reorganisation**”) which became effective on 18 February 2014 pursuant to a special resolution passed at the special general meeting (the “**SGM**”) of the Company held on 17 February 2014 and a rights issue (the “**Rights Issue**”) and bonus issue (the “**Bonus Issue**”) which were approved at the SGM by an ordinary resolution. Under the Capital Reorganisation, the Rights Issue and the Bonus Issue:

- (a) the issued shares of the Company were consolidated by way of the consolidation (the “**Share Consolidation**”) of every forty shares of nominal value of HK\$0.01 each in the issued share capital of the Company into one consolidated share of nominal value of HK\$0.40 (the “**Consolidated Share(s)**”);
- (b) the issued share capital of the Company was reduced (the “**Capital Reduction**”) whereby (i) the nominal value of each of the issued Consolidated Shares was reduced from HK\$0.40 to HK\$0.01 (the “**Adjusted Share(s)**”) and the issued share capital of the Company was reduced to the extent of HK\$0.39 per Consolidated Share; and (ii) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation was to be cancelled;
- (c) the credit arising from the Capital Reduction was applied to set off the accumulated loss of the Company;
- (d) upon the Capital Reorganisation becoming effective, the Board also proposed to raise gross proceeds of approximately HK\$514.6 million, before expenses, by way of the Rights Issue under which the Company would allot and issue 1,106,619,045 rights shares (the “**Rights Share(s)**”) at the subscription price of HK\$0.465 per Rights Share, on the basis of fifteen Adjusted Shares for every one Adjusted Share held at 4:00 p.m. on 28 February 2014 (i.e. the record date, being the date by reference to which entitlements to the Rights Issue would be determined); and
- (e) subject to the satisfaction of the conditions of the Rights Issue, 73,774,603 bonus shares (“**Bonus Share(s)**”) would be issued on the basis of one Bonus Share for every fifteen Rights Shares taken up under the Rights Issue.

The estimated net proceeds raised from the Rights Issue would be approximately HK\$495.5 million and is intended to apply (i) as to approximately HK\$450 million for development of existing and future agricultural exchange projects, of which approximately HK\$300 million would be utilised for the acquisitions of land in the PRC and approximately HK\$150 million would be utilised for the payments of construction costs of the agricultural produce exchange market in the PRC; and (ii) as to the remaining balance of approximately HK\$45.5 million would be utilised for general working capital of the Group. Details of the Capital Reorganisation, the Rights Issue and the Bonus Issue were disclosed in the announcements of the Company dated 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, 17 February 2014 and 20 February 2014, respectively.

### NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group had 1,509 (2012: 942) employees, approximately 96.5% of whom were located in the PRC. The Group's remuneration policy is reviewed periodically and remuneration is determined by reference to market terms, company performance, and individual qualifications and performance.

### PROSPECTS

Looking forward to 2014, the Group will continue to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well developed management system and quality customer services. The Group has started the planning of Kaifeng project in Henan Province and Qinzhou project in Guangxi, thereby boosting our growth driver in 2014.

Under the "Number 1 Policy of 2014", agricultural developments will once again be the priority policy goal imposed by the PRC central government. The policy underscores the importance of rural reform and will expedite the development of modern agriculture through subsidies and investment in infrastructure. To capture the opportunities arising from the favorable government policy, the Group will continue to intensify its investment in agricultural by-products wholesale markets in the PRC.

Facilitated by our leading position in agricultural produce exchange markets, the Group will endeavor to negotiate, build and expand the network of sizable wholesale market platform by establishing partnership or direct investment in the various provinces. In light of our proven and successful business model, our professional experience, our leadership in the industry, and the significant increase in our land bank, the Group is confident to deliver long term benefits to the shareholders of the Company."

- C. **For the year ended 31 December 2014** (as extracted from the annual report of CAP for the year ended 31 December 2014 and as such, references to "the Company", "the Group" and "the Directors" in the below paragraphs shall be read as references to "CAP", "CAP Group" and "CAP Directors" respectively)

### "SUMMARY OF FINANCIAL RESULTS

#### Turnover and gross profit

For the year ended 31 December 2014, the Group recorded a turnover of approximately HK\$298.0 million, a decrease of approximately HK\$110.5 million or approximately 27% from approximately HK\$408.5 million for the previous financial year. The decrease was mainly attributable to the drop of properties sales of Yulin Hongjin Agricultural and By-Product Exchange Market ("Yulin Market") but slightly offset by the increase of income of other agricultural produce exchange projects.

The gross profit of the Group increased by approximately 12% to approximately HK\$214.1 million from approximately HK\$192.0 million for the previous financial year. The gross profit margin of the Group for the financial year was approximately 72% as compared to approximately 47% for the previous financial year. The sharp rise of gross profit margin was mainly due to that the property sale margin is lower than that of agricultural produce exchange market operation.

#### **Net gain in fair value of investment properties**

The net gain in fair value of investment properties of approximately HK\$77.7 million (2013: approximately HK\$671.1 million) was mainly due to the stagnant of property market and property management income of our projects.

#### **Administrative expenses, selling expenses and finance cost**

General and administrative expenses were approximately HK\$287.7 million (2013: approximately HK\$245.9 million). The increase was mainly due to new development cost in various projects and starting operations of Qinzhou Hongjin Agricultural and By-Product Exchange Market (“**Qinzhou Market**”) and Kaifeng Hongjin Agricultural and By-Product Exchange Market (“**Kaifeng Market**”). Selling expenses were approximately HK\$106.4 million (2013: approximately HK\$42.8 million) and the increase was mainly due to the Group’s increasing marketing and promotion expenses of Qinzhou Market and Kaifeng Market in 2014. Finance costs were approximately HK\$232.0 million (2013: approximately HK\$164.8 million) and such increase was mainly due to obtaining new interest bearing debts during the year under review.

#### **Loss/profit attributable to the owners of the Company**

The loss attributable to owners of the Company for the year was approximately HK\$340.4 million as compared to last year of profit of approximately HK\$155.0 million. The loss was mainly due to the sales recognition of shops in Yulin Market in 2013 but that effect decreased in 2014 as well as increase in administrative and selling expenses, finance cost and decrease in the growth rate of net gain in fair value of investment properties.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2014, the Group had total cash and cash equivalents amounting to approximately HK\$200.4 million (2013: approximately HK\$267.4 million) whilst total assets and net assets were approximately HK\$6,906.0 million (2013: approximately HK\$5,698.8 million) and approximately HK\$1,876.3 million (2013: approximately HK\$1,620.8 million), respectively. The Group’s gearing ratio as at 31 December 2014 was approximately 1.5 (2013: approximately 1.3), being a ratio of total bank and other borrowings, bonds and promissory notes of approximately HK\$3,045.3 million (2013: approximately HK\$2,442.0 million, being the total of bank and other borrowings and

promissory notes), net of cash and cash equivalents of approximately HK\$200.4 million (2013: approximately HK\$267.4 million) to shareholders' funds of approximately HK\$1,876.3 million (2013: approximately HK\$1,620.8 million).

