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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 to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for 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)

(1) CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE AND (2) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Advisor to the Independent Board Committee
and the Independent Shareholders



A letter from the Board is set out on pages 6 to 15 of this circular. A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Advisor, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 18 to 37 of this circular.

A notice convening the SGM to be held at 19th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on Wednesday, 22 June 2022 at 3:30 p.m. is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you are able to attend and vote in person at the SGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, 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.

PRECAUTIONARY MEASURES FOR THE SGM

Taking into account the recent development of the pandemic caused by the coronavirus disease (COVID-19), the Company will implement the following prevention and control measures at the SGM to protect attendants from the risk of infection:

- (i) compulsory body temperature checks will be conducted for every attending Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.4 degrees Celsius will not be admitted to the venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- (ii) every attending Shareholder or proxy is required to scan the "Leave Home Safe" venue QR code, comply with the requirements of the "Vaccine Pass Direction"[#] and wear a surgical mask throughout the SGM; and
- (iii) attending Shareholders or proxies will be assigned to a designated seating area and the seating capacity will also be limited to ensure social distancing; and
- (iv) no souvenirs will be provided. No food or drink will be served at the SGM and there will be measures in place (including any necessary partitioning arrangements) for the purposes of complying with the prevailing requirements or guidelines published by the Hong Kong government and/or regulatory authorities at the time of the SGM.

[#] "Vaccine Pass Direction" is defined under the Prevention and Control of Disease (Vaccine Pass) Regulation (Cap. 599L of the Laws of Hong Kong).

Any person who (a) does not comply with any of the precautionary measures above; (b) is subject to any Hong Kong government prescribed quarantine or has close contact with any person under quarantine; or (c) has any flu-like symptoms may be denied entry to the venue at the absolute discretion of the Company.

In light of the continuing risks posed by the COVID-19 epidemic, the Company recommends Shareholders to appoint the chairman of the SGM as their proxy to vote according to their indicated voting instructions in lieu of attending the SGM in person. Physical attendance by a Shareholder is not necessary for the purpose of exercising voting rights.

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong government and/or regulatory authorities, and if necessary, will make further announcements at short notice in case of any update regarding the precautionary measures to be carried out at the SGM. Shareholders should visit the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wyth.net) for future announcements and updates on the SGM arrangements.

To the extent that there are any inconsistencies between the English version and the Chinese version of this circular, the English version shall prevail.

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DEFINITIONS

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

“2019 Bonds”	five-year 10.0% coupon bonds issued by CAP on 28 November 2014
“associate(s)”, “connected person(s)”, “controlling shareholder(s)” and “subsidiary(ies)”	each has the meaning as ascribed to it under the Listing Rules
“Bank”	平安銀行股份有限公司 (Ping An Bank Co., Ltd.), a bank licensed as a financial institution by the China Banking Regulatory Commission in the PRC
“Board”	the board of the Directors
“Business Day”	any day (excluding any Saturday, Sunday and public holiday) on which banks in Hong Kong and the PRC are generally open for business throughout their normal business hours
“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 and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 149)
“CAP Group”	CAP and its subsidiaries
“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, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 897)
“Director(s)”	the director(s) of the Company
“Double Leads”	Double Leads Investments Limited 倍利投資有限公司, an indirect wholly-owned subsidiary of WOG and a company incorporated in the British Virgin Islands with limited liability which is principally engaged in the provision of loan as at the Latest Practicable Date
“Existing Loan”	the loan in the initial aggregate principal amount of HK\$710 million granted by Double Leads and Winning Rich to CAP pursuant to the Existing Loan Agreement

DEFINITIONS

“Existing Loan Agreement”	two sets of loan agreements, both dated 26 September 2019, entered into between CAP as the borrower and (i) Double Leads and (ii) Winning Rich as the lenders, pursuant to which Double Leads and Winning Rich agreed to grant the Existing Loan to CAP
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Siu Man Ho, Simon, Mr. Leung Wai Ho, Mr. Cho Wing Mou and Mr. Li Ka Fai, David
“Independent Financial Advisor”	Pelican Financial Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial advisor appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich
“Independent Shareholders”	the Shareholder(s) who is/are not required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the Proposed Guarantee Agreement and the Revolving Loan Facility Agreement of Winning Rich
“Latest Practicable Date”	1 June 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listed Bonds”	the bonds issued by CAP and listed on the Stock Exchange (Stock Code: 5755), with the carrying amounts of approximately HK\$220 million as of the Latest Practicable Date. The Listed Bonds bear interest at 1% per annum and are repayable on maturity on 30 September 2024
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Luoyang Hongjin”	Luoyang Hongjin Agricultural By-Products Wholesale Market Limited* (洛陽宏進農副產品批發市場有限公司), an indirect wholly-owned subsidiary of CAP established in the PRC
“Mr. Tang”	Mr. Tang Ching Ho, the chairman of the Company and an executive Director and a controlling Shareholder
“Proposed Bank Loan”	a RMB300 million (in its HKD equivalent) loan facility proposed to be provided to CAP by the Bank under the Proposed Bank Loan Agreement
“Proposed Bank Loan Agreement”	the loan facility agreement proposed to be entered into between CAP and the Bank in relation to the Proposed Bank Loan
“Proposed Guarantee”	the guarantee proposed to be provided by the Company in favor of the Bank pursuant to the Proposed Guarantee Agreement
“Proposed Guarantee Agreement”	the guarantee agreement proposed to be entered into between the Company and the Bank, pursuant to which the Company would agree to guarantee all liabilities of CAP to be owed to the Bank under the Proposed Bank Loan Agreement, including the principal amount of RMB300 million (in its HKD equivalent), any interest, penalty, compound interest, damages and other expenses of the Bank in enforcing the Proposed Bank Loan Agreement
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Revolving Loan Facility”	the unsecured revolving loan facility in the principal amount of HK\$70 million and HK\$506 million to be granted by Double Leads and Winning Rich, respectively, to CAP for a term of five years pursuant to the Revolving Loan Facility Agreement
“Revolving Loan Facility Agreement”	two sets of unsecured revolving loan facility agreements, both dated 3 May 2022, entered into between CAP as the borrower and (i) Double Leads and (ii) Winning Rich as the lenders, pursuant to which Double Leads and Winning Rich agreed to make the Revolving Loan Facility available to CAP
“RMB”	Renminbi, the lawful currency of PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened and held for the purpose of, among others, approving the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich
“Shenzhen Hongjin”	Shenzhen Hongjin Huimin Agricultural By-Products Co., Ltd.* (深圳宏進惠民農副產品有限公司), an indirect wholly-owned subsidiary of CAP established in the PRC
“Share(s)”	the ordinary share(s) with a nominal value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Winning Rich”	Winning Rich Investments Limited 凱裕投資有限公司, an indirect wholly-owned subsidiary of the Company and a company incorporated in the British Virgin Islands with limited liability which is principally engaged in the provision of loan as at the Latest Practicable Date
“WOG”	Wang On Group Limited (宏安集團有限公司)*, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1222)
“WOG Group”	WOG and its subsidiaries
“WOG Independent Shareholders”	the WOG Shareholder(s) who is/are not required to abstain from voting on the resolution(s) to be proposed at the WOG SGM to approve the Proposed Guarantee Agreement and the Revolving Loan Facility Agreement
“WOG SGM”	the special general meeting of WOG to be convened and held for the purpose of, among others, approving the Proposed Guarantee and the Revolving Loan Facility
“WOG Shareholder(s)”	holder(s) of the WOG Shares
“WOG Shares”	the ordinary share(s) with a nominal value of HK\$0.01 each in the issued share capital of WOG

DEFINITIONS

“WOP”	Wang On Properties Limited 宏安地產有限公司, 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: 1243), a 75%-owned listed subsidiary of the WOG
“Wuhan Baisazhou Agricultural”	Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited* (武漢白沙洲農副產品大市場有限公司), an indirect wholly-owned subsidiary of CAP established in the PRC
“%”	per cent.

LETTER FROM THE BOARD



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, *GBS, JP*
(Chairman and Managing Director)
Ms. Tang Wai Man
Ms. Law Man Yee, Anita

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Leung Wai Ho, *MH*
Mr. Siu Man Ho, Simon
Mr. Cho Wing Mou
Mr. Li Ka Fai, David

Head office and principal

place of business in Hong Kong:
Suite 3101, 31/F., Skyline Tower
39 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

7 June 2022

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement dated 3 May 2022 jointly issued by the Company and WOG in relation to, among others, the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility.

LETTER FROM THE BOARD

The provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich constitute connected transactions of the Company which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The SGM will be held for the purpose of considering and, if thought fit, approving, among other things, the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich by the Independent Shareholders by way of a poll.

The purpose of this circular is to provide you with, among other things, (a) further particulars of the Proposed Guarantee and the Revolving Loan Facility; (b) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich; (c) a letter of advice of the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders; (d) a notice convening the SGM; and (e) other information as required by the Listing Rules.

