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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 shares in Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for 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) MAJOR AND CONNECTED TRANSACTION IN RELATION
TO DISPOSAL OF SHARES OF PNG; AND
(2) MAJOR TRANSACTION IN RELATION TO
GRANT OF LOAN FACILITY**

Financial adviser to the Company

SUNWAH KINGSWAY
新華滙富

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Terms used in this cover page have the same meanings as defined in this circular. A letter from the Board is set out on pages 5 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 of this circular. A letter from CMB International Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 32 of this circular.

A notice convening the SGM to be held at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on Thursday, 27 December 2012 at 10:00 a.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, you are requested to complete and return the accompanying form of proxy to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM should you so wish and in such event, the proxy form shall be deemed to be revoked.

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and a Sunday on which banks are open for business in Hong Kong)
“BVI”	the British Virgin Islands
“CAP” or “Borrower”	China Agri-Products Exchange Limited 中國農產品交易有限公司, an exempted company incorporated in Bermuda with limited liability whose shares are listed and traded on the main board of the Stock Exchange (Stock Code: 0149)
“CCASS”	the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited
“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 whose shares are listed and traded on the main board of the Stock Exchange (Stock Code: 897)
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale PNG Shares by Gain Better to the Purchaser pursuant to the S&P Agreement and the transactions contemplated under the S&P Agreement

* For identification purpose only

DEFINITIONS

“Effective Date”	the date Give Power, as lender, notifies CAP, as borrower that it is satisfied that it has received the conditions precedent documents specified in the Loan Agreement
“Ever Task” or “Purchaser”	Ever Task Limited, an investment holding company incorporated in the BVI with limited liability and is indirectly wholly owned by Wang On
“Gain Better”	Gain Better Investments Limited, an investment holding company incorporated in the BVI with limited liability and is indirectly wholly owned by the Company
“Give Power”	Give Power Limited, an investment holding company incorporated in the BVI with limited liability and is indirectly wholly owned by the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Siu Man Ho, Simon, Mr. Yuen Chi Choi, Mr. Leung Wai Ho and Mr. Cho Wing Mou, being all the independent non-executive Directors
“Independent Financial Adviser” or “CMB International”	CMB International Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Independent Shareholders”	the Shareholders other than Wang On and its respective associates (to the extent if any of them holds any Shares as at the date of the SGM)
“Independent Third Party(ies)”	third party(ies) independent of and not connected with (as defined under the Listing Rules) the Company and its connected persons as at the Latest Practicable Date

DEFINITIONS

“Last Trading Date”	21 November 2012, being the last trading day of the PNG Shares prior to the entering into the S&P Agreement
“Latest Practicable Date”	6 December 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the agreement dated 22 November 2012 entered into between Give Power and CAP for the provision of the Loan Facility
“Loan Facility”	a revolving credit facility in the maximum aggregate amount of HK\$100.0 million granted by Give Power to the Borrower pursuant to the Loan Agreement
“PNG”	PNG Resources Holdings Limited PNG資源控股有限公司, a company incorporated in the Cayman Islands with limited liability whose shares are listed and traded on the main board of the Stock Exchange (Stock Code: 221)
“PNG Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of PNG
“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this circular
“S&P Agreement”	the sale and purchase agreement dated 22 November 2012 entered into between Gain Better and Ever Task for the sale and purchase of the Sale PNG Shares, representing approximately 14.95% equity interest in PNG
“Sale PNG Shares”	1,150,000,000 PNG Shares
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company or any adjournment thereof (as the case may be) to be convened and held at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on Thursday, 27 December 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the Disposal, the Loan Agreement and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to this term under the Listing Rules
“Wang On”	Wang On Group Limited (宏安集團有限公司)*, 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: 1222)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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WAI YUEN TONG MEDICINE HOLDINGS LIMITED
(位元堂藥業控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 897)

Executive Directors:

Mr. Tang Ching Ho, JP (Chairman)

Mr. Chan Chun Hong, Thomas
(Managing Director)

Ms. Tang Mui Fun

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Siu Man Ho, Simon

Mr. Yuen Chi Choi

Mr. Leung Wai Ho

Mr. Cho Wing Mou

Head office and principal

place of business:

5th Floor
Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

10 December 2012

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION IN RELATION
TO DISPOSAL OF SHARES OF PNG; AND
(2) MAJOR TRANSACTION IN RELATION TO
GRANT OF LOAN FACILITY**

INTRODUCTION

On 22 November 2012, the Board announced that Gain Better (an indirect wholly-owned subsidiary of the Company) and the Purchaser (an indirect wholly-owned subsidiary of Wang On) had, on the same date after trading hours, entered into the S&P Agreement, pursuant to which the Purchaser conditionally agreed to acquire and Gain Better conditionally agreed to sell 1,150,000,000 PNG Shares, being approximately 14.95% equity interest in PNG at a consideration of HK\$110.4 million or approximately HK\$0.096 per Sale PNG Share.

* For identification purpose only

LETTER FROM THE BOARD

The proceeds from the Disposal will be partly used by the Company for the granting of the Loan Facility to the Borrower. On 22 November 2012, Give Power (an indirect wholly-owned subsidiary of the Company) and the Borrower entered into the Loan Agreement, pursuant to which Give Power conditionally agreed to grant the Loan Facility of HK\$100.0 million to the Borrower. As at the Latest Practicable Date, the Company is the controlling shareholder of PNG, which in turn is a substantial shareholder of the Borrower.