### **DIVIDENDS**

The Directors do not recommend any payment of final dividend for the year ended 31 December 2014 (2013: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2013: Nil).

### **REVIEW OF OPERATIONS**

During the year under review, the Group was principally engaged in the business of property management and sales in respect of agricultural produce exchanges in the PRC. Both the operating performance and market ranking of our markets remarked steady progress in 2014.

#### **Wuhan Baisazhou Market**

Located in the provincial capital of Hubei Province, the PRC, Wuhan Baisazhou Agricultural and By-Product Exchange Market (“**Wuhan Baisazhou Market**”) is one of the largest agricultural produce exchange operators in the PRC. Wuhan Baisazhou Market is situated in the Hongshan District of Wuhan City with a site area of approximately 270,000 square metres and a total gross floor area of approximately 160,000 square metres. In January 2015, Wuhan Baisazhou Market was awarded “Top 10 Contribution to 30th Anniversary of National Agricultural Wholesale Markets” issued by China Agricultural Wholesale Market Association. This award is a recognition of the market contribution being made by the Group's effort and expertise in agricultural produce exchange market operation in the PRC.

During the period under review, the turnover of Wuhan Baisazhou Market continued to rise at the rate of approximately 17% compared with the corresponding period of last year. The continuous outstanding operating performance of Wuhan Baisazhou Market has established its reputation and track record to customers and tenants in Wuhan.

#### **Yulin Market**

Yulin Market is one of the largest agricultural produce exchanges in Guangxi Zhuang Autonomous Region, the PRC. It has various types of market stalls and multi-storey godown. The Group completed the construction of an extension to the phase two development of the Yulin Market which became a new growth driver for the Group. As an energetic member of the agricultural produce exchange market, Yulin Market became one of the key agricultural produce exchange markets in the Guangxi region.

On 18 June 2014, a subsidiary of the Company and the Yulin Land Bureau have entered into a termination agreement pursuant to which the parties agreed to terminate the confirmation letter dated 24 December 2012 in relation to the acquisition of the land use rights of a parcel of land in Yulin City of approximately 73,000 square metres. Details of the termination were disclosed in the announcement of the Company dated 20 June 2014. The Board did not consider the termination of the confirmation letter would have any material adverse impact on the operation and financial position of the Group.

During the period under review, revenue from property sale was approximately HK\$9.2 million in 2014 (2013: approximately HK\$169.6 million), representing a decrease of approximately 95% compared to the corresponding period of last year which mainly due to the decrease in property sales in 2014. The performance of agricultural produce exchange market operation was satisfactory, achieving a revenue growth of approximately 22% as compared with the corresponding period of last year.

### **Luoyang Market**

Luoyang Hongjin Agricultural and By-Product Exchange Market (“**Luoyang Market**”) is the flagship project of the Group in Henan Province, the PRC. Both occupancy rate and vehicles traffic were satisfactory. The site area of Luoyang Market is approximately 255,000 square metres with the gross floor area of approximately 160,000 square metres. After more than one-year operations, the business operations of Luoyang Market have been gradually improved.

### **Xuzhou Market**

Xuzhou Agricultural and By-Product Exchange Market (“**Xuzhou Market**”) occupies approximately 200,000 square metres and is located in the northern part of Jiangsu Province, the PRC. The Xuzhou Market houses various market stalls, godowns and cold storage and is a major marketplace for the supply of fruit and seafood in the city and the northern part of Jiangsu Province.

The operating performance of Xuzhou Market was steady during the year under review. Xuzhou Market’s income in 2014 mildly decreased by approximately 3% as compared to last year.

### **Puyang Market**

Puyang Hongjin Agricultural and By-Product Exchange Market (“**Puyang Market**”) is a market jointly operated by the Group and a local joint venture partner. The new cooperation with the joint venture partner remarks an innovative way of the Group’s expansion strategy. During the period under review, the operating performance of Puyang Market achieved outstanding result and contributed a positive operating profit.

**Kaifeng Market**

Kaifeng Market, with the gross floor construction area of approximately 100,000 square metres, completed its construction during the period under review. Kaifeng Market is our third market in Henan Province, the PRC and facilitated the Group's expansion of its agricultural produce market network in Henan Province. Having commenced its operations in August 2014, Kaifeng Market will become a new income driver of the Group in the coming year.

**Qinzhou Market**

Qinzhou Market, with the gross floor construction area of approximately 189,000 square metres, completed its construction during the year under review. Qinzhou Market is our second market in Guangxi Zhuang Autonomous Region, the PRC and facilitated the Group's expansion of its agricultural produce market network in Guangxi Zhuang Autonomous Region. Having commenced its operations in August 2014, Qinzhou Market will become a new income engine contributed to the Group in the coming year.

**Panjin and Huai'an Projects**

With the commencement of construction development, Panjin Hongjin Agricultural and By-Product Exchange Market ("**Panjin Market**") which will focus on supplying crab and Huai'an Hongjin Agricultural and By-Product Exchange Market ("**Huai'an Market**") which will focus on supplying by-products food. The Group expects that Panjin Market and Huai'an Market will be a next driving momentum of the Group and will commence their operations in 2015.

**MATERIAL ACQUISITIONS****Land acquisition of Panjin project**

On 12 January 2014, the Group won a bid at the tender for three parcels of land in Panjin City of Liaoning Province, the PRC with an aggregate area of approximately 159,800 square metres for a consideration of approximately RMB29.1 million. This site will be developed into a new agricultural produce exchange market. Details of the transaction were disclosed in the company's announcement dated 20 January 2014.

**Set up joint venture in Puyang Market**

On 1 April 2014, the Group entered into a new joint venture agreement with a joint venture partner pursuant to which the total investment to be made to the joint venture company would increase from RMB2.8 million to RMB140 million, of which RMB105 million will be contributed by the Company's subsidiary in cash and RMB35 million will be contributed by the joint venture partner through injection of all the assets and resources within the designated area of an exchange market in Puyang City, the



PRC currently owned and managed by the joint venture partner (including but not limited to the rights of land, building and warehouse). The joint venture company was established in March 2014. Details of the transaction were disclosed in the Company's announcement dated 1 April 2014.