PROVISION OF PROPOSED GUARANTEE

CAP and the Bank proposed to enter into the Proposed Bank Loan Agreement. Pursuant to the terms of the Proposed Bank Loan Agreement, the Company is required to enter into the Proposed Guarantee Agreement in favor of the Bank, according to which the Company would agree to guarantee all liabilities of CAP to be owed to the Bank under the Proposed Bank Loan Agreement, including the principal amount of RMB300 million (in its HKD equivalent), any interest, penalty, compound interest, damages and other expenses of the Bank in enforcing the Proposed Bank Loan Agreement. No security over CAP's assets will be provided for the Proposed Guarantee.

The Company is seeking a prior mandate from the Independent Shareholders before it enters into the Proposed Guarantee Agreement.

The principal terms of the Proposed Guarantee Agreement are agreed as follows:

- Parties:**
- (1) the Company as guarantor; and
 - (2) the Bank as the beneficiary
- Guaranteed obligations:** All liabilities of CAP to be owed to the Bank under the Proposed Bank Loan Agreement, including the principal amount, any interest, penalty, compound interest, damages and other expenses of the Bank in enforcing the Proposed Bank Loan Agreement
- Term:** The term of the Proposed Guarantee will commence on the date of the Proposed Guarantee Agreement and terminate upon expiry of three years after the full settlement of all obligations under the Proposed Bank Loan Agreement

LETTER FROM THE BOARD

We also set out below the principal terms of the Proposed Bank Loan Agreement as agreed by CAP and the Bank:

- Parties:**
- (1) CAP as borrower; and
 - (2) the Bank as the lender
- Principal amount:** RMB300 million (in its HKD equivalent)
- Purposes:**
- (i) Repayment of the outstanding indebtedness of CAP owed to Double Leads and Winning Rich; and/or
 - (ii) Early redemption of the Listed Bonds
- Drawdown period:** From the date of the Proposed Bank Loan Agreement to 30 June 2023
- Term of each drawdown:** No more than 36 months from the date of each drawdown provided that all amounts are due no later than the final maturity date (being 30 June 2026). The Proposed Bank Loan Agreement does not provide for the extension of the final maturity date
- Interest rates:** Applicable LIBOR/HIBOR/SOFR or term SOFR/other RFR overnight or term rates/other IBOR, plus certain percentage points, to be determined at the time of each drawdown, provided that the actual interest rate and the rate of any financing fees payable by CAP under the Proposed Bank Loan Agreement shall not exceed 2% per annum in total, which is payable on a quarterly basis
- Conditions precedent:** The Proposed Bank Loan Agreement and each drawdown are subject to certain customary conditions precedent, including without limitation the entering into the Proposed Guarantee Agreement by and between the Company as the guarantor and the Bank as the beneficiary
- The Proposed Bank Loan will also be guaranteed by a letter of credit to be issued by an onshore affiliate of the Bank upon application by Wuhan Baisazhou Agricultural in favor of the Bank. Such a letter of credit would in turn be secured by (i) a joint guarantee by Shenzhen Hongjin, Luoyang Hongjin and CAP, and (ii) a mortgage over Wuhan Baisazhou Agricultural's certain properties in the PRC with a total gross floor area of approximately 135,000 square meters and a market value of approximately RMB1,408 million per latest valuation report as at 30 September 2021. Wuhan Baisazhou Agricultural would pay an annual handling fee of 4% of the outstanding amount of the Proposed Bank Loan

LETTER FROM THE BOARD

Repayment:

The principal amount of the Proposed Bank Loan is repayable by installments semi-annually and twice a year, with the first repayment amount being 20% of the principal due for the year, and the second repayment amount being 80% of the principal due for the year. The total principal amount due in the first, second and third year shall be 20%, 37% and 43% of the initial principal amount, respectively

Following the repayments of the principal amount of the Proposed Bank Loan as disclosed above, the guaranteed obligation of the Company under the Proposed Guarantee Agreement will decrease over the term of the Proposed Bank Loan accordingly. Therefore the maximum amount of the Company's guaranteed obligation is expected to be at the end of the first six months after the drawdown, where CAP defaults in the repayment of both the quarterly interest of RMB1.5 million and the principal amount of RMB12 million (collectively, the "**Default Amount**"). Assuming that (i) CAP drawdowns the principal amount of RMB300 million (in its HKD equivalent) on the first day of the drawdown period; and (ii) it takes as long as 90 days after date of CAP's default for the Company to fully discharge its guaranteed obligation (the "**Default Period**") (which has taken into account a prudent estimate of the time that may be required for the Company to obtain the external financing (where required)), the maximum amount of the Company's guaranteed obligation under the Proposed Guarantee Agreement would be approximately RMB303,020,000 (in its HKD equivalent), which comprises (i) RMB300 million, being the principal amount of the Bank Loan; (ii) RMB1.5 million, being the three-month interest and finance fees payable on the RMB300 million principal amount, which is calculated at 2% per annum; (iii) approximately RMB100,000, being the default penalty, which is calculated at a default interest of 3% per annum on the Default Amount and for the Default Period; and (iv) approximately RMB1,420,000, being the interest and finance fees payable on the remaining principal amount of RMB288 million for the Default Period, which is calculated at 2% per annum.

GRANT OF REVOLVING LOAN FACILITY

Reference is made to the joint announcement dated 26 September 2019 of, among others, the Company, WOG and CAP in relation to, among others, the Existing Loan Agreement between CAP, Double Leads and Winning Rich, pursuant to which Double Leads and Winning Rich agreed to grant the Existing Loan to CAP in the aggregate principal amount of HK\$710 million for the purpose of refinancing the then outstanding indebtedness of CAP owed to Double Leads and Winning Rich under the 2019 Bonds.

The Existing Loan will be due on 25 September 2022. As of the Latest Practicable Date, the outstanding principal amount of the Existing Loan is HK\$576 million, out of which HK\$70 million and HK\$506 million are owed to Double Leads and Winning Rich, respectively.

On 3 May 2022, CAP, Double Leads and Winning Rich entered into the Revolving Loan Facility Agreement, pursuant to which each of Double Leads and Winning Rich agreed to grant the Revolving Loan Facility in an aggregate amount of HK\$576 million to CAP for a term of five years ending 2 May 2027 for the purpose of refinancing the Existing Loan.

LETTER FROM THE BOARD

The principal terms of the Revolving Loan Facility Agreement are summarized as follows:

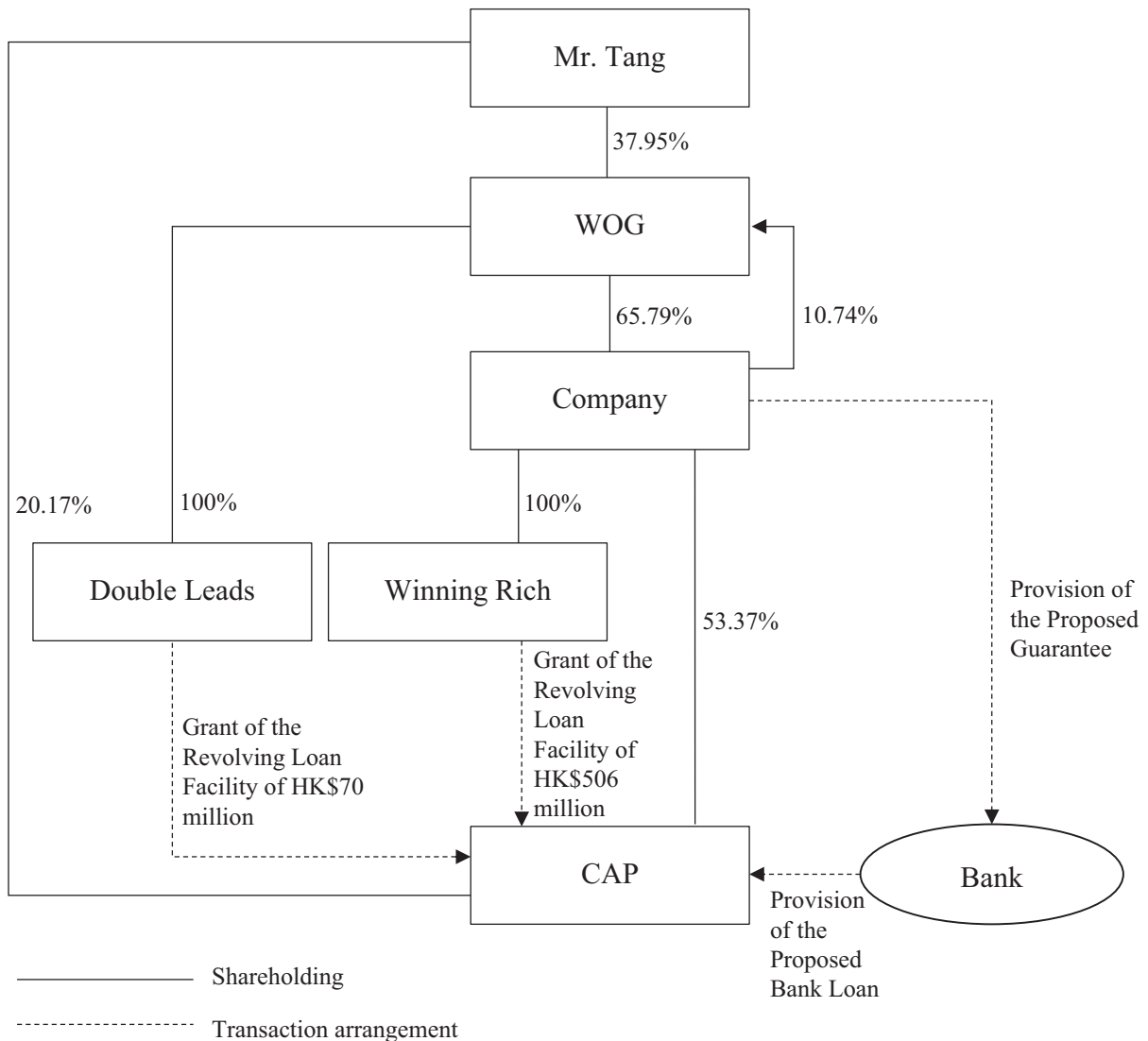
Date:	3 May 2022
Parties:	(1) CAP as the borrower; (2) Double Leads as the lender; and (3) Winning Rich as the lender
Available amount and commitment composition:	HK\$576 million, of which HK\$70 million and HK\$506 million will be provided by Double Leads and Winning Rich, respectively
Term:	Five (5) years
Purpose:	Refinancing the outstanding indebtedness of CAP owed to Double Leads and Winning Rich under the Existing Loan Agreement
Interest:	10% per annum on the outstanding indebtedness and payable on a semi-annual basis commencing from the date of the Revolving Loan Facility Agreement or on such other date as agreed by CAP, Double Leads and Winning Rich
Repayment:	The full principal amount and all outstanding interest thereon (if any) shall be repaid not later than the repayment date (being 2 May 2027). CAP may repay any part of the loan which is a multiple of HK\$500,000 at any time on any Business Day without penalty either in one lump sum or by instalments (each being not less than HK\$500,000) with a three-day prior notice
Conditions precedent:	The grant of the Revolving Loan Facility is conditional upon (i) the Independent Shareholders having passed the ordinary resolution(s) at a general meeting of the Company to approve the grant of the Revolving Loan Facility by Winning Rich; and (ii) the WOG Independent Shareholders having passed the ordinary resolution(s) at a general meeting of WOG to approve the grant of the Revolving Loan Facility
Re-borrowing:	CAP may during the term re-borrow in whole or in part of the amount that has been repaid in accordance with the terms and conditions of the Revolving Loan Facility Agreement provided that, among others, the amount re-borrowed does not exceed the available amount of HK\$576 million and in compliance with the commitment composition. For avoidance of doubt, the maximum outstanding amount of the Revolving Loan Facility will be capped at HK\$576 million at all times