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and therefore is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, the Purchaser is beneficially wholly owned by Wang On, a substantial Shareholder holding approximately 25.0% of the equity interest of the Company. The Purchaser is therefore a connected person of the Company under the Listing Rules. The Disposal therefore also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Wang On and its respective associates will be required to abstain from voting in respect of the proposed resolution approving the Disposal at the SGM. As at the Latest Practicable Date, based on the enquiries of the Company, neither CAP nor its associates hold any Shares. If CAP or any of its associates holds Shares at the date of the SGM, they will also be required to abstain from voting on the resolution approving the Disposal at the SGM.

Since the maximum applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in relation to the transactions contemplated under the Loan Agreement exceed 25% and less than 75%, the entering into the Loan Agreement constitutes a major transaction for the Company under the Listing Rules, and therefore is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, no Shareholders will be required to abstain from voting in respect of the proposed resolution approving the Loan Agreement and the transactions contemplated thereunder at the SGM. Wang On, a substantial Shareholder holding approximately 25.0% of the equity interest of the Company, has advised the Company that Wang On and its associates will abstain from voting in respect of the proposed resolution approving the Loan Agreement and the transactions contemplated thereunder at the SGM.

The purpose of this circular containing, among others, (i) the details of the S&P Agreement and the transactions contemplated thereunder; (ii) the details of the Loan Agreement and the transactions contemplated thereunder; (iii) the recommendation from the Independent Board Committee in respect of the Disposal; (iv) the advice from CMB International to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; (v) a notice convening the SGM; and (vi) other information required under the Listing Rules.

LETTER FROM THE BOARD

THE S&P AGREEMENT

Date : 22 November 2012

Parties

Purchaser : Ever Task, an indirect wholly-owned subsidiary of Wang On

Vendor : Gain Better, an indirect wholly-owned subsidiary of the Company

The Purchaser is beneficially wholly owned by Wang On, a substantial Shareholder holding approximately 25.0% of the equity interest of the Company. The Purchaser is therefore a connected person of the Company under the Listing Rules as at the Latest Practicable Date. Ever Task is an investment holding company and Gain Better is engaged in investment holding.

Assets to be disposed of

As at the Latest Practicable Date, Gain Better, an indirect wholly-owned subsidiary of the Company, is the beneficial holder of 3,813,835,000 PNG Shares, representing approximately 49.59% of the issued share capital of PNG.

Pursuant to the S&P Agreement, subject to the fulfillment of the condition precedent of the S&P Agreement as set out below, the Purchaser has agreed to acquire from Gain Better 1,150,000,000 PNG Shares, representing approximately 14.95% of the entire issued share capital of PNG at a consideration of HK\$110.4 million to be satisfied in cash by settlement through CCASS on completion.

Consideration

The consideration is HK\$110.4 million or approximately HK\$0.096 per Sale PNG Share, which represents:

- (1) a discount of approximately 15.04% to the closing price of HK\$0.113 per PNG Share as quoted on the Stock Exchange on the Last Trading Date;
- (2) a discount of approximately 13.51% to the average of the closing prices of HK\$0.111 per PNG Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Date;
- (3) a discount of approximately 12.73% to the average of the closing prices of HK\$0.110 per PNG Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Date;
- (4) a premium of approximately 24.68% over the unaudited net asset value per PNG Share of approximately HK\$0.077 cents as at 30 September 2012; and
- (5) a discount of approximately 11.11% to the closing price of HK\$0.108 per PNG Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The consideration will be paid in cash upon completion of the S&P Agreement and was determined after arm's length negotiations between the Purchaser and the Company, taking into account, among other things, the recent trading prices and trading volume of the PNG Shares.

Condition precedent

Completion of the S&P Agreement shall be conditional upon the passing of an ordinary resolution by the Independent Shareholders at the SGM approving the entering into the S&P Agreement and the transactions contemplated thereunder.

The long stop date for fulfillment of the condition precedent of the S&P Agreement is 28 February 2013 (or such other date as Gain Better and the Purchaser may agree in writing).

Completion

Completion is to take place on the second Business Day following the date on which the approval of the Independent Shareholders referred to above is obtained or such other earlier or later date as the Purchaser and the Company may agree in writing.

FINANCIAL PERFORMANCE OF PNG TOGETHER WITH ITS SUBSIDIARIES

For the two financial years ended 31 March 2012 and the six months ended 30 September 2011 and 2012 respectively, the net profit/loss before and after taxation of PNG together with its subsidiaries were as follows:

	For the six months ended		For the financial year ended	
	30 September		31 March	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net profit/(loss) before taxation	(15,385)	(34,901)	26,696	65,224
Net profit/(loss) after taxation	(16,946)	(40,348)	13,597	50,578

INFORMATION ON THE GROUP

The Group is principally engaged in (i) manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of "Wai Yuen Tong" and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong; (ii) processing and retailing of western pharmaceutical, health food and personal care products under the brand names of "Madame Pearl's" and "Pearl's"; and (iii) property investment.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP

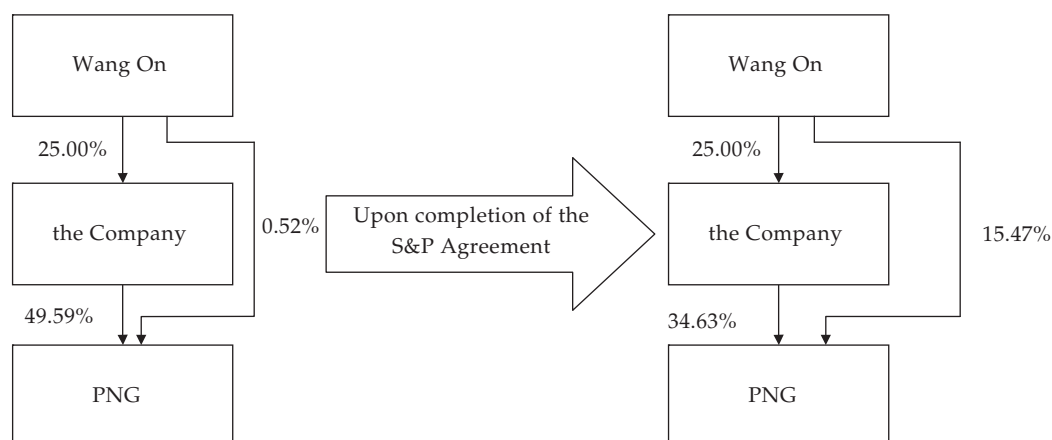
As at the Latest Practicable Date, the Company is indirectly interested in approximately 49.59% of the issued share capital of PNG. For the two financial years ended 31 March 2012, the Group shared the profit of PNG of approximately HK\$2.9 million and approximately HK\$1.9 million respectively. The Group recognised impairment losses of approximately HK\$269.5 million for the financial year ended 31 March 2012 (2011: Nil) as the recoverable amount, which was determined on the basis of the market price of PNG Shares less costs to sell amounting to approximately HK\$369.9 million, was lower than the carrying value of the interest in PNG amounting to approximately HK\$639.4 million.

As at 31 March 2012, the carrying amount of interests in associates of PNG in the Group was approximately HK\$369.9 million (2011: approximately HK\$624.0 million) (net of accumulated impairment loss of approximately HK\$306.3 million (2011: approximately HK\$36.8 million)). On the same basis, the carrying amount of Sale PNG Shares, being approximately 14.95% equity interest in PNG as at 31 March 2012 was approximately HK\$111.5 million.

For illustration purposes only, a net gain of approximately HK\$0.1 million (subject to audit) is expected to arise from the Disposal, being the consideration of the Disposal of HK\$110.4 million after deducting the unaudited carrying amount of partial interests in associates of PNG (approximately 14.95%) as at 30 September 2012 of approximately HK\$109.2 million and the transaction costs directly attributable to the Disposal including professional and other related expenses of approximately HK\$1.1 million. On such basis, there will be a positive impact on the assets of the Group. Shareholders and investors of the Company should note that the actual gain or loss on the Disposal will be different from the above as the carrying amount of interests in associates of PNG (approximately 14.95%) will be different on completion date of the S&P Agreement.

Upon completion of the Disposal, the Company will hold approximately 34.63% of the equity interests in PNG which will be recognised as an associate by using the equity method of accounting in the financial statements of the Company.

Set out below is a chart showing the relationship among Wang On, the Company and PNG immediately before and after completion of the S&P Agreement:



LETTER FROM THE BOARD

USE OF PROCEEDS

The total consideration for the Disposal is HK\$110.4 million. The Board intends to use the net proceeds (after deducting the legal and professional fees, stamp duty, if any) for (i) the granting of the Loan Facility in the maximum aggregate amount of HK\$100.0 million to the Borrower; and (ii) general working capital of the Company. If the Company does not proceed to grant the Loan Facility, the Board intends to use the net proceeds from the Disposal for other potential investments or for expansion of production facilities of the Group. As at the Latest Practicable Date, the Company has not identified any suitable investment opportunity.

REASONS FOR AND THE BENEFITS OF THE DISPOSAL

PNG together with its subsidiaries are principally engaged in the businesses of property development in the PRC, forestry and logging operations in the Papua New Guinea and retailing of the fresh pork meat and related produce in Hong Kong.

The Directors consider that the Disposal is a good opportunity for the Company to realise part of its investment in PNG.

The proceeds from the Disposal will be partly used for the granting of the Loan Facility with an interest rate of 10.0% per annum. The Directors consider that the Loan Facility could directly provide the Group with a stable return of interest income in the short to medium term.

The Directors are of the view that the terms of the S&P Agreement are on normal commercial terms and are fair and reasonable and thus the entering into the S&P Agreement is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PURCHASER

The Purchaser, an investment holding company, is beneficially wholly owned by Wang On, a substantial Shareholder holding approximately 25.0% of the equity interest of the Company. The Purchaser is therefore a connected person of the Company under the Listing Rules as at the Latest Practicable Date.

Wang On together with its subsidiaries are principally engaged in property investment and development in Hong Kong, management and sub-licensing of wet markets in Hong Kong and the PRC.

THE LOAN AGREEMENT

Summarised below are the principal terms of the Loan Agreement:

Date	:	22 November 2012
Lender	:	Give Power, an indirect wholly-owned subsidiary of the Company
Borrower	:	CAP

LETTER FROM THE BOARD

Loan type and amount : 36 months revolving credit facility in the maximum aggregate amount of HK\$100.0 million.

The Loan Facility will be made available to the Borrower in one or multiple drawdown(s) in the maximum aggregate amount of HK\$100.0 million. The amount drawn each time (an “**Advance**”) shall be repaid on the last day of the interest period of 12 months or such other period as agreed by Give Power and CAP (“**Interest Period**”). An Advance repaid is available for further drawing. Any Advance outstanding on the last day of the drawdown period (described below) is repayable in full on the maturity date (described below).

The Borrower may at any time without penalty or any other charges prepay the whole or any part of the amount outstanding in not less than HK\$5.0 million and thereafter in integral multiples of HK\$1.0 million under the Loan Facility, provided that not less than seven days’ (or such shorter period as Give Power may agree) prior written notice of the amount and the proposed repayment date.

Drawdown period : The period commencing from the Effective Date and ending on the earlier of (a) the date falling one month prior to the maturity date; and (b) the date on which the Loan Facility is cancelled or terminated under the provisions of the Loan Agreement.

Loan maturity date : The expiry of 36 months from the Effective Date.

Interest : 10.0% per annum, payable in arrears at the end of the Interest Period (“**Interest Rate**”).

