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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 and the accompanying form of proxy to the purchaser or 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 SUBSCRIPTION OF THE BONDS AND NOTICE OF SPECIAL GENERAL MEETING

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A notice convening the SGM of the Company to be held at 17/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong on Monday, 10 November 2014 at 4:30 p.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 intend 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.

24 October 2014

\* For identification purpose only

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## DEFINITIONS

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

“2016 Bonds”	two-year 8.5% coupon bonds with a proposed aggregate principal amount of HK\$200 million to HK\$400 million to be issued by CAP
“2019 Bonds”	five-year 10.0% coupon bonds with a proposed aggregate principal amount of HK\$1,000 million to HK\$1,200 million to be issued by CAP
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bonds”	the 2016 Bonds and the 2019 Bonds with an aggregate principal amount of HK\$1,400 million
“Bonds Issue”	the issuance of the Bonds by CAP
“business day”	a day on which banks are open for business in Hong Kong and London
“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 Director(s)”	the director(s) of CAP
“CAP Group”	CAP and its subsidiaries
“CAP Shareholder(s)”	the holder(s) of the ordinary share(s) of HK\$0.01 each in the issued share capital of CAP
“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 of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 897)

\* For identification purpose only

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## DEFINITIONS

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“Conditions Precedent”	the conditions precedent for completion of transactions contemplated in the Subscription Agreement to take place as provided in the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Double Leads”	Double Leads Investments Limited, a wholly-owned subsidiary of WOG and a company incorporated in the British Virgin Islands
“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
“Independent Shareholder(s)”	the Shareholder(s), other than (i) WOG which is one of the Subscribers and its associates; and (ii) other Shareholders who are interested or involved in the Bonds Issue, the WYT Subscription and the Subscription Agreement
“Issue Date”	10 business days after the Shareholders Approval Date or such other date as may be agreed between CAP, the Placing Agent and the Subscribers
“Joint Announcement”	the joint announcement dated 4 October 2014 issued by the Company, CAP, PNG and WOG in relation to, among others, the Bonds Issue and the Subscriptions
“Latest Practicable Date”	23 October 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Outstanding Maturing Loans”	all outstanding loans in an aggregate principal amount of HK\$745 million under (i) the HK\$60 million term loan agreement dated 11 January 2011 entered into and supplemented on 6 September 2012 between CAP (as borrower) and Give Power Limited (as lender) with a fixed interest rate of 10.0%; (ii) the HK\$15 million term loan agreement dated 10 March 2011 entered into and supplemented on 6 September 2012 between CAP (as borrower) and Give Power Limited (as lender) with a fixed interest rate of 10.0%; and (iii) the HK\$670 million term loan agreement dated 16 July 2012 entered into and supplemented on 31 July 2012 between CAP (as borrower) and True Noble Limited (as lender) with a fixed interest rate of 10.0%, the repayment date of each of which has been extended to 30 November 2014. Give Power Limited assigned all its rights, title, benefit and interest of the loans of HK\$60 million and HK\$15 million to Winning Rich, both are wholly-owned subsidiaries of the Company, on 25 June 2013 and True Noble Limited assigned all its rights, title, benefit and interest of the loans of HK\$670 million to Double Leads, both are wholly-owned subsidiaries of WOG, on 15 April 2014
“Peony Finance”	Peony Finance Limited, a wholly-owned subsidiary of PNG and a company incorporated in the British Virgin Islands
“percentage ratio”	has the meaning ascribed thereto under the Listing Rules
“Placee(s)”	any independent professional investor(s) procured by the Placing Agent to subscribe for any of the Bonds, other than the Subscribers, pursuant to the Subscription Agreement
“Placing”	the placing of the Bonds by the Placing Agent pursuant to the terms and conditions of the Subscription Agreement
“Placing Agent”	CCB International Capital Limited
“Placing Period”	from two business days after the Shareholders Approval Date to no later than five business days prior to the Issue Date
“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)

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## DEFINITIONS

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“PNG SGM”	the special general meeting of PNG to be convened and held to consider and approve, among other things, the PNG Subscription pursuant to the Subscription Agreement
“PNG Subscription”	the proposed subscription of the 2019 Bonds in an aggregate principal amount of up to HK\$150 million by Peony Finance pursuant to the Subscription Agreement
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“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 approve, among other things, the WYT Subscription pursuant to the Subscription Agreement
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shareholders Approval Date”	the date on which the SGM, the WOG SGM and the PNG SGM are to be convened for the approval of the Subscriptions, which will not be later than 30 November 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Double Leads, Peony Finance and Winning Rich
“Subscriptions”	the WOG Subscription, the PNG Subscription and the WYT Subscription
“Subscription Agreement”	a subscription agreement dated 4 October 2014 entered into between CAP, the Subscribers and the Placing Agent in relation to the Placing and the Subscriptions, subject to the terms and conditions contained therein
“Subscription Fee”	a fee of 2.5% of the total principal amount of the Bonds actually subscribed by respective Subscribers payable by CAP to the relevant Subscribers

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## DEFINITIONS

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“subsidiaries”	has the meaning ascribed thereto under the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Winning Rich”	Winning Rich Investments Limited, a wholly-owned subsidiary of the Company and a company incorporated in the British Virgin Islands
“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 SGM”	the special general meeting of WOG to be convened and held to consider and approve, among other things, the WOG Subscription pursuant to the Subscription Agreement
“WOG Subscription”	the proposed subscription of the 2016 Bonds in an aggregate principal amount of up to HK\$200 million and the 2019 Bonds in an aggregate principal amount of up to HK\$330 million by Double Leads pursuant to the Subscription Agreement
“WYT Outstanding Maturing Loans”	the outstanding maturing loans owed by CAP to Winning Rich in an aggregate principal amount of HK\$75 million
“WYT Subscription”	the proposed subscription of the 2019 Bonds in an aggregate principal amount of up to HK\$720 million by Winning Rich pursuant to the Subscription 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. Yuen Chi Choi  
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

24 October 2014

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO  
THE SUBSCRIPTION OF THE BONDS  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

With reference to the Joint Announcement dated 4 October 2014, CAP entered into the Subscription Agreement with the Placing Agent and the Subscribers pursuant to which CAP has agreed to issue and the Placing Agent has agreed to use reasonable endeavours to procure Placees during the Placing Period to subscribe for the Bonds in the aggregate principal amount of HK\$1,400 million.

\* *For identification purpose only*



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## LETTER FROM THE BOARD

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Pursuant to the Subscription Agreement, the 2019 Bonds will have a proposed issue size of HK\$1,000 million to HK\$1,200 million and if the 2019 Bonds is not fully subscribed for by the Placees at the end of the Placing Period, the Subscribers have severally (and not jointly) undertaken to subscribe for the 2019 Bonds in the following order and priority:

- (i) first, Peony Finance will subscribe for the portion of 2019 Bonds that is not subscribed for by the Placees up to a maximum principal amount of HK\$150 million;
- (ii) second, Winning Rich will subscribe for the remaining 2019 Bonds not subscribed for by the Placees and Peony Finance up to a maximum principal amount of HK\$720 million; and
- (iii) third, Double Leads will subscribe for all the remaining 2019 Bonds not subscribed for by the Placees, Peony Finance and Winning Rich.

The Subscriptions are not inter-conditional.

The purpose of this circular is to provide you with, among other things, (i) further information in respect of the Bonds Issue by CAP and the WYT Subscription; (ii) financial and other information of the Group; (iii) financial and other information of the CAP Group; (iv) unaudited pro forma financial information of the Group upon completion of the WYT Subscription; and (v) notice of the SGM.