#### **Land acquisition of Wuhan project**

On 24 April 2014, the Group won a bid at the tender for a parcel of land in Wuhan City of Hubei Province, with an aggregate area of approximately 162,000 square metres for a consideration of RMB74.1 million. Details of the transaction were disclosed in the Company's announcement dated 7 May 2014.

#### **Land acquisition of Huai'an project**

On 26 August 2014, the Group won a bid at the tender for a parcel of land in Huai'an City of Jiangsu Province, the PRC, with an aggregate area of approximately 48,000 square metres for a consideration of RMB44.0 million. Details of the transaction were disclosed in the Company's announcement dated 26 August 2014.

#### **Prepayment of Chenzhou project**

On 18 November 2014, the Group entered into the agreement in relation to the agricultural produce market project in Chenzhou City, the PRC. The Group agreed to make an interest-free prepayment of RMB28.8 million to the Chenzhou Beihu Government, the PRC upon the signing of the agreement for the expropriation of the lands and supporting the project development. Details of the transaction were disclosed in the Company's announcement dated 18 November 2014.

#### **Set up joint venture in Huangshi market**

On 20 November 2014, the Group entered into a new joint venture agreement with a joint venture partner to establish the joint venture company owned as to 80% by the Group and 20% by the joint venture partner for operating an agricultural produce market in Huangshi City, Hubei Province, the PRC. The Group would contribute RMB1.6 million and the joint venture partner would contribute RMB0.4 million as capital. On the even date, the joint venture company entered into a rental agreement with the joint venture partner for the transfer of the management rights of existing market at the consideration of RMB35.0 million and rent an existing market in Huangshi City at the annual rental fee of RMB1 million. Details of the transaction were disclosed in the Company's announcement dated 20 November 2014.



**MEDIUM TERM NOTES AND BONDS**

On 31 March 2014, the Company announced the placing of its HK\$1 billion note. As at 31 December 2014, HK\$400 million medium term notes (the “**Notes**”) had been issued under the Notes programme and were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), with the net proceeds of approximately HK\$147.2 million being raised. Details of the issue of the Notes were disclosed in the Company’s announcements dated 31 March 2014 and 19 May 2014, respectively.

On 4 October 2014, the Company announced the issue of the two-year 8.5% coupon bonds in an aggregate principal amount of HK\$200 million and the five-year 10.0% coupon bonds in an aggregate principal amount of HK\$1,200 million (the “**Bonds**”) through a placing agent and as well as subscription by Wang On Group Limited, Wai Yuen Tong Medicine Holdings Limited and PNG Resources Holdings Limited. The Bonds were issued on 28 November 2014. Details of the issue of the Bonds were disclosed in the Company’s announcements dated 4 October 2014 and 28 November 2014, respectively.

On 19 November 2014, the Company announced the issue of 7.3% coupon bonds in an aggregate principal amount of HK\$300 million through a placing agent. The bonds at all times rank subordinated to the Notes and the Bonds as mentioned in the Company’s announcement dated 31 March 2014 and 4 October 2014. As of the date of this announcement, bonds in the principal amount of HK\$13 million had been issued, with the net proceeds of approximately HK\$8.8 million being raised. The Company has extended the placing period of the bonds for another three months. Details of the issue of bonds were disclosed in the Company’s announcement dated 19 November 2014.

**CAPITAL COMMITMENT AND CONTINGENT LIABILITIES**

As at 31 December 2014, outstanding capital commitments, contracted but not provided for, amounted to approximately HK\$270.7 million (2013: approximately HK\$590.5 million) in relation to the purchase of property, plant and equipment, construction contracts and operating lease agreements. As at 31 December 2014, the Group had no significant contingent liabilities (2013: Nil).

As at 31 December 2014, the Group pledged land use right, properties and bank deposits with carrying amount of approximately HK\$2,604.6 million (2013: approximately HK\$1,836.0 million for investment properties) to certain banks for secured bank loans.

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 December 2014. The revenue, operating costs and bank deposits of the Group are mainly denominated in Renminbi and Hong Kong dollars. Therefore, the Group is not exposed to any material foreign currency exchange risk.

## LITIGATION

As disclosed in the announcements of the Company dated 11 January 2011, 22 May 2012, 19 June 2014, 4 July 2014, 13 January 2015 and 14 January 2015 in relation to the civil proceedings (the “**Legal Proceedings**”) in the PRC commenced by Ms. Wang Xiu Qun (“**Ms. Wang**”) and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd (“**Tian Jiu**”) as plaintiffs against the Company as defendant and joined Wuhan Baisazhou Agricultural By-product Grand Market Company Limited (“**Baisazhou Agricultural**”) as third party.

Ms. Wang and Tian Jiu sought an order from the court that the share transfer agreements alleged to be forged by Baisazhou Agricultural in relation to the acquisition of an aggregate 90% interest in Baisazhou Agricultural from Ms. Wang as to 70% thereof and Tian Jiu as to 20% thereof (the “**Contended Agreements**”) were void and invalid from the beginning and should be terminated, and claimed against the Company and Baisazhou Agricultural all relevant profits of Baisazhou Agricultural which were attributable to Ms. Wang and Tian Jiu (the “**Profits Claim**”), together with costs of the Legal Proceedings. The Company received the judgment from the Higher People’s Court of Hubei Province, the PRC (the “**Hubei Court**”) in relation to the Legal Proceedings (“**Hubei Court Judgment**”) in June 2014. In the Hubei Court Judgment, the Hubei Court dismissed the claims of Ms. Wang and Tian Jiu, and they were ordered to bear the legal costs of the Legal Proceedings. Ms. Wang and Tian Jiu filed an appeal notice to the Supreme People’s Court of the PRC (the “**Supreme People’s Court**”). On 13 January 2015, the Company received the judgment (the “**Beijing Judgment**”) handed down from the Supreme People’s Court in relation to Ms. Wang and Tian Jiu’s appeal against the Hubei Court Judgment. In the Beijing Judgment, the Supreme People’s Court ordered that (i) the Hubei Court Judgment be revoked; and (ii) the Contended Agreements were void.

As advised by the PRC legal advisers of the Company, (i) the Company can apply for re-trial within a period of 6 months from the date of receipt of the Beijing Judgment (i.e. 13 January 2015); (ii) the Supreme People’s Court only ordered the Contended Agreements void, but it did not make any ruling regarding the acquisition; and (iii) the Beijing Judgment will not directly lead to any immediate change of ownership of Baisazhou Agricultural. The Company continues to be the legal owner of Baisazhou Agricultural until and unless the revocation of: (a) the approval from the PRC Ministry of Commerce issued in November 2007; and (b) the registration of the transfer of shareholding by the Wuhan Administration of Industry and Commerce. The Company will take all necessary actions in the PRC as advised by its PRC legal advisers in response to the Beijing Judgment.