Commitment fee : If the amount drawn down under the Loan Facility does not exceed HK\$50.0 million after the date falling three months from the Effective Date, a commitment fee of 0.1% per annum will be charged on the undrawn portion of the Loan Facility for the period from (and including) the date which is three months from the Effective Date to the last day of the drawdown period.

Default interest : If the Borrower fails to pay any sum on its due date for payment, a default interest shall accrue on the unpaid sum from the due date up to the date of actual receipt by Give Power (both before and after judgment) at the aggregate of the Interest Rate and 2% per annum and be immediately payable by the Borrower on demand by Give Power.

LETTER FROM THE BOARD

Loan purpose : For general working capital of CAP.

Conditions precedent : To make the facility available to CAP is subject to the fulfillment, among other things, of the following conditions precedent:

1. completion of the S&P Agreement; and
2. the passing of an ordinary resolution by the Shareholders at the SGM approving the Loan Agreement and the transactions contemplated thereunder.

If the conditions precedent of the Loan Agreement are not fulfilled on or before 28 February 2013, the Loan Agreement will terminate and Give Power will not be obliged to make any advance under the Loan Facility to CAP thereafter.

Events of default : Give Power may require that the Loan Facility drawn to become immediately repayable upon the occurrence of events of default, which are customarily included in loan agreements, including but not limited to insolvency events relating to CAP or its subsidiaries, material litigation against CAP or its subsidiaries, cross defaults and material adverse change of CAP or any of its subsidiaries.

On 22 November 2012, the Loan Agreement was entered into between Give Power and the Borrower, pursuant to which Give Power conditionally agreed to grant the Loan Facility to the Borrower. The Loan Facility is unsecured with an interest rate of 10.0% per annum which was determined with reference to various factors including, among others, (i) the interest rate of the previous loan facilities of the Borrower; and (ii) the prevailing Hong Kong prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited, being 5% per annum.

The availability of the Loan Facility is to be funded from the proceeds of the Disposal.

Give Power, an indirect wholly-owned subsidiary of the Company, is principally engaged in investment holding. As at the Latest Practicable Date, the Company is the controlling shareholder of PNG holding an equity interest of approximately 49.59% in PNG, which in turn is the single largest and substantial shareholder of the Borrower with equity interest of approximately 28.22%.

Upon the drawdown of the Loan Facility, the amount drawdown will increase the loan receivables of the Group and will decrease the bank balances and cash of the Group. Meanwhile, the interest income from the Loan Facility will be recorded as other income of the Group.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Borrower is indebted to Give Power in an aggregate amount of HK\$75.0 million under previous loan facility agreements entered into in 2011. As disclosed in the announcement of the Company dated 6 September 2012, the respective repayment dates for each of the previous loan agreements were then extended from 30 September 2012 to 30 September 2014 and the loan interest rate was revised from 8.0% to 10.0% per annum.

As at the Latest Practicable Date, Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas, the executive Directors, are also the executive directors of Wang On, Mr. Chan Chun Hong, Thomas is also an executive director of PNG and the Borrower. Save for the foregoing, to the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, the Borrower is an Independent Third Party.

REASONS FOR THE ENTERING INTO THE LOAN AGREEMENT

The Borrower together with its subsidiaries are principally engaged in property rental and property sale in respect of agricultural produce exchanges business in the PRC. As mentioned in the announcements published by the Borrower on 18 April 2012 and 23 April 2012 respectively, the Borrower has entered into several agreements in relation to development projects with the local government in the PRC. The Loan Facility may be drawn by instalments and as such provides greater flexibility to the Borrower to meet its working capital requirement as and when required, especially for its development projects in the PRC. It is expected that its development projects in the PRC will allow the Borrower to expand its agricultural produce exchange business into a new city/province in the PRC and contribute positively to the overall business development of the Borrower.

The Company is the controlling shareholder of PNG before and after completion of the S&P Agreement, which in turn is the single largest and substantial shareholder of the Borrower. In view of the development prospects of the Borrower, the Directors consider that it is in the interest of the Shareholders to support the development of the Borrower by way of loan financing with an aim to generate return to Shareholders in long run as an indirect shareholder of the Borrower through PNG. For the short to medium term, the Loan Facility also provides a stable return of interest income to the Company.

The Directors are of the view that the terms of the Loan Agreement are on normal commercial terms and are fair and reasonable. Thus the entering into the Loan Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since the maximum applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in relation to the Disposal exceed 25% and less than 75%, the Disposal constitutes a major transaction of the Company under the Listing Rules, and therefore is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

The Purchaser is beneficially wholly owned by Wang On, a substantial Shareholder holding 25.0% of the equity interest of the Company. The Purchaser is therefore a connected person of the Company and hence, the Disposal also constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules, which is subject to its independent shareholders' approval at the SGM. Wang On and its respective associates will be required to abstain from voting in respect of the proposed resolution approving the Disposal at the SGM. As at the Latest Practicable Date, based on the enquiries of the Company, neither CAP nor its associates hold any Shares. If CAP or any of its associates holds Shares at the date of the SGM, they will also be required to abstain from voting on the resolution approving the Disposal at the SGM.

As at the Latest Practicable Date, Mr. Tang Ching Ho is deemed to be interested in 1,176,166,042 shares in Wang On, representing approximately 26.3% of the issued share capital of Wang On and Mr. Chan Chun Hong, Thomas held options granted under the share option scheme of Wang On to convert into 270,441 shares in Wang On, representing approximately 0.004% of the issued share capital of Wang On. Mr. Tang Ching Ho and Mr. Chan Chun Hong, Thomas had a material interest in the Disposal and abstained from voting on the resolution to approve the Disposal at the meeting of the Board.