### THE SUBSCRIPTION AGREEMENT

Extract of the principal terms of the Subscription Agreement in relation to the WYT Subscription are as follows:

Date : 4 October 2014

Parties : Issuer: CAP

Placing Agent: CCB International Capital Limited

Subscribers: Double Leads  
Peony Finance  
Winning Rich

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company, through its wholly-owned subsidiary, held approximately 24.06% interest in PNG which, through its wholly-owned subsidiary, held approximately 23.02% interest in CAP. Furthermore, as at 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. CAP is independent of the Company and is not a connected person of the Company.

Aggregate principal amount : The aggregate principal amount of the Bonds is HK\$1,400 million, among which:

- (a) the 2016 Bonds will have a proposed issue size of HK\$200 million to HK\$400 million; and
- (b) the 2019 Bonds will have a proposed issue size of HK\$1,000 million to HK\$1,200 million.

Issue price : 2019 Bonds: 100% of the principal amount of the 2019 Bonds.

If none of the 2019 Bonds is subscribed for by the Placees, Winning Rich will pay a maximum amount of HK\$720 million to subscribe for the 2019 Bonds pursuant to the Subscription Agreement. As at the Latest Practicable Date, the outstanding principal loan amounts owed by CAP to Winning Rich amount to HK\$325 million. CAP and Winning Rich have agreed to use the proceeds from the Bonds Issue (including the subscription considerations to be paid by Winning Rich) to refinance such outstanding loans. As such, the consideration to be paid by Winning Rich will be fully settled first, by setting off against the outstanding loan amount owed by CAP to it on a “dollar-for-dollar” basis and second, by cash for any excess amount which will be financed by internal resources of the Group.

Conditions Precedent : Completion of the WYT Subscription is conditional upon the Independent Shareholders having passed the ordinary resolution(s) at the SGM to approve the WYT Subscription and the transactions contemplated therein.

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## LETTER FROM THE BOARD

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Completion of the Subscription Agreement is conditional upon:

- (a) the execution and delivery (on or before the Issue Date) of the trust deed and the agency agreement in relation to the Bonds Issue, each in a form reasonably satisfactory to the Placing Agent and the Subscribers, by the respective parties;
- (b) at the end of the Placing Period and on the Issue Date, there having been delivered to the Placing Agent and the Subscribers letters, in form and substance satisfactory to the Placing Agent and the Subscribers, dated the date of the Subscription Agreement and dated the Issue date, and addressed to the Placing Agent and the Subscribers from the certified public accountants of CAP;
- (c) on the Issue Date:
  - (i) the representations and warranties of CAP in the Subscription Agreement being true, accurate and correct at, and as if made on such date;
  - (ii) CAP having performed all of its obligations under the Subscription Agreement to be performed on or before such date; and
  - (iii) there having been delivered to the Placing Agent and the Subscribers a certificate confirming to the above;
- (d) after the date of the Subscription Agreement, or if earlier, the dates as of which information is given in the offering circular in relation to the Bonds Issue up to and at the Issue Date, there shall not have occurred any change (nor any development or event involving a prospective change), in the condition (financial or other), prospects, results of operations or general affairs of CAP or of the CAP Group, which, in the opinion of the Placing Agent and the Subscribers, is material and adverse in the context of the issue and offering of the Bonds;

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## LETTER FROM THE BOARD

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- (e) on or prior to the Issue Date there shall have been delivered to the Placing Agent and the Subscribers copies of all consents and approvals required in relation to the Bonds Issue and the performance of its obligations under the trust deed and the agency agreement in relation to the Bonds Issue and the Bonds (including the consents and approvals required from all lenders);
- (f) on the date of the Subscription Agreement and at the end of the Placing Period, there having been delivered to the Placing Agent and the Subscribers a certificate of no default dated as such date of a duly authorised officer of CAP;
- (g) the Stock Exchange having agreed, subject to any conditions reasonably satisfactory to the Placing Agent and the Subscribers, to list the Bonds (or in each case, the Placing Agent and the Subscribers being reasonably satisfied that such listing will be granted); and
- (h) on or before the Issue Date, there having been delivered to the Placing Agent and the Subscribers (unless otherwise stated), in form and substance satisfactory to the Placing Agent and the Subscribers, dated the Issue Date, of certain legal opinions issued by the legal advisers to CAP and the Placing Agent as to Bermuda law, Hong Kong law and PRC Law, and such other resolutions, consents, opinions, certificates, authorities and documents relating to the Bonds Issue as the Placing Agent and the Subscribers may reasonably require.

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## LETTER FROM THE BOARD

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The Subscriptions are not inter-conditional.

The obligation of each Subscriber to subscribe for the Bonds is several and independent from another Subscriber. Each Subscriber shall remain obliged to subscribe for the Bonds for so long as the relevant shareholders had approved its respective subscription of the Bonds. In the event that none of the Subscribers receive their respective shareholders' approval to subscribe for the Bonds, the Placing Agent will nonetheless continue to use reasonable endeavours to procure subscribers to subscribe for the Bonds. There is no agreed upon or minimum amount of the Bonds that the Placing Agent is obliged to use its reasonable endeavours to procure subscribers to subscribe for the Bonds.

- Placing Period : From two business days after the Shareholders Approval Date to no later than five business days prior to the Issue Date.
- Commission, concession and Subscription Fee : Pursuant to the Subscription Agreement, CAP shall pay to each of the Subscribers the Subscription Fee. Such commission, concession or the Subscription Fee shall be deducted from the subscription moneys for the Bonds.
- Issue Date : CAP shall issue the Bonds on the date falling 10 business days after the Shareholders Approval Date or on such other date as may be agreed between CAP, the Placing Agent and the Subscribers.
- Termination rights of the Placing Agent and the Subscribers : The Placing Agent and the Subscribers may, by notice to CAP given at any time prior to payment of the net subscription monies for the Bonds to CAP, terminate the Subscription Agreement in any of the following circumstances:
- (a) if there shall have come to the notice of the Placing Agent and the Subscribers any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement or any failure to perform any of CAP's undertakings in the Subscription Agreement;

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## LETTER FROM THE BOARD

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- (b) if any of the Conditions Precedent has not been satisfied or waived by the Placing Agent and the Subscribers on or prior to the Issue Date of the Bonds Issue;
- (c) if in the opinion of the Placing Agent and the Subscribers, there shall have been, since the date of the Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of CAP on any stock exchange or in any over the counter market) or currency exchange rates or foreign exchange controls such as would in its view, be likely to prejudice materially the success of the Placing, the Subscriptions and distribution of the Bonds or dealings in the Bonds in the secondary market;
- (d) if, in the opinion of the Placing Agent and the Subscribers, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc and/or the Stock Exchange and/or any other stock exchange on which CAP's securities are traded; (ii) a suspension or a material limitation in trading in CAP's securities on the Stock Exchange and/or any other stock exchange on which CAP's securities are traded; (iii) a general moratorium on commercial banking activities in the United States, the PRC, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, the PRC, Hong Kong or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting CAP, the Bonds or the transfer thereof; and

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## LETTER FROM THE BOARD

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- (e) if, in the opinion of the Placing Agent and the Subscribers, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in their view be likely to prejudice materially the success of the Placing, the Subscriptions and distribution of the Bonds or dealings in the Bonds in the secondary market.

### Principal Terms of the 2019 Bonds

The following is a summary of the principal terms of the 2019 Bonds:

- Denominations : HK\$500,000 and integral multiples of HK\$500,000
- Maturity date : the date falling 5 years from the Issue Date
- Interest : 10.0% per annum, payable semi-annually in arrear on each six calendar month anniversary of the Issue Date commencing on the date falling six calendar months from the Issue Date.
- Status of the 2019 Bonds : The 2019 Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of CAP which will rank pari passu among themselves and at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of CAP other than those preferred by statute or applicable law.
- Events of default : The events of default under the 2019 Bonds include, among others, default in payment of principal or interest of the 2019 Bonds, default in the performance or breach of certain obligation under the 2019 Bonds and insolvency.