**FUND RAISING ACTIVITIES****2014 Capital Reorganisation, 2014 Rights Issue and the Bonus Issue**

On 19 December 2013, the Company announced, inter alia, the capital reorganisation (the “**2014 Capital Reorganisation**”) which took effect on 18 February 2014 pursuant to a special resolution passed at the special general meeting (the “**2014 SGM**”) of the Company held on 17 February 2014 and the rights issue (the “**2014 Rights Issue**”) and the bonus issue (the “**Bonus Issue**”) which were passed at the 2014 SGM by an ordinary resolution, in which:

- (a) the consolidation of the issued shares of the Company (the “**2014 Share Consolidation**”) whereby every forty (40) shares of nominal value of HK\$0.01 each in the issued share of the Company was consolidated into one (1) consolidated share of nominal value of HK\$0.40 (the “**2014 Consolidated Share**”);
- (b) the reduction of the issued share capital of the Company (the “**2014 Capital Reduction**”) whereby (i) the nominal value of all the issued 2014 Consolidated Shares was reduced from HK\$0.40 each to HK\$0.01 each (the “**2014 Adjusted Share(s)**”) and the issued share capital of the Company was reduced to the extent of HK\$0.39 per 2014 Consolidated Share; and (ii) any fractional 2014 Consolidated Shares in the issued share capital of the Company arising from the 2014 Share Consolidation was to be cancelled;
- (c) applying the credit arising from the 2014 Capital Reduction to set off the accumulated loss of the Company;
- (d) upon the 2014 Capital Reorganisation becoming effective, the Board also proposed to raise gross proceeds of approximately HK\$514.6 million, before expenses, by way of the 2014 Rights Issue. Pursuant to the 2014 Rights Issue, the Company would allot and issue 1,106,619,045 rights shares (the “**2014 Rights Share(s)**”) at the subscription price of HK\$0.465 per 2014 Rights Share, on the basis of fifteen (15) 2014 Adjusted Shares for every one (1) 2014 Adjusted Share held at 4:00 p.m. on 28 February 2014 (i.e. the record date, being the date by reference to which entitlements to the 2014 Rights Issue would be determined); and
- (e) subject to the satisfaction of the conditions of the 2014 Rights Issue, 73,774,603 bonus shares (the “**Bonus Share**”) would be issued on the basis of one (1) Bonus Share for every fifteen (15) 2014 Rights Shares taken up under the 2014 Rights Issue.

The net proceeds of the 2014 Rights Issue were approximately HK\$495.5 million and were intended to be applied as to (i) approximately HK\$450 million for development of existing and future agricultural exchange projects, of which approximately HK\$130 million would be utilised for the acquisitions of land in the PRC and approximately HK\$320 million would be utilised for the payments of construction costs of the agricultural produce exchanges in the PRC; and (ii) the remaining balance of approximately HK\$45.5 million would be utilised for general working capital of the Group of the Company. The then closing price of the share in the Company on 4 December 2014 was HK\$0.113. As at 31 December 2014, (i) approximately HK\$130 million had been utilised for acquisitions of land in the PRC; (ii) approximately HK\$130 million had been utilised for the payment of the construction costs for phase one of the Kaifeng City project; (iii) approximately HK\$55.0 million had been utilised for the payment of the construction costs for the Qinzhou City project; (iv) approximately HK\$19.8 million had been utilised, and approximately HK\$39.3 million had been earmarked for the construction costs of the Huai'an City project, and approximately HK\$10.9 million would be utilised generally for this project; (v) approximately HK\$65.0 million had been utilised for the payment of the construction costs for the Panjin City project; (vi) approximately HK\$45.5 million had been applied as the general working capital of the CAP Group as intended. The 2014 Rights Issue and the Bonus Issue were completed on 21 March 2014. Details of the 2014 Capital Reorganisation, the 2014 Rights Issue and the Bonus Issue were disclosed in the Company's announcements dated 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, 20 February 2014, 24 March 2014 and 11 July 2014, respectively.

#### **Placing of new shares under general mandates**

On 22 August 2014, the Company announced the placing of a total of 250 million shares in the Company (the "Share(s)") at a price of HK\$0.33 per Share for a placing through a placing agent under the general mandate of the Company. The aggregate net proceeds were approximately HK\$80.0 million, in which approximately HK\$50.0 million was for the future development of existing/new agricultural produce exchanges and approximately HK\$30.0 million was for the general working capital of the Group. The then closing price of the Shares on 22 August 2014 was HK\$0.405 and the placing completed on 3 September 2014. As at 31 December 2014, approximately HK\$27.7 million was utilised for the payment of construction costs for the Qinzhou City project, the Panjin City project and phase one of the Kaifeng City project; approximately HK\$22.3 million was advanced to the Chenzhou City Beihu Government for land acquisition of a possible development project; and approximately HK\$30.0 million was utilised for the general working capital of the Group as intended. Details of the placing were disclosed in the Company's announcements dated 22 August 2014 and 3 September 2014, respectively.

On 24 October 2014, the Company undertook a further placing of a total of 220 million Shares at a price of HK\$0.27 per Share for a placing through a placing agent under the general mandate of the Company. The aggregate net proceeds were approximately HK\$57.5 million, in which approximately HK\$5.0 million was for repayment of debts, approximately HK\$35.0 million was for fees and expenses incurred with the issue of Bonds and approximately HK\$17.5 million was for the general working capital of the Group. The then closing price of the Shares on 24 October 2014 was HK\$0.325 and the placing completed on 6 November 2014. As at 31 December 2014, approximately HK\$5.0 million was utilised for the repayment of debts; approximately HK\$35.0 million was utilised for the payment of the fees and expenses incurred in the issue of the Bonds; approximately HK\$11.6 million was utilised as general working capital of the Group; and the remaining balance of approximately HK\$5.9 million would be utilised as general working capital of the Group as intended. Details of the placing were disclosed in the Company's announcements dated 24 October 2014 and 6 November 2014, respectively.