Since the maximum applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in relation to the transactions contemplated under the Loan Agreement exceed 25% and less than 75%, the entering into the Loan Agreement constitutes a major transaction for the Company under the Listing Rules, and therefore is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, no Shareholders will be required to abstain from voting in respect of the proposed resolution approving the Loan Agreement and the transactions contemplated thereunder at the SGM. Wang On, a substantial Shareholder holding approximately 25.0% of the equity interest of the Company, has advised the Company that Wang On and its associates will abstain from voting in respect of the proposed resolution approving the Loan Agreement and the transactions contemplated thereunder at the SGM.

RECOMMENDATION

CMB International has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal. CMB International considers that the terms of the S&P Agreement are normal commercial terms and are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, CMB International advises the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal. The text of the letter from CMB International containing its advice and the principal factors and reasons it has taken into consideration in arriving at its advice is set out on pages 17 to 32 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, after considering the advice from CMB International, concurs with the views of CMB International and considers that the terms of the S&P Agreement are on normal commercial terms and are fair and reasonable and the Disposal is 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 to be proposed at the SGM to approve the Disposal. The text of the letter from the Independent Board Committee is set out on page 16 of this circular.

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution in relation to the Disposal as set out in the notice of the SGM.

The Directors (including the independent non-executive Directors) also consider that the terms of the Loan Agreement are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution in relation to the Loan Agreement and the transactions contemplated thereunder as set out in the notice of the SGM.

THE SGM

A notice convening the SGM to be held at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on Thursday, 27 December 2012 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular for the purpose of considering and, if thought fit, among others, approving the ordinary resolutions in respect of (i) the Disposal; and (ii) the Loan Agreement and all transactions contemplated thereunder.

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

Whether or not you are able to attend and vote in person at the SGM, you are requested to complete and return the accompanying form of proxy to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM should you so wish and in such event, the proxy form shall be deemed to be revoked.

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

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The followings is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Disposal.



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)

10 December 2012

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF SHARES OF PNG

We refer to the circular of the Company to the Shareholders dated 10 December 2012 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in connection with the Disposal, details of which are set out in the “Letter from the Board” in the Circular.

We wish to draw your attention to the letter of advice from CMB International set out on pages 17 to 32 of the Circular and the “Letter from the Board” set out on pages 5 to 15 of the Circular.

Having taken into account, among other matters, the principal factors and reasons considered by, and the advice of CMB International as stated in its letter of advice, we consider that the terms of the S&P Agreement are on normal commercial terms and are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal.

Yours faithfully,

For and on behalf of the Independent Board Committee
Wai Yuen Tong Medicine Holdings Limited
(位元堂藥業控股有限公司*)

Siu Man Ho, Simon

Leung Wai Ho

Yuen Chi Choi

Cho Wing Mou

Independent non-executive Directors

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter from CMB International in connection with its advice to the Independent Board Committee and Independent Shareholders in connection with the Disposal prepared for the purpose of incorporation in this circular.



CMB International Capital Limited
Units 1803-04, 18/F,
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

10 December 2012

To: The Independent Board Committee and the Independent Shareholders

Dear Sir,

MAJOR AND CONNECTED TRANSACTION IN RELATIONS TO DISPOSAL OF SHARES OF PNG RESOURCES HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 10 December 2012 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Board announced that, on 22 November 2012, Gain Better (an indirect wholly-owned subsidiary of the Company) and the Purchaser (an indirect wholly-owned subsidiary of Wang On) entered into the S&P Agreement, pursuant to which the Purchaser conditionally agreed to acquire and Gain Better conditionally agreed to sell 1,150,000,000 PNG Shares, being approximately 14.95% of the equity interest in PNG at cash consideration of HK\$110,400,000 or approximately HK\$0.096 per PNG Share.

The Purchaser is beneficially wholly owned by Wang On, a substantial Shareholder interested in 25.0% of the issued share capital of the Company. The Purchaser is therefore a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules, and is therefore be subject to the Independent Shareholders approval at the SGM. The Disposal also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules as the maximum applicable percentage ratios for the Company as calculated under Rule 14.07 of the Listing Rules in relations to the transactions contemplated under the Disposal exceeds 25% and less than 75%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Leung Wai Ho, Mr. Yuen Chi Choi, Mr. Siu Man Ho, Simon and Mr. Cho Wing Mou, has been established to advise the Independent Shareholders as to whether the principal terms of the S&P Agreement are fair and reasonable and on normal commercial term and whether the Disposal is in the interest of the Company and the Shareholders as a whole and how to vote on the relevant resolution(s) at the SGM. We, CMB International Capital Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

BASIS OF OUR OPINION AND RECOMMENDATION

In arriving at our recommendation, we have relied, without assuming any responsibility for independent verification, on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and that any information and representations made to us by the Directors and the management of the Company are true and accurate at the time they were made and will continue to be accurate as at the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

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 and belief, 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 such statement contained in the Circular, including this letter, misleading. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, the Purchaser, Wang On, PNG and their respective associates. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, we have not been involved in the negotiation in respect of the Disposal and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our opinion is necessarily based upon the financial, economic, market, regulatory, and other condition as they exist on and the facts, information and opinions made available to us as of the date of this letter. We have no obligation to update this opinion to take into account events occurring after the date on which this opinion is delivered to the Independent Board Committee and the Independent Shareholders. This letter is solely for the information of the Independent Board Committee and the Independent Shareholders, in connection with their consideration of the Disposal, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the Disposal, we have taken into consideration the following factors and reasons:

1. Information of the Group

(a) Business of the Group and its relationship with PNG

The Company together with its subsidiaries are principally engaged in (i) manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of “Wai Yuen Tong” and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong; (ii) processing and retailing of western pharmaceutical products under the brand names of “Madame Pearl’s” and “Pearl’s”; and (iii) property investment.