LETTER FROM THE BOARD

Assignment and transfer: Double Leads and Winning Rich may respectively assign any or all of their rights or transfer by novation any or all of their rights and obligations (whether in full or a part thereof, and whether in one time or through several times) under the Revolving Loan Facility Agreement to another subsidiary or subsidiaries of WOG or the Company (where applicable). The consent of CAP is not required for such assignment or transfer

TRANSACTION STRUCTURE

We set out below a simplified chart of the Company, WOG and CAP illustrating their shareholding structure and the arrangements of the transactions contemplated under the Proposed Bank Loan Agreement, the Proposed Guarantee Agreement and the Revolving Loan Facility Agreement.



LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF PROVISION OF THE PROPOSED GUARANTEE AND THE GRANT OF THE REVOLVING LOAN FACILITY BY WINNING RICH

CAP is a 53.37%-owned subsidiary of the Company. In view of the funding need of CAP (particularly taking into account the funding needs for the repayment of the Existing Loan and the early redemption of the Listed Bonds), the Directors consider that it is in the interests of the Shareholders to continue to provide financial support to CAP with an aim to generate return to the Shareholders in the long run.

In particular, the Company is requested by the Bank to provide the Proposed Guarantee for the Proposed Bank Loan to CAP. Part of the Proposed Bank Loan is expected to be utilized as repayment of part of the Existing Loan owed to Double Leads and/or Winning Rich. As such, the Directors consider that the provision of the Proposed Guarantee will benefit the Company in terms of loan recovery as well as cash flow position enhancement.

The grant of the Revolving Loan Facility by Winning Rich is expected to continue to generate a high return to the Shareholders. In addition, given that Winning Rich is not required to provide any additional funding to CAP pursuant to the grant of the Revolving Loan Facility by Winning Rich, the grant of the Revolving Loan Facility by Winning Rich would not have any impact on the cash flow or cash position of Winning Rich.

The Board (including the independent non-executive Directors) is of the view that the terms of (i) the Proposed Guarantee and the Proposed Guarantee Agreement and (ii) the grant of the Revolving Loan Facility by Winning Rich and the Revolving Loan Facility Agreement of Winning Rich, though not in the ordinary and usual course of business of the Group, are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned, and thus the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich pursuant to the Proposed Guarantee Agreement and the Revolving Loan Facility Agreement of Winning Rich are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP, THE WOG GROUP, THE CAP GROUP AND THE BANK

The Group is principally engaged in (i) the manufacturing and retailing of traditional Chinese pharmaceutical and health food products, including Chinese medicinal products sold under the brand name of “Wai Yuen Tong”, mainly in the PRC and Hong Kong; (ii) the manufacturing and sale of Western pharmaceutical and health food and personal care products under the brand names of “Madame Pearl’s” and “Pearl’s”; (iii) property investment; and (iv) management and sale of properties in agricultural produce exchange markets in the PRC through CAP, a 53.37%-owned listed subsidiary of the Company. The Company is held by the WOG Group as to approximately 65.79%.

The WOG Group is principally engaged in (i) management and sub-licensing of fresh markets and treasury management in Hong Kong and the PRC; (ii) property investment and property development in Hong Kong through WOP, its 75%-owned listed subsidiary; (iii) manufacturing and/or retailing of pharmaceutical and health food products through the Company, its 65.79%-owned listed subsidiary; and (iv) management and sale of properties in agricultural produce exchange markets in the PRC through CAP, a 53.37%-owned listed subsidiary of the Company. WOG is ultimately owned by Mr. Tang as to approximately 48.69% based on the disclosure of interest notice filed by Mr. Tang pursuant to the SFO.

LETTER FROM THE BOARD

The CAP Group is principally engaged in the business of management and sale of properties in agricultural produce exchange markets in the PRC. CAP is held by the Group as to approximately 53.37% and is separately held by a company indirectly wholly-owned by Mr. Tang as to approximately 20.17%.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, (i) the Bank is primarily engaged in the provision of banking services in the PRC; and (ii) the Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons as defined under the Listing Rules.

LISTING RULES IMPLICATIONS

CAP is a non wholly-owned subsidiary of the Company. Therefore the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich do not constitute notifiable transactions for the Company under Chapter 14 of the Listing Rules. As Mr. Tang, an executive Director and a controlling Shareholder, holds approximately 20.17% interest in CAP, CAP is a connected subsidiary of the Company. Therefore the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich constitute connected transactions of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of Mr. Tang's interest in CAP, Mr. Tang is considered to have a material interest in the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich. Accordingly, (i) Mr. Tang and (ii) Ms. Tang Wai Man, an executive Director and daughter of Mr. Tang and hence an associate of Mr. Tang, have abstained from voting on the Board resolution(s) approving the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich.

As of the Latest Practicable Date, CAP, the Company and the Bank have not entered into the Proposed Bank Loan Agreement or the Proposed Guarantee Agreement (where applicable). The Company is seeking a prior mandate from the Independent Shareholders before the relevant parties enter into the Proposed Bank Loan Agreement and the Proposed Guarantee Agreement.

The Shareholders who have a material interest in the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich and their respective close associates (as defined in the Listing Rules) are required to abstain from voting on the relevant resolution(s) at the SGM. In view of Mr. Tang's interest in CAP, Mr. Tang is considered to have a material interest in the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich which is different from other Shareholders. Accordingly, Mr. Tang and his associates (including without limitation WOG) will abstain from voting on the relevant resolution(s) in relation to the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich.

As at the Latest Practicable Date, Rich Time Strategy Limited, being an associate of Mr. Tang, held 810,322,940 Shares. Accordingly, Rich Time Strategy Limited will abstain from voting at the SGM in respect of 810,322,940 Shares, representing approximately 65.79% of the total issued Shares.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, save as disclosed above, no other Shareholder has a material interest in the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich and is required to abstain from voting at the SGM.

SPECIAL GENERAL MEETING

The SGM will be held for the purpose of considering and, if thought fit, approving, among other things, the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich by the Independent Shareholders by way of a poll.

The register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022 (both dates inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM. No transfer of Shares will be registered during the book closure periods.

A notice convening the SGM at which ordinary resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, approve, among other things, the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich, is contained on pages SGM-1 to SGM-3 of this circular.

A form of proxy for the use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the SGM (i.e. at or before 3:30 p.m. on Monday, 20 June 2022) or any adjournment thereof. 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 should you so wish.

In accordance with Rule 13.39(4) of the Listing Rules and the bye-laws of the Company, the voting of the Shareholders at the SGM will be taken by poll. The results of the poll will be published on the websites of the Company and the Stock Exchange.

RECOMMENDATION

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on pages 16 to 17 of this circular; and
- (b) the letter from the Independent Financial Advisor to advise the Independent Shareholders and the Independent Board Committee with respect to the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich, the text of which is set out on pages 18 to 37 of this circular.