If an event of default occurs, the unpaid principal amount of the 2019 Bonds and any accrued and unpaid interest thereon may become due and payable immediately, subject to certain declaration and notice provisions.

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## LETTER FROM THE BOARD

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Redemption for taxation reasons : The 2019 Bonds may be redeemed at the option of the CAP in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice, at their principal amount, (together with interest accrued to the date fixed for redemption), in the event of certain changes affecting taxes of Bermuda, the PRC or Hong Kong.

Save for the abovementioned redemption, CAP does not have the rights to redeem at its option the 2019 Bonds before the maturity date.

Negative pledge : So long as any 2019 Bonds remains outstanding, CAP will not, and will ensure that none of its principal subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure certain relevant indebtedness or to secure any guarantee or indemnity in respect of such relevant indebtedness, without at the same time or prior thereto according to the 2019 Bonds the same security as is created or subsisting to secure any such relevant indebtedness, guarantee or indemnity or such other security as either (i) the trustee of the 2019 Bonds shall in its absolute discretion deem not materially less beneficial to the interest of the holders of the 2019 Bonds or (ii) shall be approved by an extraordinary resolution of the holders of the 2019 Bonds.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Bonds. CAP has received a listing eligibility letter for the listing and quotation of the Bonds on the Stock Exchange. Admission to the Stock Exchange and quotation of any Bonds on the Stock Exchange are not to be taken as an indication of the merits of the Bonds and/or CAP. The Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein.



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## LETTER FROM THE BOARD

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### REASONS FOR THE WYT SUBSCRIPTION AND THE PAYMENT OF THE SUBSCRIPTION FEE

The Group has granted certain loans to CAP during the period from 2011 to 2013, including, but not limited to, the WYT Outstanding Maturing Loans in an aggregate outstanding amount of HK\$75 million which currently bear interest of 10.0% per annum and the repayment date of which has been extended from 30 September 2014 to 30 November 2014. As at the Latest Practicable Date, the aggregate outstanding loan amounts due from CAP to Winning Rich is HK\$325 million, details of which are as follows:

<b>Date of Loan Agreement</b>	<b>Nature of Loan</b>	<b>Outstanding Loan Amount (in HK\$ million)</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
11 January 2011 (as supplemented on 6 September 2012) <sup>1</sup>	Unsecured	60	10.0%	30 November 2014 <sup>2</sup>
10 March 2011 (as supplemented on 6 September 2012) <sup>1</sup>	Unsecured	15	10.0%	30 November 2014 <sup>2</sup>
22 November 2012 <sup>1</sup>	Unsecured	100	10.0%	27 December 2015
28 May 2013 <sup>1</sup>	Unsecured	150	12.0%	27 May 2016
	<b>Total</b>	<b>325</b>		

*Notes:*

1. Give Power Limited assigned all its rights, title, benefits and interest under the loan agreements to Winning Rich on 25 June 2013.
2. The maturity date of such loans has been extended from 30 September 2014 to 30 November 2014. Please refer to the section headed “Extension of repayment date under the WYT Outstanding Maturing Loans” for details.

Both CAP and Winning Rich, as one of the Subscribers, agree to use the proceeds from the Bonds Issue to refinance the outstanding indebtedness of CAP as set out above. It is proposed that the proceeds will be paid directly to Winning Rich, as one of the Subscribers, in a “dollar-for-dollar” replacement of such outstanding indebtedness upon the issue of the Bonds.

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## LETTER FROM THE BOARD

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As set out in the Joint Announcement, in view of the unaudited consolidated financial position, the CAP Directors are of the view that it is appropriate for CAP to raise mid-term and/or long term funds in the near future to finance the repayment of the Outstanding Maturing Loans and refinance the other outstanding loans to the Subscribers with the Bonds that have a relatively lower interest rate and a longer maturity. Further, CAP Directors are of the view that the above transaction was entered into on normal commercial terms and the rate of the Subscription Fee and the commission to be paid to the Placing Agent was the same, which was agreed after arm's length negotiation with reference to the prevailing market rates of similar transactions with independent third parties. Based on the above, the CAP Directors (including the independent non-executive CAP Directors) consider that the terms of the Subscription Agreement (including the payment of the Subscription Fee) and the Bonds Issue are fair and reasonable; on normal commercial terms; and in the interests of CAP and the CAP Shareholders as a whole.

The Directors are of the view that the Bonds Issue would enable CAP to raise funds to repay the WYT Outstanding Maturing Loans and other outstanding loans that are owed to Winning Rich.

Despite that (i) the interest rate of 10% per annum of the 2019 Bonds represents the minimum interest rate of the outstanding loans listed in the table above; and (ii) the 2019 Bonds will be matured in 2019, the WYT Subscription would transform the outstanding indebtedness owed by CAP to Winning Rich into the form of listed Bonds held by Winning Rich which provides more flexibility for the Company because the Company may realise its returns by trading the listed Bonds through the relevant exchange if and when necessary. In addition, the WYT Subscription would also provide the Subscription Fee and enable the Company to maintain stable attractive interests income according to the then circumstance.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are fair and reasonable and the WYT Subscription is in the interests of the Company and the Shareholders as a whole.

The CAP Group is one of the leading developers and operators of agricultural produce exchanges in the PRC. In line with implementing the PRC central government's policies on "Vegetable Basket Project", "The 12th National Five-Year Plan" and "Number 1 Policy of 2014", local government authorities aim to modernise, centralise and systemise the distribution of agricultural produce. Against such favorable policy backdrop, the CAP Group is well positioned to capitalise on this opportunity and has vigorously expanded its agricultural produce exchange network. As at the Latest Practicable Date, the CAP Group has successfully acquired certain parcels of land in the PRC through public auctions, which includes parcels of land in Panjin City, Luoyang City, Kaifeng City, Huaian City and Wuhan City, respectively. The acquisitions not only enhanced the CAP Group's leading position within the PRC's agricultural produce exchange business, it also expanded its business footprint to other parts of the country. The increase in its land bank will put the CAP Group in a strong and comfortable position for future development and therefore, the Company believes that CAP would be able to continue generating steady income from its principal businesses.

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## LETTER FROM THE BOARD

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In addition, it is noted that CAP has a good sale record for property sale at Yulin City according to its past financial information. Furthermore, as disclosed in the latest interim report for the period ended 30 June 2014 of CAP, the total assets and net assets value of CAP are approximately HK\$6,560.9 million and approximately HK\$2,115.8 million, respectively, of which the stock of properties amounted to approximately HK\$2,067.7 million. CAP also conducted certain equity fund raising activities in the past 12 months to improve its financial position.

Taking into consideration of the above reasons, the Board is optimistic about the future development of CAP and confident of the recoverability of the 2019 Bonds upon its maturity date even they are not realised on the relevant exchange during the period.

Further details in relation to the financial review of the CAP Group for the financial years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014 are set out in Appendix II to this circular.

### **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios in respect of the WYT Subscription exceeds 25% but is less than 100%, the WYT Subscription constitutes a major transaction for the Company pursuant to the Listing Rules. Accordingly, the WYT Subscription and the relevant transactions contemplated under the Subscription Agreement are subject to the notification, announcement and shareholders' approval requirements for the Company under the Listing Rules.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, pass the relevant resolution(s) to approve, among other things, the WYT Subscription pursuant to the Subscription Agreement and the transactions contemplated thereunder.

As WOG, a substantial shareholder of the Company, is one of the Subscribers, WOG is considered to have a material interest in the Subscription Agreement which is different from other Shareholders. Accordingly, WOG and its associates (held 864,542,034 Shares, representing approximately 24.58% of the existing issued share capital of the Company as at the Latest Practicable Date) will abstain from voting on the relevant resolution(s) in relation to the WYT Subscription.