As set out in the Letter from the Board, Gain Better, an indirect wholly-owned subsidiary of the Company, is the beneficial holder of 3,813,835,000 PNG Shares, representing approximately 49.59% of the issued share capital of PNG. As confirmed by the Directors, we understand that they don’t have the intention to extend the Group’s principal business into the areas of forestry and property development which are being the principal businesses of PNG as at the date of this letter. PNG is currently accounted for as an associate of the Company according to the Group’s annual report for the year ended 31 March 2012 (the “**2012 Annual Report**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial information of the Group

The table below summaries the audited consolidated financial results of the Group for each of the two years ended 31 March 2012 as extracted from 2012 Annual Report and other financial information of the Group for each of the two years ended 31 March 2012 provided by the Directors:

Table A – Summary of the consolidated audited financial results of the Group

	For the year ended 31 March	
	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue:	639,512	752,072
– Sales of goods	633,004	742,107
– Rental income from investment properties	5,304	9,110
– Management and promotion fees	1,204	855
Profit/(loss) before taxation	125,561	(213,865)
Profit/(loss) for the year	104,895	(226,843)
Operating Profit (<i>note 1</i>)	45,266	76,178
Net amount of the Group's share of PNG's profit attributable to the owners of PNG	2,865	1,879

Note:

1. Operating Profit represents profit/(loss) before taxation excluding (i) changes in fair value of investment held-for-trading; (ii) changes in fair value of investment properties; (iii) gain on disposal of a subsidiary; (iv) impairment losses recognised in respect of an associate; (v) share of results of associate; (vi) finance costs.

2. Information on PNG

The PNG Resources Holdings Limited is a listed company on the Stock Exchange of Hong Kong principally engaged in property development in PRC, forestry and logging operations in Papua New Guinea and retailing of fresh pork meat and related products in Hong Kong. The turnover of PNG for the year ended 31 March 2012 was mainly attributable to the sale of fresh pork meat and related products of approximately HK\$67.7 million and sale of stock of properties of approximately HK\$205.9 million. The turnover of PNG for the year ended 31 March 2011 was mainly attributable to the sale of fresh pork meat and related products of approximately HK\$64.0 million and the operation of forestry and logging business of approximately HK\$583,000.

As set out in the announcement published by the Company dated 22 November 2012 regarding the major and connected transaction in relation to the Disposal (the “**Announcement**”), the equity attributable to owners of PNG as at 31 March 2012 based on PNG’s 2012 Annual Report amounted to approximately HK\$607.4 million. The audited net profits before and after taxation of PNG for the year ended 31 March 2012 amounted to approximately HK\$26.7 million and HK\$13.6 million, respectively. The audited net profits before and after taxation of PNG for the year ended 31 March 2011 amounted to approximately HK\$65.2 million and HK\$50.6 million, respectively. The unaudited net loss before and after taxation for the six months ended 30 September 2012 was approximately HK\$15.4 million and HK\$16.9 million, respectively.

Based on the further information provided by the Directors and according to the 2012 Annual Report, we note that the carrying amount of interests in associate of PNG in the Group is approximately HK\$624.0 million and approximately HK\$369.9 million (net of accumulated impairment loss) as at 31 March 2011 and 31 March 2012 respectively; and the net amount of the Group’s share of PNG’s profit attributable to the owners of PNG are approximately HK\$2.9 million and HK\$1.9 million for the year ended 31 March 2011 and 2012, representing approximately 6.33% and 2.47% of the Operating Profit of the Group respectively.

3. Information of the Purchaser and Wang On

As set out in the Letter from the Board, the Purchaser, an investment holding company, is beneficially wholly owned by Wang On, a substantial Shareholder holding approximately 25.0% of the equity interest of the Company. The Purchaser is therefore a connected person of the Company under the Listing Rules as at the Latest Practicable Date.

Wang On together with its subsidiaries are principally engaged in property investment and development in Hong Kong, management and sub-licensing of wet markets in Hong Kong and the PRC.

4. Background of and reasons for the entering into of the S&P Agreement

Based on our interview with the Directors and according to the 2012 Annual Report, the Group recognised an impairment losses of the Group's investment in PNG of approximately HK\$269.5 million for the year ended 31 March 2012 which was determined on the basis of the market price of PNG's share less costs to sell, was lower than the then carrying value of the Group's investment in PNG. Furthermore, as confirmed by the Directors, we understand that PNG had not declared nor paid any dividend since the completion of the first acquisition of PNG Shares (previously known as LeRoi Holdings Limited) on 3 January 2007. Therefore, as stated in the Letter from the Board, the Directors consider that the Disposal is a good opportunity for the Group to realise part of its investment in PNG which would allow the Group to invest in other potential investment opportunities to generate a better return. Furthermore, according to the Letter from the Board, majority of the proceeds from the Disposal will be used for the granting of the Loan Facility with an interest rate of 10% per annum. The Directors consider that the Loan Facility could directly provide the Group with a stable return of interest income in the short to medium term.

In the meanwhile, we understand that the Directors are of the view that the Disposal would not have material adverse impact on the principal business of the Group since the Group's share of profit from its interest in PNG Shares is not significant as compare to the Group's Operating Profit. In this regards, the Directors are of the view that the Disposal is in the interest of the Company and the Shareholders as a whole.

As advised by the Directors, they did not consider that the Disposal constituted the ordinary and usual course of business of the Group because (i) trading of listing securities is not accounted for as one of the principal activities of the Group; and (ii) income from the Disposal will be classified as "other income" in the financial statements of the Group. We have reviewed the 2012 Annual Report regarding the abovementioned matters and we concur with the Directors' view that the Disposal is not in the ordinary and usual course of business of the Group.