LETTER FROM THE BOARD

The Independent Shareholders are advised to read the aforesaid letters before deciding how to vote at the SGM.

The Independent Board Committee, having taken into account the advice of the Independent Financial Advisor, considers that the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich, though not in the ordinary and usual course of business of the Group, are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned, and thus the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich pursuant to the Proposed Guarantee Agreement and the Revolving Loan Facility Agreement of Winning Rich are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich and the transactions contemplated thereunder.

For the reasons set out above, the Directors (including the independent non-executive Directors) consider that the terms of (i) the Proposed Guarantee and the Proposed Guarantee Agreement and (ii) the grant of the Revolving Loan Facility by Winning Rich and the Revolving Loan Facility Agreement of Winning Rich, though not in the ordinary and usual course of business of the Group, are on normal commercial terms and fair and reasonable so far as each of the Company and the Shareholders are concerned and thus the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich pursuant to the Proposed Guarantee Agreement and the Revolving Loan Facility Agreement of Winning Rich are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Independent Shareholders to vote in favour of the resolution(s) at the SGM for the approval of the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix 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 Wai Man
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

7 June 2022

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

PROVISION OF FINANCIAL ASSISTANCE

We refer to the circular of the Company dated 7 June 2022 (the “**Circular**”) of which this letter forms part. Unless specified otherwise, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to form the Independent Board Committee to consider, and advise you on, the terms of (i) the Proposed Guarantee and the Proposed Guarantee Agreement and (ii) the grant of the Revolving Loan Facility by Winning Rich and the Revolving Loan Facility Agreement of Winning Rich. Pelican Financial Limited has been appointed as the Independent Financial Advisor to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving their advice, are set out on pages 18 to 37 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of (i) the Proposed Guarantee and the Proposed Guarantee Agreement and (ii) the grant of the Revolving Loan Facility by Winning Rich and the Revolving Loan Facility Agreement of Winning Rich and taking into account the independent advice of the Independent Financial Advisor set out in its letter on pages 18 to 37 of the Circular and the relevant information contained in the letter from the Board, we consider that the terms of (i) the Proposed Guarantee and the Proposed Guarantee Agreement and (ii) the grant of the Revolving Loan Facility by Winning Rich and the Revolving Loan Facility Agreement of Winning Rich, though not in the ordinary and usual course of business of the Group, are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned, and thus the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich pursuant to the Proposed Guarantee Agreement and the Revolving Loan Facility Agreement of Winning Rich are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we, representing the Independent Board Committee, recommend that you vote in favour of the ordinary resolution(s) to be proposed at the SGM in relation to the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Siu Man Ho, Simon
Leung Wai Ho
Cho Wing Mou
Li Ka Fai, David
Independent non-executive Directors

** for identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR



PELICAN FINANCIAL LIMITED

21/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

7 June 2022

*To the Independent Board Committee and the Independent Shareholders and
Wai Yuen Tong Medicine Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the terms of the Proposed Guarantee Agreement and the provision of the Proposed Guarantee pursuant thereto; and (ii) the terms of the Revolving Loan Facility Agreement and the grant of the Revolving Loan Facility by Winning Rich (an indirect wholly-owned subsidiary of the Company) pursuant thereto, details of which are set out in the letter from the Board (the “**Board Letter**”) in the circular issued by the Company to the Shareholders dated 7 June 2022 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the joint announcement of the Company and WOG dated 3 May 2022 (the “**Joint Announcement**”), CAP (a non-wholly-owned subsidiary of the Company and WOG) and the Bank proposed to enter into the Proposed Bank Loan Agreement. Pursuant to the Proposed Bank Loan Agreement, the Company is required to enter into the Proposed Guarantee Agreement in favor of the Bank, according to which the Company would agree to guarantee all liabilities of CAP to be owed to the Bank under the Proposed Bank Loan Agreement, including the principal amount of RMB300 million (in its HKD equivalent), any interest, penalty, compound interest, damages and other expenses of the Bank in enforcing the Proposed Bank Loan Agreement. No security over CAP’s assets will be provided for the Proposed Guarantee.

As of the Latest Practicable Date, CAP, the Company and the Bank have not entered into the Proposed Bank Loan Agreement or the Proposed Guarantee Agreement (where applicable). The Company is seeking a prior mandate from the Independent Shareholders before the relevant parties enter into the Proposed Bank Loan Agreement and the Proposed Guarantee Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Further, on 3 May 2022, CAP, Double Leads (an indirect wholly-owned subsidiary of WOG) and Winning Rich entered into the Revolving Loan Facility Agreement, pursuant to which each of Double Leads and Winning Rich agreed to grant the Revolving Loan Facility in an aggregate principal amount of HK\$576 million to CAP for a term of five years ending 2 May 2027 for the purpose of refinancing the Existing Loan, which will be due on 25 September 2022. As of the Latest Practicable Date, the outstanding principal amount of the Existing Loan was approximately HK\$576 million, out of which approximately HK\$70 million and approximately HK\$506 million were owed to Double Leads and Winning Rich, respectively.

As at the Latest Practicable Date, CAP is a non-wholly-owned subsidiary of the Company which is in turn a non-wholly-owned subsidiary of WOG. Therefore, the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich do not constitute notifiable transactions for the Company under Chapter 14 of the Listing Rules. As Mr. Tang, an executive Director and a controlling shareholder of the Company, holds approximately 20.17% interest in CAP, CAP is a connected subsidiary of the Company. Therefore, the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich constitute connected transactions of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board currently comprises three executive Directors and four independent non-executive Directors. The Independent Board Committee, which currently comprises all independent non-executive Directors, namely Mr. Siu Man Ho, Simon, Mr. Leung Wai Ho, Mr. Cho Wing Mou and Mr. Li Ka Fai, David, has been established to advise the Independent Shareholders in respect of the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Pelican Financial Limited (“**Pelican**”) is not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interest between Pelican and the Company nor any other parties that could be reasonably be regarded as a hindrance to Pelican's independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders. In the last two years, we had not been engaged by the Company for the provision of other services that would affect our independence. Apart from normal professional fees payable to us in connection with this appointment of us as the independent financial adviser, no arrangement exists whereby Pelican will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Our role is to provide you with our independent opinion and recommendation as to (i) whether the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich are in the ordinary and usual course of business of the Group, on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution(s) to be proposed at the SGM regarding the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary. These procedures and steps include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, with the relevant public information, statistics and market data, industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Proposed Guarantee Agreement, the Revolving Loan Facility Agreement, the unaudited interim report of the Company for the six months ended 30 September 2021 (the “**2021 Interim Report**”), the annual report of the Company for the financial year ended 31 March 2021 (the “**2021 Annual Report**”), the Joint Announcement, the joint announcement dated 26 September 2019 issued by, among others, the Company, WOG and CAP in relation to, among others, the Existing Loan Agreement between CAP, Double Leads and Winning Rich. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of an in-depth investigation into the business and affairs or the future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In arriving at our opinion and recommendation with regard to the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich, we have taken into account the principal factors and reasons set out below:

1. Background information of the Group

The Group is principally engaged in (i) the manufacturing and retailing of traditional Chinese pharmaceutical and health food products, including Chinese medicinal products sold under the brand name of “Wai Yuen Tong”, mainly in the PRC and Hong Kong; (ii) the manufacturing and sale of Western pharmaceutical and health food and personal care products under the brand names of “Madame Pearl’s” and “Pearl’s”; (iii) property investment; and (iv) management and sale of properties in agricultural produce exchange markets in the PRC through CAP, a 53.37%-owned listed subsidiary of the Company. The Company is held by the WOG Group as to approximately 65.79%.

Financial performance

Set out below is a summary of the financial information of the Group for the two years ended 31 March 2020 and 31 March 2021 and for the six months ended 30 September 2020 and 30 September 2021 as extracted from the 2021 Annual Report and the 2021 Interim Report, respectively.

Table 1: Financial performance of the Group

	For the six months ended 30 September		For the financial year ended 31 March	
	2021 <i>HK\$ million</i> (Unaudited)	2020 <i>HK\$ million</i> (Unaudited)	2021 <i>HK\$ million</i> (Audited)	2020 <i>HK\$ million</i> (Audited)
<i>Revenue by segment</i>				
(i) Production and sale of Chinese pharmaceutical and health food products	239.9	211.3	453.4	467.0
(ii) Production and sale of Western pharmaceutical and health food products	18.3	17.1	25.7	100.3
(iii) Property investment	4.3	3.9	8.7	9.2
(iv) Management and sale of properties in agricultural produce exchange markets	393.6	277.2	620.8	44.2
Total revenue	656.1	509.5	1,108.6	620.7
Gross profit	275.2	172.6	445.3	281.6
Profit/(loss) for the period	35.3	(235.3)	(451.3)	438.0

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

According to the 2021 Annual Report, for the financial year ended 31 March 2021, the Group recorded a revenue of approximately HK\$1,108.6 million, reflecting an increase of approximately 78.6% from approximately HK\$620.7 million for the previous year. The increase was mainly attributable to, among other things, the increase in revenue from the management and sale of properties in agricultural produce exchange markets from the CAP Group, whose full-financial-year results was consolidated into the Group's accounts for the first time after the Group acquired approximately 53.37% equity interest of CAP in February 2020. Given that for the year ended 31 March 2020, only two months of CAP's results were consolidated into the Group's accounts, a lower revenue was accounted for from the management and sale of properties in agricultural produce exchange markets.