### **2015 Capital Reorganisation and 2015 Rights Issue**

On 8 January 2015, the Company announced, inter alia, the capital reorganisation (the "**2015 Capital Reorganisation**") which will take effect after the passing of the special resolution at the special general meeting (the "**2015 SGM**") of the Company and the rights issues (the "**2015 Rights Issue**") which is subject to, among others, the passing of the ordinary resolutions at the 2015 SGM, in which:

- (a) the consolidation of the Shares (the "**2015 Share Consolidation**") whereby every eight (8) Shares of nominal value of HK\$0.01 each in the Share was consolidated into one (1) consolidated Share of nominal value of HK\$0.08 (the "**2015 Consolidated Share(s)**");
- (b) the reduction of the issued share capital of the Company (the "**2015 Capital Reduction**") whereby (i) the nominal value of all the issued 2015 Consolidated Shares was reduced from HK\$0.08 each to HK\$0.01 each (the "**2015 Adjusted Share(s)**") and the issued share capital of the Company was reduced to the extent of HK\$0.07 per 2015 Consolidated Share; and (ii) any fractional 2015 Consolidated Shares in the issued share capital of the Company arising from the 2015 Share Consolidation to be cancelled;
- (c) applying the credit arising from the 2015 Capital Reduction to set off the accumulated loss of the Company;
- (d) upon the 2015 Capital Reorganisation becoming effective, raising gross proceeds of approximately HK\$517.3 million, before expenses, by way of the 2015 Rights Issue. Pursuant to the 2015 Rights Issue, the Company would allot and issue 1,724,168,248 rights shares (the "**2015 Rights Share**") at the subscription price of HK\$0.3 per 2015 Rights Share, on the basis of eight (8) 2015 Adjusted Shares for every one (1) 2015 Adjusted Share.

The net proceeds from the 2015 Rights Issue is expected to be approximately HK\$501.7 million. The 2015 Capital Reorganisation and the 2015 Rights Issues have not completed as of the date of this report. Details of the 2015 Capital Reorganisation and the 2015 Rights Issue were disclosed in the Company's announcements of the Company dated 8 January 2015, 29 January 2015 and 13 February 2015, respectively.

#### NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had 1,883 (2013: 1,509) employees, approximately 97% of whom were located in the PRC. The Group's remuneration policy is reviewed periodically and remuneration is determined by reference to market terms, company performance, and individual qualifications and performance.

#### PROSPECTS

Looking forward to 2015, the Group will strive to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well-advanced management system, information technology infrastructure and quality customer services. The Group has commenced the operations of Kaifeng Market in Henan and Qinzhou Market in Guangxi, bringing driving force of business development in 2015. The Group also expects that the commencement of operations of Huai'an Market in Jiangsu Province and Panjin Market in Liaoning Province in 2015 will be another force of momentum to the Group's business development.

Once again, agricultural issue is still the first policy for consecutive years by the PRC central government in 2015 under the document (the "**Document**") name of "the Number 1 Policy of 2015". The Document reflects the PRC government's intention to upgrade and invest in agricultural produce market, expand agricultural produce network, build logistic infrastructure and storage of agriculture and improve regional cold storage infrastructure. By capturing the opportunity brought by the government policy, the Group will continue to focus on intensifying its investment in agricultural by-products wholesale markets in the PRC.

Pioneering the strategic position of agricultural produce markets, the Group will endeavor to negotiate, build and expand the network of sizable wholesale market platform by establishing partnership or direct investment in the various provinces in the PRC. Combining the competitive strategic choice of successful business model and our professional experience in leading position in the industry coupling with the significant increment of land bank, the Group is confident that this strategy and business model will deliver long term benefits to the shareholders of the Company.



**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP UPON  
COMPLETION OF THE RIGHTS ISSUE****INTRODUCTION**

The following is an illustrative and unaudited pro forma consolidated statement of financial position of the Group (“**Unaudited Pro Forma Financial Information**”), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the underwriting of the Rights Shares by WYT Underwriter pursuant to the Underwriting Agreement (the “**Underwriting**”), based on the scenario that if WYT Underwriter is required to take up 660,000,000 Rights Shares (assuming no further CAP Share or Adjusted Share will be issued or repurchased on or before the Record Date) under the Underwriting Agreement, assuming none of the Qualifying Shareholders (other than Onger Investments which will subscribe for Rights Shares pursuant to PNG Irrevocable Undertaking) or the transferees to whom any Qualifying Shareholders have transferred their rights to the provisionally allotted nil paid Rights Shares take up the Rights Shares to which they are entitled, as if it had taken place on 30 September 2014.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Underwriting been completed as at 30 September 2014.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.



## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group as at 30 September 2014 <i>HK\$ '000</i> <i>Note 1</i>	Pro Forma Adjustments <i>HK\$ '000</i> <i>Note 2,3,4</i> <i>HK\$ '000</i> <i>Note 5,6,7</i>		The Group after the Underwriting <i>HK\$ '000</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	320,716			320,716
Investment properties	485,700			485,700
Goodwill	15,335			15,335
Investments in associates	270,899		655,057	925,956
Other intangible assets	347			347
Available-for-sale investment	—	720,000	(198,000)	522,000
Loans and interests receivable	450,000	(250,000)		200,000
Deferred tax assets	5,249			5,249
Total non-current assets	<u>1,548,246</u>			<u>2,475,303</u>
<b>CURRENT ASSETS</b>				
Inventories	160,909			160,909
Trade and other receivables	162,331			162,331
Amounts due from associates	6,834			6,834
Investments held-for-trading	133,198			133,198
Loans and interests receivable	105,301	(75,000)		30,301
Tax recoverable	141			141
Bank balances and cash	400,909	(377,000)	4,950	28,859
		(720,000)		
		18,000		
		325,000		
Total current assets	<u>969,623</u>			<u>522,573</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	106,987			106,987
Bank borrowings	283,146			283,146
Deferred franchise income	33			33
Tax payable	2,638			2,638
Total current liabilities	<u>392,804</u>			<u>392,804</u>
<b>NET CURRENT ASSETS</b>	<u>576,819</u>			<u>129,769</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>2,125,065</u>			<u>2,605,072</u>

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP *(continued)*

	The Group as at 30 September 2014 <i>HK\$ '000</i> <i>Note 1</i>	Pro Forma Adjustments <i>HK\$ '000</i> <i>Note 2,3,4</i>		The Group after the Underwriting <i>HK\$ '000</i>
			<i>HK\$ '000</i> <i>Note 5,6,7</i>	
<b>NON-CURRENT LIABILITIES</b>				
Bank borrowings	182,576			182,576
Deferred tax liabilities	2,384			2,384
Total non-current liabilities	184,960			184,960
Net assets	1,940,105			2,420,112
<b>EQUITY</b>				
Share capital	35,171			35,171
Reserves	1,897,639	18,000	462,007 457,057 4,950	2,377,646
Equity attributable to owners of the parent	1,932,810			2,412,817
Non-controlling interests	7,295			7,295
Total equity	1,940,105			2,420,112

## NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

*Notes:*

1. The consolidated statement of financial position of the Group as at 30 September 2014 is extracted from the published 2014 Interim Report of the Company.
2. In accordance with the announcement of the Company on 4 October 2014, the Group has undertaken to subscribe for the 2019 CAP Bonds in the principal amount of HK\$720,000,000 and was entitled to a 2.5% subscription fee on the principal amount of the subscription of the 2019 CAP Bonds. The subscription fee income amounted to HK\$18,000,000, being 2.5% of HK\$720,000,000, was recognised as other income.
3. Upon completion of the subscription of the 2019 CAP Bonds, the 2019 CAP Bonds was accounted for as available-for-sale investments which will be measured at fair value at each period end date with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve in equity until the investment is derecognised or impaired.
4. Upon completion of the subscription of the 2019 CAP Bonds, CAP used the proceeds from the issue of the 2019 CAP Bonds to repay the outstanding loans principal due to the Group with an aggregate carrying amount of HK\$325,000,000 as at 30 September 2014.
5. Pursuant to the Underwriting Agreement with CAP, the Group agreed to underwrite 660,000,000 Rights Shares of CAP at the Subscription Price of HK\$0.3 per share, with an aggregate Subscription Price of HK\$198,000,000, and is entitled to 2.5% commission fee on the aggregate Subscription Price in respect of the maximum number of the Underwriting Shares, being 660,000,000 Rights Shares agreed to be underwritten by the Group. The underwriting commission income amounted to HK\$4,950,000, being 2.5% of HK\$198,000,000, is recognised as other income.
6. Pursuant to the Underwriting Agreement with CAP, the WYT Underwriter Subscription Amount will be set-off, on a dollar-for-dollar basis, against the outstanding aggregate principal amount owing by CAP to the Group under the 2019 CAP Bonds.
7. Upon completion of the Rights Issue, the Group's interests in the issued share capital of CAP will increase from nil to approximately 34.03%. As such, the Group's investment in CAP will be accounted for as an associate in the consolidated financial statements of the Group in accordance with HKAS 28 *Investments in Associates and Joint Ventures*, using equity method of accounting.

The difference between (i) the consideration of aggregate principal amount owing by CAP to the Group under the 2019 CAP Bonds, which becomes the Group's investment in CAP; and (ii) the share of provisional fair value of the adjusted net assets attributable to CAP Shareholders as at 31 December 2014 after taking into the net proceeds from the Rights Issue, will be recognised as gain on bargain purchase in share of results of associates of the Group. The calculation is as follows:

	<i>Notes</i>	<i>HK\$ '000</i>
Total investment in CAP	<i>a</i>	198,000
Less: Share of provisional fair value of the adjusted net assets attributable to CAP Shareholders as at 31 December 2014	<i>b</i>	<u>(655,057)</u>
Gain on bargain purchase	<i>c</i>	<u><u>(457,057)</u></u>

**NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**  
(continued)*Notes:*

- a. In accordance with the Underwriting Agreement with CAP, the WYT Underwriter Subscription Amount is HK\$198,000,000, which will be set-off, on a dollar-for-dollar basis, against the outstanding aggregate principal amount owing by CAP to the Group under the 2019 CAP Bonds.
- b. At 31 December 2014, as extracted from CAP's published 2014 annual report for the year ended 31 December 2014, the net assets attributable to CAP Shareholders amounted to HK\$1,423,291,000.

Pursuant to the Rights Issue, the estimated net proceeds from the Rights Issue are based on 1,724,168,248 Rights Shares of HK\$0.01 each at HK\$0.3 per Rights Share on the basis of eight Adjusted Shares for every one Adjusted Share of CAP held as at the Latest Practicable Date, after deducting the estimated underwriting commission and other related expenses of approximately HK\$15,600,000 to be incurred by CAP. Accordingly, the net assets attributable to CAP Shareholders would be increased by HK\$501,650,000.

In addition, since this Unaudited Pro Forma Financial Information of the Group is prepared solely for illustrative purposes, the Directors had assumed that the fair values of all assets and liabilities of the CAP Group to be their respective carrying values at the date of completion of the Rights Issue. The possible changes to the fair values of the assets and liabilities of the CAP Group being acquired were not reflected in the Unaudited Pro Forma Financial Information of the Group.

Accordingly, the provisional fair value of the adjusted net assets attributable to CAP Shareholders shared by the Group, based on a 34.03% equity interest in CAP, is HK\$655,057,000.

- c. As mentioned in note 7(b) above, in the preparation of this Unaudited Pro Forma Financial Information of the Group, the Directors had not considered the fair value adjustments of all assets and liabilities as at the date of the completion of the Rights Issue. Upon completion of the Rights Issue, the fair values of all identifiable assets and liabilities of CAP Group, as at the date of completion of the Rights Issue, will be assessed. Accordingly, the gain on bargain purchase so calculated, if any, may be materially different from that in the calculation above. According to the Group's accounting policy, the gain on bargain purchase which arose from the acquisition of an associate is included in the share of results of associates of the Group.

In the preparation of this Unaudited Pro Forma Financial Information of the Group, the Directors had performed an impairment assessment of the investment in CAP in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* and the Group's accounting policy, and it is concluded that no impairment on the investment in CAP is necessary as there is no objective evidence that the equity investment is impaired.

The Directors confirmed that they will apply consistent accounting policies to assess impairment of the investment in CAP in subsequent reporting periods in accordance with the requirement of HKAS 39.

*The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Group.*



22/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

13 March 2015

### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The Directors  
Wai Yuen Tong Medicine Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purpose only. The pro forma financial information consists of the pro forma consolidated statement of financial position of the Group as at 30 September 2014 and the related notes set out on pages III-2 to III-5 of the Circular issued by the Company (the “**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on page III-1 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the underwriting of 660,000,000 rights shares of China Agri-Products Exchange Limited (the “**Underwriting**”) on the Group’s financial position as at 30 September 2014 as if the transaction had taken place at 30 September 2014. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 30 September 2014, on which an interim report has been published.

#### **Directors’ responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Reporting Accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Underwriting on unadjusted financial information of the Group as if the Underwriting had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Ernst & Young***Certified Public Accountants*

Hong Kong



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates 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) (a) 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 interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

*Long positions in underlying Shares of share options of the Company:*

Name of Director	Date of grant	Exercise price per Share HK\$	Number of share options outstanding	Exercisable period (Note 1)	Number of underlying Shares	Approximate percentage of the Company's total issued share capital (Note 2) %
Ms. Tang Mui Fun	8.1.2009	1.2050	78,214	8.1.2010 - 7.1.2019	78,214	0.002

*Notes:*

(1) The share options granted under the share option scheme of the Company vest as follows:

On 1st anniversary of the date of grant:	30% vest
On 2nd anniversary of the date of grant:	further 30% vest
On 3rd anniversary of the date of grant:	remaining 40% vest

(2) The percentage is calculated based on the total issued share capital of the Company as at the Latest Practicable Date of 4,217,142,969.