### **ADVANCE TO AN ENTITY FOR THE COMPANY**

Under Rule 13.13 of the Listing Rules, a general disclosure obligation arises where the relevant advance to an entity by the Company and its subsidiaries exceed 8% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules. The WYT Subscription is similar in nature to extending a loan to CAP under the terms of the Bonds Issue and, if materialised, may constitute an advance to entity under Rule 13.13 of the Listing Rules.

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## LETTER FROM THE BOARD

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### **EXTENSION OF REPAYMENT DATE UNDER THE WYT OUTSTANDING MATURING LOANS**

On 30 September 2014, CAP entered into supplemental agreements with Winning Rich, the lender under the WYT Outstanding Maturing Loans, pursuant to which Winning Rich agreed to extend the respective repayment date under the WYT Outstanding Maturing Loans from 30 September 2014 to 30 November 2014 in consideration for the proposed use of the net proceeds from the Bonds Issue to repay the WYT Outstanding Maturing Loans. Except for the extension of repayment date, all other terms and conditions of the WYT Outstanding Maturing Loans remain unchanged. As the extension of repayment date for 2 months is considerably short and does not cause material change to the WYT Outstanding Maturing Loans, therefore the entering into the supplemental agreements by Winning Rich will not constitute a notifiable transaction of the Company pursuant to the Listing Rules. The terms of the supplemental agreements were arrived between the parties after arm's length negotiation.

In light of the proposed Bonds Issue and the intended use of net proceeds by CAP to repay the WYT Outstanding Maturing Loans, the Directors consider that the extension of respective repayment date under the relevant WYT Outstanding Maturing Loans is fair and reasonable and are in the interests of the Shareholders as a whole.

### **FINANCIAL EFFECTS OF THE WYT SUBSCRIPTION**

Based on the unaudited pro forma financial information of the Group upon completion of the WYT Subscription in Appendix III to this circular, the total assets of the Group would increase by approximately HK\$18 million and the total liabilities would remain unchanged upon the completion of the WYT Subscription.

In addition, upon taking the effect between (i) the Subscription Fee and; (ii) the WYT Subscription for the 2019 Bonds would derive additional interest income to the Group as the amount of the WYT Subscription is more than the existing loan owed by CAP and therefore, it is expected that there will be a positive impact on the earnings of the Group upon completion of the WYT Subscription.

### **GENERAL INFORMATION OF CAP AND THE GROUP**

The CAP Group is principally engaged in the management and sales of agricultural produce exchange in the PRC.

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.

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## LETTER FROM THE BOARD

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**The Shareholders and potential investors of the Company should note that completion of the Bonds Issue and the Subscription Agreement is subject to certain Conditions Precedent and completion thereof may or may not proceed. The Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the shares and any other securities of the Company.**

### THE SGM

A notice of 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 resolution(s) in respect of the WYT Subscription and the transactions contemplated thereunder. A form of proxy for use at the SGM is accompanied with this circular.

Pursuant to Rules 13.39(4) and 13.39(5) of the Listing Rules and the bye-laws of the Company, the voting on all proposed resolution(s) 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 intend 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 proxy form shall be deemed to be revoked.

### RECOMMENDATION

The Directors consider that the terms of the Subscription Agreement are fair and reasonable and the WYT Subscription is in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolution to approve the WYT Subscription pursuant to the Subscription Agreement and the transactions contemplated therein.

### ADDITIONAL INFORMATION

Your attention is also 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 each of the three financial 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. 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 financial years ended 31 March 2012, 2013 and 2014 are published on both of the websites of HKExnews (<http://www.hkexnews.hk>) and the Company (<http://www.wyth.net>), respectively.

### Quick links

*The 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>

## 2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 August 2014, 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\$439.5 million, of which bank loans with an aggregate amount of approximately HK\$372.0 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 August 2014, which were pledged to secure the Group's bank loans, amounted to approximately HK\$153.8 million and approximately HK\$467.0 million, respectively. In addition, the Group's unsecured bank loans with an aggregate amount of approximately HK\$67.5 million were guaranteed by corporate guarantees provided by group companies as at 31 August 2014. 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 August 2014, 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 August 2014 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**

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 products, 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 year ended 31 March 2014, the Group continued to achieve a satisfactory business growth and recorded a turnover of approximately HK\$865.3 million (2013: approximately HK\$785.6 million), representing a growth of approximately 10.1% over the year ended 31 March 2013. Besides, the Group recorded an increase in profit attributable to owners of the parent for the year ended 31 March 2014, resulted to approximately HK\$163.4 million (2013: approximately HK\$148.4 million). Such improvement in result was mainly attributable to, among other things, the increase in gross profit resulting from the increase in the Group’s turnover and the gain from change in fair value of investments held-for-trading.

The recent global financial instability and economic slow down has generally affected the business environment in Hong Kong and the PRC, with the retail business being the most vulnerable. 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. Having seen evidence of a strong growth potential in other sale channels, such as chain stores, key accounts, open trade, 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. Taking the opportunity that the Group has been granted the lease of a piece of land located at Yuen Long Industrial Estate, the Group is keen to construct a new and modernised five-storey factory building 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 CAP GROUP

Financial information of CAP Group for (i) each of the three financial years ended 31 December 2011, 2012 and 2013 are disclosed in the annual reports of CAP for the years ended 31 December 2011 (pages 35 to 107), 2012 (pages 35 to 111) and 2013 (pages 39 to 127), respectively; and (ii) for the six months ended 30 June 2014 is disclosed in the interim report of CAP for the six months ended 30 June 2014 (pages 20 to 46).

The annual reports of CAP for the three financial years ended 31 December 2011, 2012 and 2013 and the interim report of CAP for the six months ended 30 June 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 2011, 2012 and 2013 are available at the following internet links:*

<http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0327/LTN201203271161.pdf>

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

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

*Interim report of CAP for the six months ended 30 June 2014 is available at the following internet link:*

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0916/LTN20140916299.pdf>

## 2. MANAGEMENT DISCUSSION AND ANALYSIS OF CAP GROUP

- A. For the year ended 31 December 2011** *(as extracted from the annual report of CAP for the year ended 31 December 2011 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 profits

For the year ended 31 December 2011, the Group recorded a turnover of approximately HK\$211.8 million, a substantial increase of approximately HK\$112.5 million or approximately 113.2% increase from approximately HK\$99.3 million of continuing operations for the previous financial year.

The increase is mainly attributable to the increase in turnover of agricultural produce exchange projects and sale of certain properties of the Yulin project to tenants.

The gross profit of the Group is increased by approximately 45.6% to approximately HK\$110.1 million from approximately HK\$75.6 million of continuing operations for the previous financial year. The gross profit margin of the Group for the financial year is approximately 51.9% as compared to approximately 76.1% 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\$553.4 million (2010: approximately HK\$1.0 million) was mainly due to the increase of property prices in the PRC and rental income of our projects.

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

General and administrative expenses were approximately HK\$259.3 million (2010: approximately HK\$101.8 million). The increase was mainly due to the full year operating expenses of the Wuhan Baisazhou exchange and business development costs incurred at our various projects. Selling expenses were approximately HK\$53.6 million (2010: approximately HK\$0.5 million) and were mainly attributable to the Group's promotion expenses at the agricultural produce exchange in Wuhan Baisazhou in mid 2011. Finance costs were approximately HK\$89.9 million (2010: approximately HK\$73.2 million) and such increase was mainly due to obtaining new interest bearing debts during the year under review.

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

The profit attributable to owners of the Company for the year was approximately HK\$117.7 million as compared to a loss of approximately HK\$325.7 million for the previous year. The turnaround is mainly due to the change of fair value of investment properties of the Group and the sales of shops in the Yulin project.

#### **DIVIDENDS**

The Directors do not recommend any payment of final dividend for the year ended 31 December 2011 (2010: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2010: Nil).