Despite the increase in revenue and gross profit, the Group recorded a loss of approximately HK\$451.3 million for the year ended 31 March 2021, compared with a profit of approximately HK\$438.0 million in the previous year, mainly as a result of, among other things, (i) the loss of approximately HK\$237.7 million from the Group's disposal of its investment in Easy One Financial Group Limited ("**Easy One**"), a former associate of the Company; (ii) the absence of approximately HK\$63.8 million gain on disposal of items of property, plant and equipment and an investment property as recorded in 2020; and (iii) the absence of approximately HK\$571.5 million gain on the bargain purchase arising from the acquisition of CAP on 12 February 2020 as recorded in 2020.

According to the 2021 Interim Report, the Group's revenue was approximately HK\$656.1 million for the six months ended 30 September 2021, representing an increase of approximately 28.8% from approximately HK\$509.5 million for the corresponding period of the previous year, as economic activities had slightly recovered and the labour market improved as a result of more relaxed anti-pandemic measures in the PRC, Hong Kong and Macau during the six-month period. As a result of its increase in revenue during the period, the Group recorded an increase in gross profit of approximately 59.4% compared with the corresponding period of the previous year. In light of the above and the absence of impairment losses on the Group's investment in Easy One for the six months ended 30 September 2020 as a result of the shortfall between the fair value of the cancellation consideration for the privatization of Easy One and the carry value of Easy One, for the six months ended 30 September 2021, the Group was able to turn loss for the corresponding period of 2020 of approximately HK\$235.3 million into profit for the period of approximately HK\$35.3 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Financial position

The audited and unaudited consolidated assets and liabilities of the Group as at 31 March 2021 and 30 September 2021 as extracted from the 2021 Annual Report and 2021 Interim Report, respectively, are summarized as follows:

Table 2: Financial position of the Group

	As at 30 September 2021	As at 31 March 2021
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(Unaudited)	(Audited)
<i>Total assets</i>		
Non-current assets	4,752.3	4,730.8
Current assets	3,280.5	3,233.7
<i>Total liabilities</i>		
Non-current liabilities	1,628.1	1,642.8
Current liabilities	2,365.6	2,371.4
Net current assets	914.9	862.4
Net assets	4,039.1	3,950.3
Equity attributable to owners of the parent	2,628.4	2,565.3

As at 30 September 2021, the unaudited net current assets of the Group were approximately HK\$914.9 million, representing an increase of approximately 6.1%, as compared to approximately HK\$862.4 million as at 31 March 2021. The net asset of the Group was approximately HK\$4,039.1 million as at 30 September 2021, representing an increase of approximately 2.2%, as compared to approximately HK\$3,950.3 million as at 31 March 2021. In addition, the Group had cash and cash equivalents of approximately HK\$516.1 million as at 30 September 2021.

As at 30 September 2021, the Group's current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.4, which was the same as that as at 31 March 2021. As at the same date, the Group's gearing ratio, being the ratio of total interest-bearing debts net of cash and cash equivalents to equity attributable to owners of the parent, was approximately 50.1%, which was about 5.1 percentage points higher than that as at 31 March 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

2. Information on the WOG Group, the CAP Group and the Bank

The WOG Group

The WOG Group is principally engaged in (i) management and sub-licensing of fresh markets and treasury management in Hong Kong and the PRC; (ii) property investment and property development in Hong Kong through WOP, its 75%-owned listed subsidiary; (iii) manufacturing and/or retailing of pharmaceutical and health food products through the Company, its 65.79%-owned listed subsidiary; and (iv) management and sale of properties in agricultural produce exchange markets in the PRC through CAP, a 53.37%-owned listed subsidiary of the Company. WOG is ultimately owned by Mr. Tang as to approximately 48.69% based on the disclosure of interest notice filed by Mr. Tang pursuant to the SFO.

The CAP Group

The CAP Group is principally engaged in the business of management and sale of properties in agricultural produce exchange markets in the PRC. CAP is held by the Group as to approximately 53.37% and is separately held by a company indirectly wholly-owned by Mr. Tang as to approximately 20.17%.

The Bank

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, (i) the Bank is primarily engaged in the provision of banking services in the PRC; and (ii) the Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons as defined under the Listing Rules.

3. Reasons for and benefits of the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich

As stated in the Board Letter, the purpose of the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich is to financially support CAP's repayment of its outstanding indebtedness owed to Double Leads and Winning Rich; and/or CAP's early redemption of the Listed Bonds, thereby generating greater returns to the Shareholders in the long run.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Funding needs of the CAP Group

Given that as a 53.37%-owned listed subsidiary of the Company, the CAP Group's financial results are consolidated in the Group's accounts, we consider a review of the CAP Group's recent financial position as relevant and meaningful when assessing the reasons for and benefits of the subject transactions. In this regard, we have reviewed CAP's recent financial reports published on the website of the Stock Exchange, of which the audited and unaudited consolidated assets and liabilities of the CAP Group as at 31 March 2021 and 30 September 2021, respectively, are extracted from its relevant financial reports and summarized as follows:

Table 3: Financial position of the CAP Group

	As at 30 September 2021	As at 31 March 2021
	<i>HK\$ million</i> (Unaudited)	<i>HK\$ million</i> (Audited)
<i>Total assets</i>		
Non-current assets	3,207.3	3,146.2
Current assets	2,444.7	2,438.1
<i>Total liabilities</i>		
Non-current liabilities	1,078.7	1,596.3
Current liabilities	2,277.9	1,782.1
Net current assets	166.8	656.0
Net assets	2,295.4	2,205.9
Equity attributable to owners of the Company	1,896.9	1,808.1

Based on the table above, we noted that the CAP Group recorded current liabilities of approximately HK\$2,277.9 million as at 30 September 2021, which represented an increase of approximately 27.8% compared with that at 31 March 2021. As a result of that, the CAP Group's net current assets decreased from approximately HK\$656.0 million as at 31 March 2021 to approximately HK\$166.8 million as at 30 September 2021, representing a significant drop of approximately 74.6%.

In view of this, we consider that despite the bank and cash balances of the CAP Group slightly increased from approximately HK\$424.7 million as at 31 March 2021 to approximately HK\$442.3 million as at 30 September 2021 (i.e., an increase of approximately 4.1%), it is reasonable that the CAP Group still faces funding needs for, including but are not limited to, the repayment of the Existing Loan and the early redemption of the Listed Bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The provision of the Proposed Guarantee

As stated in the Board Letter, part of the Proposed Bank Loan is expected to be utilized as repayment of part of the Existing Loan owed to Double Leads and/or Winning Rich, and/or early redemption of the Listed Bonds. Given CAP's funding needs as discussed above, in order for the Group to secure CAP's repayment of the Existing Loan, it is fair and reasonable for the Group to support CAP's entering into of the Proposed Bank Loan Agreement with the Bank and provide the required Proposed Guarantee in favour of the Bank pursuant to the Proposed Guarantee Agreement.

As discussed with the Company, we noted that the Bank assessed CAP's creditworthiness and repayment ability when assessing CAP's loan application and was satisfied with its findings. According to CAP's unaudited interim report for the six months ended 30 September 2021, the range of average rates of bank borrowings of CAP ranged from approximately 4.6% to approximately 6.8% as at 30 September 2021, excluding the rates of their handling fees. In this regard, we noted that in order to provide CAP with a lending rate of at most 2.0% per annum (including the actual interest rate and the rate of any financing fees payable by CAP under the Proposed Bank Loan Agreement), plus an annual handling fee of 4.0% of the outstanding amount of the Proposed Bank Loan, which is within the current range of average rates of bank borrowings of CAP, the Bank has required the Company to provide the Proposed Guarantee in favour of the Bank, as well as (i) a joint guarantee by Shenzhen Hongjin, Luoyang Hongjin and CAP, and (ii) a mortgage over Wuhan Baisazhou Agricultural's certain properties in the PRC with a total gross floor area of approximately 135,000 square meters, to secure a letter of credit to be issued by an onshore affiliate of the Bank upon application by Wuhan Baisazhou Agricultural in favor of the Bank.

We also noted from the published audited annual financial report of CAP for the year ended 31 December 2014 that, although on the surface the Listed Bonds bear interest at 1.0% per annum and are repayable on maturity on 30 September 2024, if one were to consider the initial value of the Listed Bonds, the effective interest rate would reach approximately 11.6% per annum.

Accordingly, the entering into of the Proposed Bank Loan Agreement would allow CAP to save its interest payments should it choose to redeem the Listed Bonds early, given that the actual interest rate and the rate of any financing fees payable by CAP under the Proposed Bank Loan Agreement shall not exceed 2.0% per annum in total. This savings on interest payments by CAP would in turn benefit the Group as a whole given that the CAP Group's financial results are consolidated into the Group's accounts.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The grant of the Revolving Loan Facility

As stated in the Board Letter, the Existing Loan, which was granted by Double Leads and Winning Rich to CAP in 2019 for the purpose of refinancing the then outstanding indebtedness of CAP owed to Double Leads and Winning Rich under the 2019 Bonds, will be due on 25 September 2022. The aggregate principal amount of HK\$710 million under the Existing Loan had been partially repaid and reduced to HK\$576 million as of the Latest Practicable Date, of which HK\$70 million and HK\$506 million were owed to Double Leads and Winning Rich, respectively.