(b) **Persons who have interests or short positions in the Shares or underlying Shares which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

Save as disclosed below, as at the Latest Practicable Date, no person, 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 which would fall to be disclosed to the Company and the Stock Exchange 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:

*Long positions in the Shares*

Name of Shareholders	Number of Shares	Approximate percentage of the Company's total issued share capital (Note 3) %
WOG (Note 1)	864,542,034	20.50
Wang On Enterprises (BVI) Limited ("WOE") (Note 1)	864,542,034	20.50
Rich Time Strategy Limited ("Rich Time") (Note 1)	864,542,034	20.50
Caister Limited ("Caister") (Note 2)	864,542,034	20.50
Mr. Tang Ching Ho (Note 2)	864,542,034	20.50
Ms. Yau Yuk Yin (Note 2)	864,542,034	20.50
Mr. Andy Wei	298,520,000	7.08

*Notes:*

- Rich Time, a wholly-owned subsidiary of WOE, which is a wholly-owned subsidiary of WOG, beneficially owned 864,542,034 shares. WOE and WOG are taken to be interested in 864,542,034 Shares held by Rich Time.
- Caister, a company wholly-owned by Mr. Tang Ching Ho (a director of the Company and WOG), beneficially owned 2,336,125,102 shares in WOG, representing 35.8% in the issued share capital of WOG. Caister, Mr. Tang Ching Ho and Ms. Yau Yuk Yin (the spouse of Mr. Tang Ching Ho) are deemed to be interested in the 864,542,034 Shares indirectly held by WOG through WOE and Rich Time, respectively.
- The percentage represented the number of Shares over the total issued share capital of the Company as at the Latest Practicable Date of 4,217,142,969 Shares.
- As at the Latest Practicable Date, (i) Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas, executive Directors, were also directors of WOG; (ii) Ms. Yau Yuk Yin, the spouse of Mr. Tang Ching Ho, was also a director of WOG; (iii) Mr. Chan Chun Hong, Thomas was also a director of Rich Time and WOE; and (iv) Mr. Tang Ching Ho was also a director of Caister.

**3. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS**

There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which had been, since 31 March 2014, being the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**4. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective associates were considered to have any interests in businesses which competed or were likely, either directly or indirectly, with the businesses of the Group that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

**6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

**7. MATERIAL CONTRACTS**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the Underwriting Agreement;
- (b) a facility letter dated 28 November 2014 entered into between Winning Rich and CAP pursuant to which Winning Rich has agreed to extend the repayment of the accrued interests of HK\$18,950,685 from 28 November 2014 to 31 May 2015;

- (c) a placing agreement dated 20 November 2014 entered into between the Company and Kingston pursuant to which the Company has agreed to place, through Kingston, 700 million new Shares to not fewer than six independent third parties at a placing price of HK\$0.133 per Share for an aggregate net proceeds of approximately HK\$90.5 million, which was completed on 4 December 2014, details of which were set out in the announcement of the Company dated 20 November 2014;
- (d) a subscription agreement dated 4 October 2014 (as amended by a supplemental agreement dated 28 November 2014) entered into between (i) CAP, as the issuer; (ii) Double Leads Investments Limited, Peony Finance Limited and Winning Rich, collectively as the subscribers; and (iii) CCB International Capital Limited, as the placing agent, in relation to, inter alia, the subscription for the 2019 CAP Bonds for an aggregate sum of HK\$720 million, details of which were set out in the announcements of the Company dated 4 October 2014 and 28 November 2014, respectively, and the circular of the Company dated 24 October 2014;
- (e) a supplemental agreement dated 30 September 2014 to the loan agreement dated 10 March 2011 (as amended by an amendment deed dated 6 September 2012 and further amended by an assignment dated 25 June 2013) entered into between Winning Rich, as the lender, and CAP, as the borrower, for the extension of the repayment date from 30 September 2014 to 30 November 2014 in consideration that CAP will use the net proceed from the issue of the 2019 CAP Bonds to repay such unsecured loan facility of a sum of HK\$15.0 million, the details of which were set out in the announcement of the Company dated 4 October 2014;
- (f) a supplemental agreement dated 30 September 2014 to the loan agreement dated 11 January 2011 (as amended by an amendment deed dated 6 September 2012 and further amended by an assignment dated 25 June 2013) entered into between Winning Rich, as the lender, and CAP, as the borrower, for the extension of the repayment date from 30 September 2014 to 30 November 2014 in consideration that CAP will use the net proceed from the issue of the 2019 CAP Bonds to repay such unsecured loan facility of a sum of HK\$60.0 million, the details of which were set out in the announcement of the Company dated 4 October 2014;
- (g) a top-up placing and subscription agreement dated 20 August 2014 entered into between Rich Time, as the vendor and the subscriber, the Company, as the issuer, and Kingston, as the placing agent, pursuant to which (i) Rich Time has agreed to place, through Kingston, 586 million existing Shares to not fewer than six placees at a placing price of HK\$0.186 per Share; and (ii) Rich Time has conditionally agreed to subscribe for 586 million new Shares at the subscription price of HK\$0.186 per Share. The aggregate net proceeds from the top-up placing and the top-up subscription were approximately HK\$105.7 million, and were completed on 25 August 2014 and 28 August 2014, respectively, the details of which were set out in the announcement of the Company dated 20 August 2014;