Taking into account that (i) the impairment loss occurred in the financial year ended 31 March 2012 and no dividend had been declared and paid by PNG since the completion of the first acquisition of PNG Share in January 2007; (ii) the Disposal can realise the Group's investment in PNG and bring in cash proceeds to mainly invest in other potential investment opportunities to generate a stable return; and (iii) the Disposal would not have material adverse impact on the principal business of the Group since the Group's share of profit from its interest in PNG Shares is not significant as compare to the Group's Operating Profit, although the Disposal is not in the ordinary and usual course of business of the Group, we concur with the view of the Directors that the Disposal is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. The S&P Agreement

(a) Principal terms of the S&P Agreement

Summarised below are certain principal terms of the S&P Agreement.

Date	:	22 November 2012
Parties	:	
Purchaser	:	Ever Task, an indirect wholly-owned subsidiary of Wang On
Vendor	:	Gain Better, an indirect wholly-owned subsidiary of the Company
Subject matter	:	1,150,000,000 PNG Shares, representing approximately 14.95% of the entire issued share capital of PNG
Consideration	:	HK\$110,400,000

According to the Letter from the Board, we understand that the terms of the S&P Agreement was determined by the parties involved in the Disposal after arm's length negotiations by taking into account of, among other things, the recent trading prices and trading volume of the PNG Shares. In this regard, the Directors are of the view that the principal terms of the S&P Agreement (including the consideration of the Disposal) are on normal commercial term and fair and reasonable.

(b) Assessment on the consideration

According to the Letter from the Board, we note that the consideration in respect of the Disposal is approximately HK\$0.096 per PNG Share (the "Offer Price").

The Offer Price of HK\$0.096 per Sale PNG Share represents:

- (a) a discount of approximately 15.04% to the closing price of HK\$0.113 per PNG Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 13.51% to the average of the closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Date of HK\$0.111 per PNG Share;
- (c) a discount of approximately 12.73% to the average of the closing prices as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Date of HK\$0.110 per PNG Share;
- (d) a premium of approximately 24.68 % over the unaudited net asset value per PNG Share of approximately HK\$0.077 as at 30 September 2012;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) a discount of approximately 11.11% to the closing price of HK\$0.108 per PNG Share as quoted on the Stock Exchange on the Latest Practicable Date.

In order to assess the fairness and reasonableness of the Offer Price, we set out the following information for analysis:

(i) *Historical performance of PNG Shares*

We have reviewed the movements in the closing prices of PNG Shares for the period commencing from 1 November 2011 (being the first trading day of the month falling 12-month period prior to the Last Trading Date) up to the Latest Practicable Date (the “**Review Period**”). We are of the view that the Review Period being around 12-month period prior to and including the Last Trading Date would provide us with the most recent market information of PNG Shares. The closing prices of PNG Shares during the Review Period are set out below:

Chart A – Closing Price of PNG Share during the Review Period



Source: Bloomberg

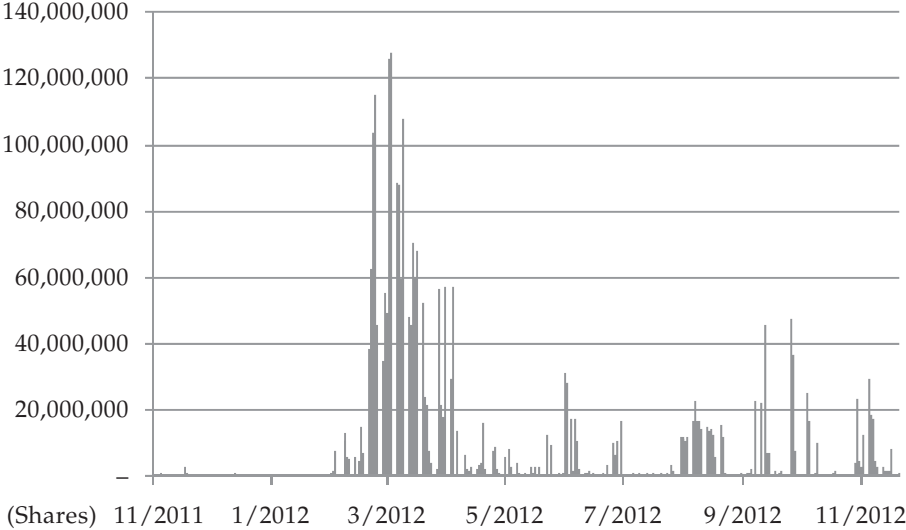
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The closing price of the PNG Shares ranged from the lowest of HK\$0.084 on 23 December 2011 to the highest of HK\$0.305 on 6 March 2012 during the Review Period. The average closing prices of the PNG Shares during the Review Period was approximately HK\$0.119. The closing prices of the PNG Shares remained relatively flat for the last quarter of 2011, a substantial rise in the first quarter of 2012, subsequently a significant drop in March 2012 and remains relatively flat since then. In recent months, the closing prices of the PNG Shares are fluctuating near the Offer Price. We also note that the Offer Price falls within the range of the highest and lowest closing price during the Review Period.