In view of CAP's fulfilment of its repayment obligations under the Existing Loan, Winning Rich is willing to support CAP's refinancing and hence repayment of the Existing Loan through the grant of the Revolving Loan Facility, in an aggregate amount equivalent to the outstanding principal amount of the Existing Loan, i.e., HK\$576 million, for a term of five years ending 2 May 2027.

Pursuant to the Revolving Loan Facility Agreement, neither Double Leads nor Winning Rich is required to provide additional funding to CAP as the entire Revolving Loan would be used by CAP to refinance the outstanding principal amount of the Existing Loan it owes to the two parties. As such, there would be no cash outflow pressure on Winning Rich.

According to the joint announcement dated 26 September 2019 in relation to, among others, the Existing Loan, the interest rate of the Existing Loan is 10.0% per annum and the accrued interest is payable on a half-year basis. Such term on interest is the same as that of the Revolving Loan Facility, meaning that the Revolving Loan Facility is simply an extension (or renewal) of the Existing Loan which would allow Winning Rich to enjoy a longer period of interest payments by CAP.

On the other hand, given that CAP is a subsidiary of each of the Company and WOG, the grant of the Revolving Loan Facility, which is an intra-group loan itself, is in the interests of all three parties to the Revolving Loan Facility Agreement, in that not only Double Leads and Winning Rich would be able to secure the recovery of the Existing Loan and benefit from the interest payments therefrom, CAP would also be able to enjoy financial flexibility when it comes managing its business and capturing business opportunities, and in turn benefit both the Company and WOG.

Our view

In light of the above and given that it is not uncommon for a holding company to provide financial assistance to its subsidiaries, we concur with the Board that the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich, though not in the ordinary and usual course of the business of the Group, are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned, and that they are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

4. Background and principal terms of the agreements

As stated in the Joint Announcement, CAP and the Bank proposed to enter into the Proposed Bank Loan Agreement. Pursuant to the Proposed Bank Loan Agreement, the Company is required to enter into the Proposed Guarantee Agreement in favor of the Bank.

As of the Latest Practicable Date, CAP, the Company and the Bank have not entered into the Proposed Bank Loan Agreement or the Proposed Guarantee Agreement (where applicable). The Company is seeking a prior mandate from the Independent Shareholders before the relevant parties enter into the Proposed Bank Loan Agreement and the Proposed Guarantee Agreement.

The Proposed Guarantee Agreement

The principal terms of the Proposed Guarantee Agreement are summarised as follows:

- Parties:**
- (1) The Company as guarantor; and
 - (2) the Bank as the beneficiary

Guaranteed obligations: All liabilities of CAP to be owed to the Bank under the Proposed Bank Loan Agreement, including the principal amount of RMB300 million (in its HKD equivalent), any interest, penalty, compound interest, damages and other expenses of the Bank in enforcing the Proposed Bank Loan Agreement.

No security over CAP's assets will be provided for the Proposed Guarantee.

Note: The guaranteed obligation of the Company under the Proposed Guarantee Agreement shall decrease over time as the principal amount of the Proposed Bank Loan gets repaid by installments semi-annually. The maximum amount of the Company's guaranteed obligation is expected to be at the end of the first six months after the drawdown, if CAP defaults in the repayment of both the quarterly interest of RMB1.5 million and the principal amount of RMB12 million (collectively, the "Default Amount"). Assuming that (i) CAP drawdowns the principal amount of RMB300 million (in its HKD equivalent) on the first day of the drawdown period and (ii) it takes as long as 90 days after date of CAP's default for the Company to fully discharge its guaranteed obligation (the "Default Period") (which has taken into account a prudent estimate of the time that may be required for the Company to obtain the external financing (where required)), the maximum amount of the Company's guaranteed obligation under the Proposed

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Guarantee Agreement would be approximately RMB303,020,000 (in its HKD equivalent), which comprises (i) RMB300 million, being the principal amount of the Bank Loan; (ii) RMB1.5 million, being the three-month interest and finance fees payable on the RMB300 million principal amount, which is calculated at 2% per annum; (iii) approximately RMB100,000, being the default penalty, which is calculated at a default interest of 3% per annum on the Default Amount and for the Default Period; and (iv) approximately RMB1,420,000, being the interest and finance fees payable on the remaining principal amount of RMB288 million for the Default Period, which is calculated at 2% per annum.

Term: The term of the Proposed Guarantee will commence on the date of the Proposed Guarantee Agreement and terminate upon expiry of three years after the full settlement of all obligations under the Proposed Bank Loan Agreement.

The Proposed Bank Loan Agreement

The principal terms of the Proposed Bank Loan Agreement are summarised as follows:

Parties: (1) CAP as borrower; and
(2) the Bank as the lender

Principal amount: RMB300 million (in its HKD equivalent)

Purposes: (i) Repayment of the outstanding indebtedness of CAP owed to Double Leads and Winning Rich; and/or
(ii) Early redemption of the Listed Bonds

Drawdown period: From the date of the Proposed Bank Loan Agreement to 30 June 2023

Term of each drawdown: No more than 36 months from the date of each drawdown provided that all amounts are due no later than the final maturity date (being 30 June 2026). The Proposed Bank Loan Agreement does not provide for the extension of the final maturity date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Interest rates:

Applicable LIBOR/HIBOR/SOFR or term SOFR/ other RFR overnight or term rates/other IBOR, plus certain percentage points, to be determined at the time of each drawdown, provided that the actual interest rate and the rate of any financing fees payable by CAP under the Proposed Bank Loan Agreement shall not exceed 2% per annum in total, which is payable on a quarterly basis.

Conditions precedent:

The Proposed Bank Loan Agreement and each drawdown are subject to certain customary conditions precedent, including without limitation the entering into the Proposed Guarantee Agreement by and between the Company as the guarantor and the Bank as the beneficiary.

The Proposed Bank Loan will also be guaranteed by a letter of credit to be issued by an onshore affiliate of the Bank upon application by Wuhan Baisazhou Agricultural in favor of the Bank. Such a letter of credit would in turn be secured by (i) a joint guarantee by Shenzhen Hongjin, Luoyang Hongjin and CAP, and (ii) a mortgage over Wuhan Baisazhou Agricultural's certain properties in the PRC with a total gross floor area of approximately 135,000 square meters at a market value of approximately RMB1,408 million per latest valuation report as at 30 September 2021. Wuhan Baisazhou Agricultural would pay an annual handling fee of 4% of the outstanding amount of the Proposed Bank Loan.

Repayment:

The principal amount of the Proposed Bank Loan is repayable by installments semi-annually and twice a year, with the first repayment amount being 20% of the principal due for the year, and the second repayment amount being 80% of the principal due for the year. The total principal amount due in the first, second and third year shall be 20%, 37% and 43% of the initial principal amount, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The Revolving Loan Facility Agreement

On 3 May 2022, CAP, Double Leads and Winning Rich entered into the Revolving Loan Facility Agreement, pursuant to which each of Double Leads and Winning Rich agreed to grant the Revolving Loan Facility in an aggregate principal amount of HK\$576 million to CAP for a term of five years ending 2 May 2027 for the purpose of refinancing the Existing Loan, which will be due on 25 September 2022.

The principal terms of the Revolving Loan Facility Agreement are summarized as follows:

Date:	3 May 2022
Parties:	(1) CAP as the borrower; (2) Double Leads as the lender; and (3) Winning Rich as the lender
Available amount and commitment composition:	HK\$576 million, of which HK\$70 million and HK\$506 million will be provided by Double Leads and Winning Rich, respectively
Term:	Five (5) years
Purpose:	Refinancing the outstanding indebtedness of CAP owed to Double Leads and Winning Rich under the Existing Loan Agreement
Interest:	10% per annum on the outstanding indebtedness and payable on a semi-annual basis commencing from the date of the Revolving Loan Facility Agreement or on such other date as agreed by CAP, Double Leads and Winning Rich
Repayment:	The full principal amount and all outstanding interest thereon (if any) shall be repaid not later than the repayment date (being 2 May 2027). CAP may repay any part of the loan which is a multiple of HK\$500,000 at any time on any Business Day without penalty either in one lump sum or by instalments (each being not less than HK\$500,000) with a three-day prior notice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Conditions precedent:

The grant of the Revolving Loan Facility is conditional upon (i) the Independent Shareholders having passed the ordinary resolution(s) at a general meeting of the Company to approve the grant of the Revolving Loan Facility by Winning Rich; and (ii) the WOG Independent Shareholders having passed the ordinary resolution(s) at a general meeting of WOG to approve the grant of the Revolving Loan Facility.

Re-borrowing:

CAP may during the term re-borrow in whole or in part of the amount that has been repaid in accordance with the terms and conditions of the Revolving Loan Facility Agreement provided that, among others, the amount re-borrowed does not exceed the available amount of HK\$576 million and in compliance with the commitment composition. For avoidance of doubt, the maximum outstanding amount of the Revolving Loan Facility will be capped at HK\$576 million at all times.