## REVIEW OF OPERATIONS

During the year under review, the Group was principally engaged in the business of agricultural produce exchanges and property sale in the PRC. The Group ceased and disposed of its restaurant business in December 2011.

### **Agricultural produce exchanges**

#### *Wuhan Baisazhou agricultural and by-product exchange market (the “**Wuhan Baisazhou Market**”)*

The Wuhan Baisazhou Market, being located in the provincial capital of Hubei Province, is one of the largest agricultural produce exchange operators in the PRC. The Wuhan Baisazhou Market is situated at the Hongshan District of Wuhan with a site area of approximately 270,000 square metres and a total gross floor area of approximately 160,000 square metres.

During the year under review, the operations of the Wuhan Baisazhou Market contributed to the increase of turnover to the Group. In mid 2011, the market carried out a series of marketing campaigns aimed at attracting buying and selling parties to carry out trades in the market.

#### *Yulin agricultural and by-product exchange market (the “**Yulin Market**”)*

The Yulin Market is one of the largest agricultural produce exchanges in Guangxi, the PRC. It has various two-storey market stalls at the leasing stage and a multi-storey godown. In 2011, the occupancy rate of the Yulin Market of the shops and warehouses was an encouraging 90% on average. Both the truck traffic volume and transaction volume of agricultural products in the Yulin Market were satisfactory. During the year under review, some of the shops were sold and contributed to the turnover increase of the Group in 2011.

In order to expand market share of agricultural produce exchange in Guangxi, the Group acquired an adjacent piece of land with an area of approximately 160,000 square metres in February 2011, expanding the land (i.e. to be occupied by the Yulin Market) to more than 400,000 square metres. The Group has commenced construction of phase two of the Yulin Market which when completed (which is planned for April 2012) will be a new income driver to the Group in 2012.

#### *Xuzhou agricultural and by-product exchange market (the “**Xuzhou Market**”)*

The Xuzhou Market occupies approximately 200,000 square metres, being located in northern part of Jiangsu Province at the eastern area of the PRC. It consists of various single-storey market stalls and a multi-storey godown. The Xuzhou Market is the major marketplace for the supply of fruit and seafood in Xuzhou city and the northern part of Jiangsu Province. The operating performance of the Xuzhou Market was satisfactory and its income increased by approximately 27% in 2011 compared with the previous year.

**MATERIAL ACQUISITIONS AND DISPOSAL****Acquisition of lands**

On 28 February 2011, the Group acquired an adjacent piece of land in Yulin, Guangxi of approximately 160,000 square metres for a consideration of approximately RMB62.7 million for the extension of the Yulin Market, which will expand its existing operations. Construction is in progress.

On 3 November 2011, the Group won a bid at the tender for a piece of land in Qinzhou, Guangxi of approximately 150,000 square metres for a consideration of approximately RMB21.7 million for the planned development of a new agricultural exchange project.

**Disposal of restaurant operations**

The total turnover of the Group's two restaurants located in Shenzhen and Beijing was approximately HK\$32.3 million (2010: approximately HK\$30.6 million) and the operating loss after income tax was approximately HK\$1.8 million (2010: approximately: HK\$2.5 million). Due to the continuous operating loss of our restaurant operations and in order to focus on the agricultural produce exchange business, the Group disposed of all its restaurant operations in December 2011 recording a gain of approximately HK\$6.5 million. The net gain after tax of such discontinuing operations was approximately HK\$4.7 million. Details of the disposal were referred to in the Company's announcement dated 16 December 2011.

**FUND RAISING AND CAPITAL REORGANISATION****Placing of new shares under specific mandates**

On 9 November 2010, the Company entered into placing agreements to place a total of 300 million shares, on a fully underwritten basis, and 300 million shares, on a best efforts basis, to independent third parties at a price of HK\$0.25 per share under the specific mandates which the Board then sought and obtained approval from shareholders at a special general meeting of the Company held on 21 December 2010. Completion of the placing of all the 300 million fully underwritten shares took place on 5 January 2011 and net proceeds of approximately HK\$73.1 million were raised for the repayment of loan and reduction of the Group's debt and gearing level and for expansion and further development of the Group's agricultural produce exchanges. The remaining 300 million best efforts placing shares were not issued and the relevant agreement was terminated in March 2011.

**Capital reorganisation and rights issue**

On 9 June 2011, the Company announced, inter alia, the following proposals of capital reorganisation (the “**Capital Reorganisation**”), which took effect on 1 August 2011 pursuant to a special resolution passed at the special general meeting of the Company held on the same date, and a proposed rights issue (the “**Rights Issue**”):

- (a) the consolidation of the issued shares of the Company (the “**Share Consolidation**”) whereby every 10 shares of nominal value of HK\$0.10 each in the issued share of the Company was to be consolidated into one consolidated share of nominal value of HK\$1.00 (the “**Consolidated Share**”);
- (b) the reduction of the issued share capital of the Company (the “**Capital Reduction**”) whereby (i) the nominal value of all the issued Consolidated Shares was to be reduced from HK\$1.00 each to HK\$0.01 each (the “**Adjusted Shares**”) and the nominal value of the issued share capital of the Company was accordingly to be reduced to the extent of HK\$0.99 per Consolidated Share in issue; and (ii) any aggregated number of fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation was to be cancelled;
- (c) the subdivision of every one authorised but unissued share of the Company of par value HK\$0.10 into 10 Adjusted Shares of HK\$0.01 each; and
- (d) upon the Capital Reorganisation becoming effective, the Board also proposed to raise gross proceeds of approximately HK\$464.4 million, before expenses, by way of the Rights Issue. Pursuant to the Rights Issue, the Company would allot and issue 2,381,597,550 rights shares (the “**Rights Shares**”) at the subscription price of HK\$0.195 per Rights Share, on the basis of 30 Rights Shares for every one Adjusted Share. The estimated net proceeds of the Rights Issue would be approximately HK\$452.2 million and were intended to be applied as to approximately HK\$200 million for expansion of the Group’s agricultural produce exchanges, approximately HK\$150 million for the repayment of interest-bearing debts and the remaining balance of approximately HK\$102.2 million as general working capital of the Group.

The Directors continue to explore any opportunity with potential investors to raise further funds to explore appropriate new borrowing facilities in order to further strengthen the shareholders’ base and further enhance the development of the Group.

**LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2011, the Group had total cash and cash equivalents amounting to approximately HK\$533.2 million (2010: approximately HK\$81.5 million) whilst total assets and net assets were approximately HK\$2,927.9 million (2010: approximately HK\$1,691.9 million) and approximately HK\$1,035.4 million (2010: approximately HK\$275.3 million), respectively. The Group's gearing ratio as at 31 December 2011 was approximately 0.6 (2010: approximately 2.8), being a ratio of total bank and other borrowings and promissory notes of approximately HK\$1,122.3 million (2010: approximately HK\$854.9 million), net of cash and cash equivalents of approximately HK\$533.2 million (2010: approximately HK\$81.5 million) to shareholders' funds of approximately HK\$1,035.4 million (2010: approximately HK\$275.3 million).

**CAPITAL COMMITMENT AND CONTINGENT LIABILITIES**

As at 31 December 2011, outstanding capital commitments, contracted but not provided for, amounted to approximately HK\$161 million (2010: Nil) in relation to the purchase of property, plant and equipment, and construction contracts. As at 31 December 2011, the Group had pledged the investment properties and bank deposit with carrying amount of approximately HK\$1,039 million and approximately HK\$21 million, respectively (2010: approximately HK\$595.6 million and nil, respectively) to secure bank loans. As at 31 December 2011, the Group had no significant contingent liabilities (2010: Nil).

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 December 2011. The revenue, operating costs and bank deposits of the Group were mainly denominated in Renminbi and Hong Kong dollars. Therefore, the Group was not exposed to any material foreign currency exchange risk.