- (h) a letter of intent dated 23 May 2014 entered into between the Company, through its wholly-owned subsidiary, namely New Supreme Investment Limited (“**New Supreme**”), as the employer, and Cheung Kee Fung Cheung Construction Company Limited, as the contractor, regarding the conditional award of the main contract at a contract sum of HK\$363,687,086 for the construction of the factory located at Yuen Long Industrial Estate for the pharmaceutical manufacturing development, the details of which were set out in the announcement and circular of the Company dated 23 May 2014 and 20 June 2014, respectively;
- (i) a provisional sale and purchase agreement dated 8 May 2014 entered into between Sky Success Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser and an independent third party individual as the vendor for the acquisition of a property at G/F., No. 76B To Kwa Wan Road, Kowloon with a saleable floor area of approximately 513.0 sq.ft. for a cash consideration of HK\$40.3 million, the details of which were set out in the announcement of the Company dated 9 May 2014;
- (j) a supplemental construction contract dated 4 April 2014 to the existing construction contract dated 11 October 2013 entered into between New Supreme, as the employer, and Chi Fu Engineering Limited, as the contractor, in relation to the additional construction works, including additional excavation and lateral support works, pile caps and tie beams, to the existing construction works, including the design and construction of foundations, pile cap and excavation and lateral support works, for the construction of the Building for an aggregate contract sum of HK\$47.7 million, the details of which were set out in the Company’s announcement dated 4 April 2014;
- (k) an underwriting agreement dated 4 December 2013 entered into between the Company, CAP, WOG, Hugh Thrive Investments Limited, Ultimate Fame Holdings Limited (an indirect wholly-owned subsidiary of the Company) and Kingston in relation to, among others, the underwriting of 228 million rights shares in CAP contemplated under the rights issue of CAP, the details of which were set out in the Company’s announcement and circular dated 19 December 2013 and 23 January 2014, respectively;
- (l) a top-up placing and subscription agreement dated 20 November 2013 entered into between Gain Better Investments Limited (“**Gain Better**”) (an indirect wholly-owned subsidiary of the Company), as the vendor and the subscriber, PNG, as the issuer, and Kingston, as the placing agent, pursuant to which (i) Gain Better has agreed to place, through Kingston, 1,538 million top-up placing shares of PNG to not fewer than six places at a placing price of HK\$0.1 per placing share; and (ii) Gain Better has conditionally agreed to subscribe for 1,538 million top-up subscription shares of PNG at the subscription price of HK\$0.1 per subscription share. The top-up placing and the top-up subscription were completed on 25 November 2013 and 27 November 2013 respectively, the details of which were set out in the announcements of the Company dated 20 November 2013 and 27 November 2013;

- (m) a supplemental agreement to the loan agreement dated 10 July 2009 (as previously supplemented by the supplemental agreement dated 11 July 2011 executed between Gain Better and PNG and amended by an assignment dated 1 July 2013 executed between Gain Better and Hearty Limited (“**Hearty**”) (an indirect wholly-owned subsidiary of the Company)) entered into between Hearty and PNG on 22 August 2013, pursuant to which Hearty agreed to extend the repayment date of an unsecured loan facility of HK\$10.0 million to PNG for further three years upon its maturity date, being 8 July 2014, in consideration for the increase in interest rate payable by PNG from 8.0% to 10.0% per annum and the interest to be payable on an annual basis therefrom, the details of which were set out in the Company’s announcement and circular dated 22 August 2013 and 9 September 2013, respectively;
- (n) a supplemental agreement to the loan agreement dated 28 August 2009 (as amended by an assignment dated 1 July 2013 executed between Gain Better and Hearty) entered into between Hearty and PNG on 22 August 2013, pursuant to which Hearty agreed to extend the repayment date of an unsecured loan facility of HK\$190.0 million to PNG for further three years upon its maturity date, being 12 November 2013, in consideration for the increase in interest rate payable by PNG from 8.0% to 10.0% per annum and the interest to be payable on an annual basis therefrom, the details of which were set out in the Company’s announcement and circular dated 22 August 2013 and 9 September 2013, respectively; and
- (o) a loan agreement dated 28 May 2013 entered into between Give Power Limited (an indirect wholly-owned subsidiary of the Company) (“**Give Power**”), as the lender, and CAP, as the borrower, (as amended by an assignment dated 25 June 2013 entered into between Give Power and Winning Rich) for the provision of an unsecured revolving credit facility in the maximum aggregate amount of HK\$150.0 million at an interest rate of 12.0% per annum for a period of 36 months from 28 May 2013, the details of which were set out in the announcement of the Company dated 28 May 2013.

## 8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion and advice, which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, Ernst & Young (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) had no direct or indirect interest in any assets which had been, since 31 March 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group. Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on any business day from the date of this circular up to and including the date of the SGM:

- (a) the memorandum and bye-laws of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 March 2012, 2013 and 2014;
- (c) the interim report of the Company for the six months ended 30 September 2014;
- (d) the annual reports of CAP for the three financial years ended 31 December 2012, 2013 and 2014;
- (e) the report on the unaudited pro forma financial information of the Group upon completion of the Rights Issue, the text of which is set out in Appendix III of this circular;
- (f) the material contracts as referred to in the section headed “material contracts” in this appendix;
- (g) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix;
- (h) copies of the circulars dated and 20 June 2014 and 24 October 2014 issued by the Company pursuant to the requirements set out in Chapter 14 of the Listing Rules; and
- (i) this circular.



**10. GENERAL INFORMATION**

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's head office and principal place of business in Hong Kong is at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.
- (b) The company secretary of the Company is Ms. Mak Yuen Ming, Anita. She is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English texts of this circular and the accompanying form of proxy shall prevail over their Chinese texts in the case of inconsistencies.

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## NOTICE OF THE SGM

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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)

#### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the special general meeting (the “SGM”) of Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司\*) (the “Company”) will be held at 20/F., Alexandra House, 18 Chater Road, Central, Hong Kong on Wednesday, 8 April 2015 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without modification, as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT**

- (a) the underwriting by Jade Range Limited (“**Jade Range**”, a wholly-owned subsidiary of the Company) of up to 660,000,000 rights shares of China Agri-Products Exchange Limited (“**CAP**”) pursuant to the conditional underwriting agreement dated 23 December 2014 (as varied on 8 January 2015 and 28 January 2015) (“**Underwriting Agreement**”, a copy of which has been marked “A” and produced to the Meeting and initialled by the chairman of the Meeting for identification) entered into among CAP, Kingston Securities Limited, Jade Range and the Company (as warrantor of the obligations of Jade Range under the Underwriting Agreement) in relation to a proposed rights issue by CAP, particulars of which are set out in the joint announcements dated 8 and 29 January 2015 by (amongst others) the Company (copies of which have been marked “B” and produced to the meeting and initialled by the chairman of the meeting for identification), and all transactions contemplated under the Underwriting Agreement be and are hereby approved; and
- (b) the directors of the Company be and are authorised to take, on behalf of the Company, all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the Underwriting Agreement and the transactions contemplated thereunder (including to authorise any amendment, supplementation and/or waiver of any terms thereunder).”

By Order of the Board  
**WAI YUEN TONG MEDICINE HOLDINGS LIMITED**  
(位元堂藥業控股有限公司\*)  
**Mak Yuen Ming, Anita**  
*Company Secretary*

Hong Kong, 13 March 2015

\* For identification purpose only

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## NOTICE OF THE SGM

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*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

*Notes:*

1. A form of proxy for use at the SGM is enclosed.
2. Any member of the Company (“**Member**”) entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the SGM. A proxy need not be a Member.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of authority, shall be delivered to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be) at which the person named in the instrument proposes to vote. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the SGM convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share(s) as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting (as the case may be), the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Members in respect of the joint holding.
6. The above resolution will be voted by way of a poll at the SGM.