Assignment and transfer:

Double Leads and Winning Rich may respectively assign any or all of their rights or transfer by novation any or all of their rights and obligations (whether in full or a part thereof, and whether in one time or through several times) under the Revolving Loan Facility Agreement to another subsidiary or subsidiaries of WOG or the Company (where applicable). The consent of CAP is not required for such assignment or transfer.

5. Our assessment of the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility

The provision of the Proposed Guarantee

As discussed in the above section headed “Reasons for and benefits of the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich” of this letter, the provision of the Proposed Guarantee is a prerequisite for the Bank to grant a loan under the Proposed Bank Loan Agreement. To our understanding, it is a common practice among financial institutions in the PRC to require an irrevocable guarantee from the controlling shareholder of a borrower and/or collateral(s) from the borrowers and/or its related company(ies), especially if such financial institution were to provide favorable lending terms. Hence, this requirement is typical in the market and has no implications on CAP’s creditworthiness.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

In addition, as discussed above, the Bank assessed CAP's creditworthiness and repayment ability when assessing CAP's loan application and was satisfied with its findings. Also considering the fact that CAP is a majority-owned subsidiary of the Company, we are of the view that the risk exposure in respect of the provision of the Proposed Guarantee by the Company is manageable, in that not only CAP comes from a good credit history but that as the controlling shareholder of CAP, the Company would be able to foresee any future financial difficulties of CAP which might prevent CAP from fulfilling its repayment obligations under the Proposed Bank Loan, and hence take precautionary measures before there are any default risks.

Given that by entering into the Proposed Bank Loan Agreement with the Bank, CAP would be able to free up capital for its business operation and ventures, the provision of the Proposed Guarantee by the Company is fair and reasonable as it would allow the Company to not only support the funding needs of CAP, but also benefits the overall Group's financial performance at a minimal risk.

The grant of the Revolving Loan Facility

When considering the fairness and reasonableness of the terms of the Revolving Loan Facility Agreement, we have taken into account the following factors:

(a) Principal amount

As stated in the Board Letter, the aggregate principal amount of HK\$710 million under the Existing Loan had been partially repaid and reduced to HK\$576 million as of the Latest Practicable Date, of which HK\$70 million and HK\$506 million were owed to Double Leads and Winning Rich, respectively.

As discussed above, in view of CAP's fulfilment of its repayment obligations under the Existing Loan, Winning Rich has decided to grant the Revolving Loan Facility to CAP in an aggregate amount equivalent to the outstanding principal amount of the Existing Loan, i.e., HK\$576 million, for a term of five years ending 2 May 2027.

Given that the aggregate principal amount of the Revolving Loan Facility equals the outstanding principal amount of the Existing Loan of HK\$576 million, the grant of the Revolving Loan Facility by Winning Rich is in essence an extension (or renewal) of the Existing Loan which would require no additional funding to CAP by either Double Leads or Winning Rich. It follows that, the grant of the Revolving Loan Facility by Winning Rich is expected to have very little or no impact on the Group's gearing position.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

(b) Interest rate

As discussed in the above section headed “Reasons for and benefits of the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich” of this letter, the interest rate of 10.0% per annum of the Revolving Loan Facility is the same as that of the Existing Loan. As such, the grant of the Revolving Loan Facility by Winning Rich would allow the Company to continue taking advantage of the same interest rate on the Existing Loan.

Meanwhile, according to the 2021 Annual Report, we noted that for the year ended 31 March 2021, the effective interest rates of the Group’s loan receivables ranged from 1.0% to 12.0% per annum, with a term ranging from 1 year to 6 years. While we noted that such terms mainly represent those of loans provided by the CAP Group to its independent third parties or shareholders of its subsidiaries, the interest rate of the Revolving Loan Facility is nonetheless not only within the abovementioned range but at the higher end. Accordingly, the interest rate of the Revolving Loan Facility is fair and reasonable at the Group’s level.

To provide the Independent Shareholders with additional reference, we have conducted a further comparable transaction analysis when assessing the fairness and reasonableness of the terms of the Revolving Loan Facility Agreement. In view that the Revolving Loan Facility is partly provided by Winning Rich to CAP, we have reviewed similar transactions involving (i) the provision of a loan or financial assistance to a connected person; and (ii) the receipt of a loan or financial assistance from a connected listed company or its subsidiaries, with a fixed interest rate and a term more than 12 months (i.e. non-current loan) announced by companies listed on the Stock Exchange during the period from 1 January 2022, up to and including the date of the Revolving Loan Facility Agreement (the “**Review Period**”), being a period of approximately four months. On a best effort basis and to the best of our knowledge, 5 transactions (the “**Market Comparables**”) which meet the aforementioned criteria have been found, which represent an exhaustive list of comparables to the said transaction. We consider the Market Comparables as fair and representative samples and can serve as additional reference for the subject transaction given that (i) they all involved the provision of loan or financial assistance by a listed issuer on the Stock Exchange to a connected person or the receipt of a loan or financial assistance from a connected listed company or its subsidiaries; and (ii) their principal terms, including but not limited to, the term to maturity and interest rate per annum, are comparable to those of the Revolving Loan Facility.

Meanwhile, given the sufficient amount of Market Comparables for our analysis and our view that they are representative of similar historical transactions, we consider the 4-month duration of the Review Period is fair and reasonable.

Nonetheless, given that each company in the Market Comparables has a different financial position and hence a different credit rating, and that the size and the repayment period of a loan often have an impact on the interest rate thereof, the below comparable analysis is provided as an additional reference only.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Table 4: Summarized terms of the Market Comparables

No.	Announcement date	Company name (Stock code)	Size of loan (HK\$' million)	Term/ Revolving	Interest rate per annum (%)	Term to maturity (months)	Collateral/ Guarantee
1	20-Jan-22	Gemdale Properties and Investment Corporation Limited (535)	Approximately HK\$1,444.6 million (RMB1,234.7 million)	Term	4.8%	36	No
2	31-Jan-22	51 Credit Card Inc. (2051)	Approximately HK\$58.5 million (RMB50.0 million)	Term	5.8%	36	No
3	11-Feb-22	China Star Entertainment Limited (326)	HK\$500.0 million	Term	5.0%	69	Yes
4	22-Apr-22	China Pipe Group Limited (380)	HK\$78.5 million	Term	5.5%	36	Yes
5	28-Apr-22	51 Credit Card Inc. (2051)	Approximately HK\$9.4 million (RMB8.0 million)	Term	5.8%	36	No
		Maximum	HK\$1,444.6 million		5.8%	69	
		Average	HK\$418.2 million		5.4%	43	
		Minimum	HK\$9.4 million		4.8%	36	
		The Revolving Loan Facility	HK\$576.0 million		10.0%	60 months (i.e. 5 years)	

Source: website of the Stock Exchange

Notes:

- For illustrative purposes only, amounts denominated in RMB have been translated into HK\$ at the rate of RMB1 = HK\$1.17.

As shown in the table above, the interest rate per annum of the Market Comparables ranges from 4.8% to 5.8%, with an average of approximately 5.4%. Hence, the interest rate of 10.0% under the Revolving Facility Loan Agreement is higher than the range thereof. In other words, compared with the Market Comparables, the interest rate of the Revolving Loan Facility is more favorable to Winning Rich.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

(c) Collateral/ Guarantee

As illustrated in the table above, only 2 out of the 5 Market Comparables were secured by a collateral or guarantee while the remaining 3 of them were unsecured. As such, it is not uncommon in the market that a loan/financial assistance arrangement between connected persons is unsecured.

From our review of the table above, we also noted that there is no direct correlation between the presence of a collateral/guarantee and the interest rate of the Market Comparables (i.e. a collateral/guarantee does not guarantee a lower interest rate). As such, we are of the view that such term on collateral/guarantee should be analysed independently and on a case-on-case basis with reference to the individual circumstances in each transaction.

In considering whether it is fair and reasonable to not have collateral/guarantee on the Revolving Loan Facility, we have therefore focused on understanding the basis for such term. From our discussion with the Company's management, we have learned that such term was arrived at after arm-length negotiation between Winning Rich and CAP, mostly through mirroring the terms of the Existing Loan, which we consider as fair and reasonable.

(d) Financial effect

Since no additional funding to CAP by Winning Rich is required pursuant to the Revolving Loan Facility Agreement, the grant of the Revolving Loan Facility by Winning Rich would not have any impact on the cash flow or cash position of either Winning Rich or the Group.