**PROSPECTS**

Looking forward to 2012, 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 will continue to focus on intensifying its investment in agricultural produce exchanges in the PRC to further entrench its commitment in supporting the "Vegetable Basket Project". In order to continue support the agricultural sector, the PRC Central Government once again issued the No.1 document at the beginning of the year 2012 with an emphasis on the development of the agricultural sector.

With the strategic position of our existing first tier agricultural produce exchanges, the Group will endeavour to negotiate, build and expand its network of wholesale market platforms by establishing partnerships in the PRC especially in Hubei Province, Jiangsu Province and Guangxi. With the favourable support of the agricultural logistic business from the Central Government and our professional experience in the industry, 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 2011, the Group had 820 (2010: 734) employees, approximately 95.0% 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 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."

- C. 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."

- D.** **For the six months ended 30 June 2014** (as extracted from the interim report of CAP for the six months ended 30 June 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 profit attributable to owners of the Company**

For the six months ended 30 June 2014, the Group recorded a turnover of approximately HK\$150.9 million (for the six months ended 30 June 2013: approximately HK\$259.3 million), representing a decrease of approximately 42% compared to the corresponding period last year mainly due to the net result of the decrease in sales of properties of the agricultural and by-product exchange market in Yulin (the "Yulin Market") in Guangxi Zhuang Autonomous Region ("Guangxi") and the continuous turnover growth of the agricultural and by-product exchange market in Xuzhou (the "Xuzhou Market") in

Jiangsu Province and the agricultural and by-product exchange market in Baisazhou, Wuhan (the “**Wuhan Baisazhou Market**”) in Hubei Province. The Group recorded a gross profit of approximately HK\$107.4 million (for the six months ended 30 June 2013: approximately HK\$92.5 million), representing an increase of approximately 16% compared to the corresponding period last year.

The profit attributable to owners of the Company was approximately HK\$10.1 million compared to the profit attributable to owners of the Company of approximately HK\$38.1 million for the corresponding period last year which is due to the substantial decrease in turnover arising from sales of properties and increase in selling expenses and finance costs.

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

The fair value gain on investment properties was approximately HK\$257.9 million (for the six months ended 30 June 2013: approximately HK\$217.0 million). The difference is mainly due to the continuous rise in fair value of property prices deriving from the continuous income growth of our markets in the People’s Republic of China (the “**PRC**”).

#### **Administrative expenses and selling expenses**

The Group recorded administrative expenses of approximately HK\$128.5 million (for the six months ended 30 June 2013: approximately HK\$113.3 million) and selling expenses of approximately HK\$30.2 million (for the six months ended 30 June 2013: approximately HK\$10.0 million). The increase in selling expenses was mainly due to the increase in promotion expenses of the agricultural produce exchanges in the period of 2014.

### **REVIEW OF OPERATIONS**

The Group is principally engaged in the business of management and sales of agricultural produce exchange markets in the PRC.

#### **Wuhan Baisazhou 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 exchange market operator in the PRC.

During the period under review, the turnover of Wuhan Baisazhou Market continued to rise at the rate of 31.0% compared with the corresponding period of last year. Wuhan Baisazhou Market has established its reputation and track record to customers and tenants and delivered outstanding performance all along the period.

### **Yulin 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, with a site area of approximately 415,000 square metres and a total gross floor area of approximately 226,000 square metres. The Group has completed the construction of an extension to the phase two development of the Yulin Market which became a new growth driver for the Group. Yulin Market was ranked “Top 75 National Agricultural Wholesale Markets” (in terms of transaction amount) by China Agricultural Wholesale Market Association. As an energetic member of the agricultural produce exchange market, this award proved Yulin Market’s capability in becoming 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 entered into a termination agreement pursuant to which the parties thereto agreed to terminate the confirmation letter and the acquisition of the land use rights of a parcel of land in Yulin City of approximately 73,000 square metres. Details of the transaction are disclosed in the announcement of the Company dated 20 June 2014. The Board does not consider the termination of the confirmation letter will have any material adverse impact on the operation and financial position of the Group.

During the period under review, revenue from property sales of Yulin Market was approximately HK\$9.2 million (for the six months ended 30 June 2013: approximately HK\$154.8 million), representing a decrease of approximately 94.1% compared to the corresponding period of last year, mainly due to no substantial property sales in 2014. The operation performance of Yulin Market was satisfactory, achieving a revenue growth of approximately 23.1% as compared with the corresponding period of last year.

### **Luoyang Market**

The agricultural and by-product exchange market in Luoyang City, Henan Province (“**Luoyang Market**”) is the new flagship project of the Group and the first agricultural produce exchange market project in Henan Province. The Group successfully acquired two parcels of land of approximately 133,000 square metres in August 2012 and approximately 122,000 square metres in October 2013, respectively, and completed the construction of the Luoyang Market with a gross floor area of approximately 230,000 square metres. Following the trial run in last year, the Group expects that the operation and business performance of Luoyang Market will be gradually improved in coming period.

**Xuzhou Market**

The agricultural and by-product exchange market in Xuzhou City, Jiangsu Province (“**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 a major marketplace for the supply of fruit and seafood in the city and the northern part of Jiangsu Province. Xuzhou Market was ranked “Top 50 National Agricultural Wholesale Markets” (in terms of transaction amount) by China Agricultural Wholesale Market Association in 2013.

The operation performance of Xuzhou Market was steady and satisfactory. Income for the six months ended 30 June 2014 was approximately HK\$33.9 million (for the six months ended 30 June 2013: approximately HK\$32.4 million), representing an increase of approximately 4.6% compared to the corresponding period last year.

**Puyang Market**

On 1 April 2014, a wholly-owned subsidiary of the Company 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 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 on 18 March 2014. The establishment of the joint venture company acquired the existing business operations of Puyang Market and extended the geographic reach of our agricultural produce exchange projects to Puyang City, Henan Province. Details of the transaction are disclosed in the Company’s announcement dated 1 April 2014. The acquisition of existing business operations was completed in April 2014.

**Kaifeng and Qinzhou Projects**

The construction of Kaifeng project and Qinzhou project are in the final stage, these two projects will be a next driving momentum of the Group. The Group successfully acquired parcels of land in Kaifeng City, Henan Province of approximately 408,000 square metres in January 2013 and in Qinzhou City, Guangxi of approximately 150,000 square meters and 117,000 square metres in November 2011 and October 2012, respectively. The management expects that Kaifeng project and Qinzhou project will start operations in late 2014.

**Panjin and Huaian Projects**

With the start of construction of Panjin and Huaian projects, these two projects will be a next driving momentum of the Group. The Group successfully acquired parcels of land in Panjin City and in Huaian City of approximately 159,800 square metres and approximately 53,000 square metres in January 2014 and January 2013, respectively. The management expects that Panjin and Huaian projects will start operations in 2015.

**MATERIAL TRANSACTIONS****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, aggregating 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 are disclosed in the Company's announcement dated 20 January 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, aggregating approximately 162,737 square metres for a total consideration of RMB74.1 million. Details of the transaction are disclosed in the Company's announcement dated 7 May 2014.

**FUND RAISING AND DEBT FINANCING ACTIVITIES****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 and a rights issue ("**Rights Issue**") and bonus issue ("**Bonus Issue**") which were approved at the special general meeting of the Company held on 17 February 2014 by an ordinary resolution. The estimated net proceeds raised from the Rights Issue was approximately HK\$495.5 million which would be used for development of existing and future agricultural exchange projects and for general working capital of the Group. Details of the Capital Reorganisation, the Rights Issue and Bonus Issue are disclosed in the announcements of the Company dated 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, 17 February 2014, 20 February 2014, 24 March 2014 and 11 July 2014, respectively.

### Placing of Bonds

On 31 March 2014, the Company entered into a placing agreement in respect of the placing of bonds in an aggregate principal amount of up to HK\$1 billion within the placing period (being the date of placing agreement up to 30 September 2014 or longer period as the Company and the placing agent may agree in writing). The Company further launched a listed HK\$1 billion medium term bond programme in May 2014. As at the date of this report, listed bonds with an aggregate principal amount of HK\$200 million were issued and listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The placing of the bonds and the listing of the bond programme signify an important movement of the Group’s debt financing activities. Details of the placing and establishment of the bond programme are disclosed in the Company’s announcements dated 31 March 2014 and 19 May 2014, respectively.

### FUTURE PLANS AND PROSPECTS

The Group has endeavored to build up a national network of agricultural produce exchange market. After the continuous effort being put by the management, the Group has built up a preliminary network of the markets. The agricultural issue is still a theme of the Number 1 Documents of the PRC government. The Group will continue to adapt business model to suit the overall government policy requirements.

The coming completion of the projects in Kaifeng City and Qinzhou City will be the new income driving force to the future development of the Group. Panjin and Huaian projects will become the next momentum of the Group. In addition, the Group will continue to negotiate, build and expand its network of agricultural produce exchange markets by working on establishing partnerships in the PRC and exploring business opportunities of agricultural produce exchange markets in different provinces in the PRC so as to deliver long-term benefits to the shareholders of the Company.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had total cash and cash equivalents amounting to approximately HK\$473.1 million (31 December 2013: approximately HK\$267.4 million) whilst total assets and net assets were approximately HK\$6,560.9 million (31 December 2013: approximately HK\$5,698.8 million) and approximately HK\$2,115.8 million (31 December 2013: approximately HK\$1,620.8 million), respectively. The Group’s gearing ratio as at 30 June 2014 was approximately 1.03 (31 December 2013: approximately 1.34), being a ratio of the total of bank and other borrowings, other financial liabilities and promissory notes of approximately HK\$2,656.3 million (31 December 2013: approximately HK\$2,442.0 million), net of cash and cash equivalents of approximately HK\$473.1 million (31 December 2013: approximately HK\$267.4 million), to total shareholders’ funds of approximately HK\$2,115.8 million (31 December 2013: approximately HK\$1,620.8 million).



**CAPITAL COMMITMENTS, PLEDGE AND CONTINGENT LIABILITIES**

As at 30 June 2014, outstanding capital commitment, contracted but not provided for, amounted to approximately HK\$456.0 million in relation to the acquisition of land and construction contracts (31 December 2013: approximately HK\$590.5 million).

As at 30 June 2014, the Group pledged the land use rights, properties and bank deposits with an aggregate carrying value of approximately HK\$2,210.6 million (31 December 2013: approximately HK\$1,836.0 million) to secure bank borrowings and bank facilities.

As at 30 June 2014, 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 are disclosed in the Company's announcement dated 16 July 2012.

As at 30 June 2014 and 31 December 2013, the Group had no significant contingent liability.

**UPDATE ON THE LEGAL PROCEEDINGS**

On 18 June 2014, the Company received an judgment (the "**Judgment**") from the Higher People's Court of Hubei Province, the PRC (the "**Hubei Court**") 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 against Wuhan Baisazhou Agricultural By-product Grand Market Company Limited as third party. In the Judgment, the Hubei Court dismissed the claims of Ms. Wang and Tian Jiu, and they are ordered to bear the legal costs of the Legal Proceedings.

On 4 July 2014, the Company received the notice of appeal to the Supreme People's Court of the PRC from Ms. Wang and Tian Jiu regarding the Legal Proceedings. Details of the Legal Proceedings are disclosed in the announcements of the Company dated 11 January 2011, 22 May 2012, 19 June 2014 and 4 July 2014, respectively.

**EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2014, the Group had 1,726 employees (31 December 2013: 1,509 employees), approximately 97% of whom were located in the PRC. The Group's remuneration policy is reviewed periodically by the remuneration committee of the Company and the Board and remuneration is determined by reference to market terms, company performance, and individual qualifications and performance".

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP UPON  
COMPLETION OF THE WYT SUBSCRIPTION****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 WYT Subscription, based on the scenario that Winning Rich has undertaken to subscribe for the 2019 Bonds in the principal amount of HK\$720,000,000 pursuant to the Subscription Agreement, assuming none of any independent investors procured by the Placing Agent, other than the Subscribers, has subscribed for the 2019 Bonds, as if it had taken place on 31 March 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 WYT Subscription been completed as at 31 March 2014.

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



**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE GROUP UPON COMPLETION OF THE WYT SUBSCRIPTION**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

	<b>The Group as at 31 March 2014 HK\$'000 Note 1</b>	<b>Pro Forma Adjustments HK\$'000 Note 2,3,4</b>	<b>The Group after the WYT Subscription HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	247,333		247,333
Investment properties	467,000		467,000
Goodwill	15,335		15,335
Investments in associates	301,644		301,644
Other intangible assets	435		435
Available-for-sale investment	—	720,000	720,000
Loans and interests receivable	450,000	(250,000)	200,000
Deferred tax assets	5,249		5,249
<b>Total non-current assets</b>	<b>1,486,996</b>		<b>1,956,996</b>
<b>CURRENT ASSETS</b>			
Inventories	147,254		147,254
Trade and other receivables	199,126		199,126
Amounts due from associates	6,146		6,146
Investments held-for-trading	103,528		103,528
Loans and interests receivable	105,446	(96,031)	9,415
Tax recoverable	7,941		7,941
Bank balances and cash	292,511	(355,969)	(63,458)
		(720,000)	
		18,000	
		346,031	
<b>Total current assets</b>	<b>861,952</b>		<b>409,952</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	111,321		111,321
Bank borrowings	201,803		201,803
Deferred franchise income	18		18
Tax payable	2,864		2,864
<b>Total current liabilities</b>	<b>316,006</b>		<b>316,006</b>
<b>NET CURRENT ASSETS</b>	<b>545,946</b>		<b>93,946</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>2,032,942</b>		<b>2,050,942</b>

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

	<b>The Group as at 31 March 2014</b>	<b>Pro Forma Adjustments</b>	<b>The Group after the WYT Subscription</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2,3,4</i>	
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	189,412		189,412
Deferred tax liabilities	2,629		2,629
	<hr/>		<hr/>
Total non-current liabilities	192,041		192,041
	<hr/>		<hr/>
Net assets	1,840,901		1,858,901
	<hr/> <hr/>		<hr/> <hr/>
<b>EQUITY</b>			
Share capital	29,311		29,311
Reserves	1,804,236	18,000	1,822,236
	<hr/>		<hr/>
Equity attributable to owners of the parent	1,833,547		1,851,547
Non-controlling interests	7,354		7,354
	<hr/>		<hr/>
Total equity	1,840,901		1,858,901
	<hr/> <hr/>		<hr/> <hr/>

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

1. The consolidated statement of financial position of the Group as at 31 March 2014 is extracted from the published 2014 Annual Report of the Company.
2. Pursuant to the Subscription Agreement with CAP, the Group has undertaken to subscribe for the 2019 Bonds in the principal amount of HK\$720,000,000 and is entitled to a 2.5% subscription fee on the principal amount of the WYT Subscription. The subscription fee income amounted to HK\$18,000,000, being 2.5% of HK\$720,000,000, is regarded as other income.
3. Upon completion of the WYT Subscription, the 2019 Bonds will be 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 Bonds Issue, CAP will use the proceeds from the Bonds Issue to repay the outstanding loans and interests due to the Group with an aggregate carrying amount of HK\$346,031,000 as at 31 March 2014, which includes the aggregate interests receivable of approximately HK\$21,031,000.