Our view

Having considered the above, we are of the view that: (i) the terms of the Proposed Guarantee Agreement and the provision of the Proposed Guarantee pursuant thereto; and (ii) the terms of the Revolving Loan Facility Agreement of Winning Rich and the grant of the Revolving Loan Facility by Winning Rich pursuant thereto, though not in the ordinary and usual course of business of the Group, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and that they are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the opinion that, while the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich are not in the ordinary and usual course of business of the Group, they are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich. We also recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the provision of the Proposed Guarantee and the grant of the Revolving Loan Facility by Winning Rich.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Mr. Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility for the information contained herein, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company and/or any of their respective associates 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), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code under the Listing Rules, were as follows:

Long positions in the Shares:

Name of Director	Number of Shares held, capacity and nature of interest				Total	Approximate percentage of the Company's total issued share capital (Note a) %
	Personal interest	Family interest	Corporate interest	Other interest		
Mr. Tang	–	–	810,322,940 (Note b)	–	810,322,940	65.79

Notes:

- (a) The percentages were disclosed pursuant to the relevant disclosure forms filed under the SFO as at the Latest Practicable Date.
- (b) 810,322,940 Shares were held by Rich Time Strategy Limited (“**Rich Time**”), a wholly-owned subsidiary of Wang On Enterprises (BVI) Limited (“**WOE**”), which is in turn directly wholly-owned by WOG in which Mr. Tang together with his associates were taken to have approximately 48.69% interest.

Interest in the shares and underlying shares of associated corporations of the Company:

Name of Director	Name of associated corporation	Nature of interest	Total number of shares involved	Approximate percentage of associated corporation's total issued share capital % (Note a)
Mr. Tang	WOG	Personal interest	28,026,339	0.17
		Family interest (interests of spouse) (Note b)	28,026,300	0.17
		Interest of controlled corporation (Note c)	2,734,664,306	17.11
		Other interest (Note d)	4,989,928,827	31.23
		Total	<u>7,780,645,772</u>	<u>48.69</u>
	CAP	Interest of controlled corporation (Note e)	7,320,095,747	73.54
	WOP	Interest of controlled corporation (Note f)	11,400,000,000	75.00

Notes:

- (a) The percentages were disclosed pursuant to the relevant disclosure forms filed under the SFO as at the Latest Practicable Date.
- (b) Mr. Tang was taken to be interested in 28,026,300 shares of WOG in which his spouse, Ms. Yau, was interested.
- (c) 486,915,306 shares of WOG were held by Caister Limited (a company wholly-owned by Mr. Tang), 531,000,000 shares were held by Billion Trader Limited (a direct wholly-owned subsidiary of Loyal Fame International Limited (“**Loyal Fame**”), which is a direct wholly-owned subsidiary of Easy One Financial Group Limited (“**Easy One**”), which is directly wholly-owned by Caister Limited, which is in turn wholly-owned by Mr. Tang), and 432,475,200 and 1,284,273,800 shares were held by Suntech Investments Limited (“**Suntech Investments**”) and Hearty Limited respectively (both direct wholly-owned subsidiaries of Total Smart Investments Limited (“**Total Smart**”), which is directly wholly-owned by the Company, which is owned as to approximately 65.79% by Rich Time, which is in turn wholly-owned by WOE, which is in turn directly wholly-owned by WOG in which Mr. Tang together with his associates were taken to have approximately 48.69% interest.
- (d) Mr. Tang was taken to be interested in 4,989,928,827 shares of WOG by virtue of being the founder of a discretionary trust, namely Tang’s Family Trust.
- (e) Pursuant to the disclosure of interests form published on the website of the Stock Exchange, amongst the 7,320,095,747 shares of CAP, 2,007,700,062 shares were held by Onger Investments Limited (“**Onger Investments**”) and 5,312,395,685 shares were held by Goal Success Investments Limited (“**Goal Success**”). Onger Investments is directly wholly-owned by Loyal Fame, a direct wholly-owned subsidiary of Easy One, which is directly wholly-owned by Caister Limited, which is in turn wholly-owned by Mr. Tang. Goal Success is directly wholly-owned by Biomore Investments Limited, a direct wholly-owned subsidiary of Total Smart, which is directly wholly-owned by the Company. The Company is owned as to approximately 65.79% by Rich Time which is wholly-owned by WOE, which is in turn directly wholly-owned by WOG in which Mr. Tang together with his associates were taken to have approximately 48.69% interest.
- (f) 11,400,000,000 shares of WOP were held by Earnest Spot Limited, a direct wholly-owned subsidiary of WOE, which is in turn directly wholly-owned by WOG in which Mr. Tang together with his associates were taken to have approximately 48.69% interest.

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

Save as disclosed in this Appendix, as at the Latest Practicable Date, no person 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:

Long positions in the Shares

Name of Shareholders (Note a)	Capacity	Number of Shares	Approximate percentage of the Company's total issued share capital (Note b) %
Rich Time (Note c)	Interest of controlled corporation	810,322,940	65.79
WOE (Note c)	Interest of controlled corporation	810,322,940	65.79
WOG (Notes c and d)	Interest of controlled corporation	810,322,940	65.79
Ms. Yau Yuk Yin (Note e)	Family interest (interest of spouse)	810,322,940	65.79

Notes:

- (a) For details of Mr. Tang's interests, please refer to the section headed "Disclosure of Interests – Interests of Directors" in this Appendix.
- (b) The percentages were disclosed pursuant to the relevant disclosure forms filed under the SFO as at the Latest Practicable Date.
- (c) Mr. Tang was interested in 810,322,940 Shares held by Rich Time, a wholly-owned subsidiary of WOE, which is in turn directly wholly-owned by WOG in which Mr. Tang together with his associates were taken to have approximately 48.69% interest. Therefore such Shares held by Rich Time are the same Shares as disclosed under other interest of Mr. Tang in paragraph 2(a) above in this appendix.
- (d) Mr. Tang is the chairman and an executive director of WOG.
- (e) Ms. Yau Yuk Yin is taken to be interested in the Shares in which her spouse, Mr. Tang is interested.

3. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

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 close associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which have been, since 31 March 2021, being the date on which 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.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPERT AND CONSENT

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

Name	Qualification
Pelican Financial Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the expert referred to above (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; (ii) had no direct or indirect interest in any assets which had been, since 31 March 2021 (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; and (iii) 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. The letter of the Independent Financial Advisor is given as of the date of this circular for incorporation herein.

8. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is at Suite 3101, 31/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.
- (b) The company secretary of the Company is Mr. Cheung Chin Wa Angus. He is a fellow member of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.
- (c) The share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited, Level 54, 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.

9. DOCUMENTS ON DISPLAY

Copies of the Revolving Loan Facility Agreement of Winning Rich and the Proposed Guarantee Agreement are available for inspection on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.wyth.net from the date of this circular up to and including 22 June 2022.

NOTICE OF THE SGM



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 a special general meeting (the “**SGM**”) of Wai Yuen Tong Medicine Holdings Limited (the “**Company**”) will be held at 19th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on Wednesday, 22 June 2022 at 3:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as an ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) the Proposed Guarantee Agreement (as defined in the circular of the Company dated 7 June 2022 of which this notice forms part (the “**Circular**”)) (a copy of which has been produced in this meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company (the “**Director**”) be and is hereby authorised to enter into the Proposed Guarantee Agreement on behalf of the Company and do all such acts and things as the Director in his/her sole and absolute discretion deems necessary, desirable or expedient to implement, give effect to and/or complete the Proposed Guarantee Agreement (as defined in the Circular) and the transactions contemplated thereunder.”

(2) “**THAT:**

- (a) the Revolving Loan Facility Agreement (as defined in the Circular) of Winning Rich (a copy of which has been produced in this meeting and marked “B” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified; and

* for identification purpose only

NOTICE OF THE SGM

- (b) any Director be and is hereby authorised to do all such acts and things as the Director in his/her sole and absolute discretion deems necessary, desirable or expedient to implement, give effect to and/or complete the Revolving Loan Facility Agreement (as defined in the Circular) of Winning Rich 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*)
Cheung Chin Wa Angus
Company Secretary

Hong Kong, 7 June 2022

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
in Hong Kong:
Suite 3101, 31/F., Skyline Tower
39 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1. A form of proxy for use at the SGM is enclosed.
2. The register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022 (both days inclusive) during which period no transfer of share(s) will be effected. In order to determine the eligibility to attend and vote at the SGM or any adjourned meeting thereof (as the case may be), all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 June 2022.
3. A member entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one proxy or, if such member is a holder of more than one share of the Company, more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.
4. In order to be valid, a form of proxy, together with any power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as practicable and 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).
5. Completion and delivery of the form of proxy will not preclude members from attending and voting at the SGM or any adjournment thereof (as the case may be) should they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF THE SGM

6. Where there are joint holders of any shares of the Company, any one of such holders may vote at the SGM either personally or by proxy in respect of such shares as if he/she was solely entitled thereto provided that if more than one of such joint holders be present at the SGM whether personally or by proxy, the person whose name stands first on the register of members of the Company in respect of such shares shall be accepted to the exclusion of the votes of the other joint holder.
7. The above resolutions will be voted by way of a poll at the SGM.
8. Taking into account the recent development of the pandemic caused by the coronavirus disease (COVID-19), the Company will implement certain prevention and control measures at the SGM to protect attendants from the risk of infection. In light of the continuing risks posed by the COVID-19 epidemic, the Company recommends Shareholders to appoint the chairman of the SGM as their proxy to vote according to their indicated voting instructions in lieu of attending the SGM in person. Physical attendance by a Shareholder is not necessary for the purpose of exercising voting rights. The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong government and/or regulatory authorities, and if necessary, will make further announcements at short notice in case of any update regarding the precautionary measures to be carried out at the SGM. Shareholders should visit the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wyth.net) for future announcements and updates on the SGM arrangements.

** for identification purpose only*