*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

24 October 2014

### 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 31 March 2014 and the related notes set out on pages III-2 to III-4 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 subscription by the Group of the five-year 10% coupon bonds in the principal amount of HK\$720,000,000 issued by China Agri-Products Exchange Limited (the “**WYT Subscription**”) on the Group’s financial position as at 31 March 2014 as if the WYT Subscription had taken place at 31 March 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 year ended 31 March 2014, on which an annual 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* issue 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 WYT Subscription on unadjusted financial information of the Group as if the WYT Subscription 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) Interests of Directors

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 or 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 3,517,142,969.



(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 Shareholder	Capacity	Total number of Shares held	Approximate percentage of the Company's total issued share capital (Note 3)
WOG (Note 1)	Interest of controlled corporation	864,542,034	24.58
Caister Limited ("Caister") (Note 2)	Interest of controlled corporation	864,542,034	24.58
Mr. Andy Wei	Beneficial owner	327,170,000	9.30

*Notes:*

- (1) Rich Time Strategy Limited ("**Rich Time**"), a wholly-owned subsidiary of Wang On Enterprises (BVI) Limited ("**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.
- (2) Caister, a company wholly-owned by Mr. Tang Ching Ho (a Director of the Company) beneficially owned 2,336,125,102 shares in WOG, representing 35.8% in the issued share capital of WOG. 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.
- (3) The percentage is calculated based on the total issued share capital of the Company as at the Latest Practicable Date of 3,517,142,969 Shares.
- (4) As at the Latest Practicable Date, Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas, executive Directors, were also directors of WOG. Ms. Yau Yuk Yin was also a director of WOG. Mr. Tang Ching Ho was a director of Caister. Mr. Chan Chun Hong, Thomas was also a director of Rich Time and WOE.

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

- (i) 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.
- (ii) 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 Subscription Agreement;

- (b) 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 Bonds Issue 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;
- (c) 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 Bonds Issue 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;
- (d) 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 Securities Limited (“**KSL**”), as the placing agent, pursuant to which (i) Rich Time has agreed to place, through KSL, 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 top-up placing and the top-up subscription 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;
- (e) 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;
- (f) 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;

- (g) 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;
- (h) 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 KSL in relation to, among others, the underwriting of 228 million rights shares in CAP contemplated under the right issues 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;
- (i) 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 KSL, as the placing agent, pursuant to which (i) Gain Better has agreed to place, through KSL, 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;
- (j) 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;

- (k) 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;
- (l) 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;
- (m) a new issue placing agreement dated 8 March 2013 entered into between the Company and KSL pursuant to which the Company has agreed to place, through KSL, 488 million new Shares at a placing price of HK\$0.22 per Share, which was completed on 26 March 2013. The details of which were set out in the announcement of the Company dated 8 March 2013;
- (n) a provisional sale and purchase agreement dated 31 January 2013 entered into between Sino Fame Investments Limited (an indirect wholly-owned subsidiary of the Company), as the purchaser, and King Best Asia Group Limited, as the vendor, for the acquisition of a property at G/F., Bowring Building, No. 14 Bowring Street, Kowloon, Hong Kong with a saleable floor area of approximately 800 sq.ft. at a cash consideration of HK\$81.0 million, the details of which were set out in the announcement of the Company dated 4 February 2013;
- (o) a master sales agreement dated 14 January 2013 entered into between Wai Yuen Tong Medicine Company Limited (an indirect subsidiary of the Company) and Wang On Management Limited ("**WOM**") (an indirect wholly-owned subsidiary of WOG) for the sales of the Group's pharmaceutical products to WOM (for itself and on behalf of other members of WOG) with annual caps of HK\$5.8 million, HK\$7.2 million and HK\$9.0 million, respectively for the three years ending 31 March 2015, the details of which were set out in the announcement of the Company dated 14 January 2013;
- (p) an agreement for lease of the land dated 22 February 2013 entered into between Wai Yuen Tong Company Limited (an indirect wholly-owned subsidiary of the Company) and Hong Kong Science and Technology Parks Corporation for a land located at Yuen Long Town Lot No.313 and extensions thereto at a land premium of HK\$21,363,900.0, the details of which were set out in the announcement of the Company dated 12 December 2012;

- (q) a top-up placing and subscription agreement dated 30 November 2012 entered into between Rich Time, as the vendor and the subscriber, the Company, as the issuer, and KSL, as the placing agent, pursuant to which (i) Rich Time has agreed to place, through KSL, 250 million existing Shares at a placing price of HK\$0.125 per Share; and (ii) Rich Time has conditionally agreed to subscribe for 250 million new Shares at the subscription price of HK\$0.125 per Share. The top-up placing and the top-up subscription were completed on 5 December 2012 and 11 December 2012, respectively, the details of which were set out in the announcements of the Company dated 30 November 2012 and 7 January 2013;
- (r) a new issue placing agreement dated 30 November 2012 entered into between the Company, as the issuer, and KSL, as the placing agent, pursuant to which the Company has agreed to place, through KSL, 157 million new Shares at a placing price of HK\$0.125 per Share, which was completed on 7 January 2013. The details of which were set out in the announcements of the Company dated 30 November 2012 and 7 January 2013;
- (s) a sale and purchase agreement dated 22 November 2012 entered into between Gain Better as the vendor and Ever Task Limited (an indirect wholly-owned subsidiary of WOG) as the purchaser for the sale and purchase of the 1,150 million shares of PNG, representing approximately 14.95% equity interest in PNG at a consideration of HK\$110.4 million or approximately HK\$0.096 per share of PNG, the details of which were set out in the Company's announcement and circular dated 22 November 2012 and 10 December 2012, respectively; and
- (t) a loan agreement dated 22 November 2012 (as amended by an assignment dated 25 June 2013 executed between Give Power and Winning Rich) entered into between Give Power, as the lender, and CAP, as the borrower, for the provision of an unsecured revolving credit facility in the maximum aggregate amount of HK\$100.0 million at an interest rate of 10.0% per annum for a period of 36 months from 28 December 2012, the details of which were set out in the Company's announcement and circular dated 22 November 2012 and 10 December 2012, respectively.

**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 of association and the 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 annual reports of CAP for the three financial years ended 31 December 2011, 2012 and 2013;
- (d) the interim report of CAP for the six months ended 30 June 2014;
- (e) the material contracts as referred to in the paragraph headed under “Material Contracts” in this Appendix;
- (f) the report on the unaudited pro forma financial information of the Group upon completion of the WYT Subscription, the text of which is set out in Appendix III of this circular;
- (g) the written consents referred to in the paragraph headed under “Expert and Consent” in this Appendix;



- (h) a copy of the circular dated 20 June 2014 issued by the Company pursuant to the requirements set out in Chapter 14 of the Listing Rules; and
- (i) this circular.

**10. GENERAL**

- (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 at 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 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 17/F., Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong on Monday, 10 November 2014 at 4:30 p.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 subscription by, among others, Winning Rich Investments Limited (“**Winning Rich**”), an indirect wholly-owned subsidiary of the Company, of up to a maximum of HK\$720 million five-year 10.0% coupon bonds to be issued by China Agri-Products Exchange Limited (“**CAP**”) pursuant to the conditional subscription agreement dated 4 October 2014 (the “**Subscription Agreement**”, a copy of which has been marked “A” and produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) entered into among (i) CAP, as the bonds issuer, (ii) CCB International Capital Limited, as the placing agent, and (iii) Winning Rich, Peony Finance Limited and Double Leads Investments Limited, particulars of which are set out in a joint announcement dated 4 October 2014 issued by (among others) the Company (a copy of which has been marked “B” and produced to the meeting and initialed by the chairman of the meeting for the purpose of identification), and transaction contemplated thereunder be and are hereby approved; and
- (b) any director of the Company be and is 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 Subscription Agreement and the transactions contemplated 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, 24 October 2014

\* 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.