(ii) Trading liquidity of PNG Shares

The following table sets out the historical trading volume of PNG Shares during the Review Period:

Chart B – Trading volume of PNG Shares



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table C – Trading volume of PNG Shares

Month	Total monthly volume	No. of trading days	Average daily trading volume (*note 1)	Percentage of average daily turnover over total number of existing PNG shares in issue	Percentage of average daily turnover over number of PNG shares held by public shareholders
Nov-11	8,608,000	22	391,273	0.005%	0.010%
Dec-11	3,869,304	20	193,465	0.003%	0.005%
Jan-12	4,199,956	18	233,331	0.003%	0.006%
Feb-12	584,499,325	21	27,833,301	0.362%	0.725%
Mar-12	1,191,983,965	22	54,181,089	0.704%	1.412%
Apr-12	169,861,547	18	9,436,753	0.123%	0.246%
May-12	83,968,000	22	3,816,727	0.050%	0.099%
Jun-12	132,928,000	21	6,329,905	0.082%	0.165%
Jul-12	39,462,482	21	1,879,166	0.024%	0.049%
Aug-12	214,897,977	23	9,343,390	0.121%	0.243%
Sep-12	209,429,318	20	10,471,466	0.136%	0.273%
Oct-12	91,080,000	20	4,554,000	0.059%	0.119%
Total no. of shares	7,691,500,000 (*note 2)		Average daily turnover by month	0.139%	0.279%
			Maximum daily turnover by month	0.704%	1.412%
Number of shares held by the public	3,837,665,000 (*note 3)		Minimum daily turnover by month	0.003%	0.005%

Source: Bloomberg

Notes:

1. Average daily trading volume is calculated by dividing the total monthly/period trading volume of PNG Shares by the number of trading days during the month/period.
2. Based on 7,691,500,000 PNG Shares in issue to the Latest Practicable Date and the latest month being October 2012.
3. Based on 3,837,665,000 PNG Shares held by public shareholders, excluding the 3,813,835,000 PNG Shares held by the Company, representing approximately 49.59% of the total PNG Shares in issue and the 40,000,000 PNG Shares held by Wang On, representing approximately 0.52% of the total PNG Shares in issue, since 1 November 2011 to the Latest Practicable Date and the latest month being October 2012.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated above, during the Review Period, the average daily trading volume of PNG Shares as a percentage of the average total issued PNG Shares ranged from approximately 0.003% to approximately 0.704%, with the average daily volume being approximately 0.139%; while the average daily trading volume of PNG Shares as a percentage of the average total number of PNG Shares held by the public ranged from approximately 0.005% to approximately 1.412%, with the average daily volume being approximately 0.279%.

Based on our discussion with the Directors, we understand that the Directors are of the view that given the thin trading volume of the PNG Shares, should the Sale PNG Shares, which accounted for approximately 14.95% and approximately 29.97% of the total issued share capital of PNG and the issued share capital of PNG held by public shareholders, respectively, were to be disposed of in the open market, it is uncertain whether the Sale PNG Shares could be sold in the market in full, and even if they could be sold in the market, the Sale PNG Shares would be sold at a substantial discount to the market price of PNG Shares.

(iii) Comparison with comparable companies

For the purpose of assessing the fairness and reasonableness of the consideration of the Disposal implied by the Offer Price, we have identified 14 comparables being companies listed on the Main Board of the Stock Exchange (the “**comparable companies**”), from both the property development sector and forestry sector, as PNG’s business operation places emphasis in both of these sectors in the latest financial year.

For the comparable companies from the property development sector (the “**Property Comparable Companies**”), we consider that they are fair and representative comparable companies to PNG as they fulfill all of the following criteria: (i) they engaged in businesses similar to PNG, which are principally engaged in property development in the PRC for their latest financial year; (ii) they have more than 50% of their turnover derived from property development for their latest financial year, as over 75% of PNG’s total revenue for the year ended 31 March 2012 were derived from the sale of stock of properties; and (iii) with a market capitalisation between HK\$500 million and HK\$2 billion, as the market capitalisation of PNG as at Last Trading Date is approximately HK\$869.1 million. Based on the information obtained from the Stock Exchange and Bloomberg, together with our analysis, our findings on the comparables companies are summarised in the table D.1 below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table D.1 – Property Comparables Companies

Company	Stock code	Market capitalisation as at the Last Trading Date (HK\$'000)	P/E ratio (*note 1)	P/B ratio (*note 2)
PNG	221	869,140	194.82	1.22
Property Comparable Companies				
Shanghai Zendai Property Ltd.	755	1,716,355	1.90	0.31
SRE Group Ltd.	1207	1,727,738	2.56	0.30
ITC Properties Group Ltd.	199	955,125	6.36	0.43
Pioneer Global Group Ltd.	224	900,150	1.52	0.33
Kai Shi China Holdings Co.	1281	870,000	3.49	3.56
Chuang's China Investments Ltd.	298	671,591	5.92	0.27
Chinney Investments, Ltd.	216	584,450	4.79	0.23
		Highest	6.36	3.56
		Lowest	1.52	0.23
		Average	3.79	0.77

For the comparable companies from the forestry sector (the “**Forestry Comparable Companies**”), we consider that they are fair and representative comparable companies to PNG as they fulfill all of the following criteria: (i) they engaged in businesses similar to PNG in forestry and timber logging business for their latest financial year, as PNG’s project is licensed to carry on business in timber logging, growing cereals and the plantation of oil palm and teak; (ii) forestry asset and concession licenses constituted more than 20% of their total assets for the latest financial year, as over 23% of PNG’s total asset for the year ended 31 March 2012 represent plantation assets and concession rights. Based on the information obtained from the Stock Exchange and Bloomberg, together with our analysis, our findings on the comparables companies are summarised in the table D.2 below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table D.2 – Forestry Comparables Companies

Company (*note 5)	Stock code	Market capitalisation as at the Last Trading Date (HK\$'000)	P/E ratio	P/B ratio (*note 2)
PNG	221	869,140	194.82 (*note 3)	1.22 (*note 4)
Forestry Comparable Companies				
China Resources and Transportation Group Ltd.	269	5,855,327	*note 1	2.22
Superb Summit International Timber Company Limited	1228	1,194,052	*note 1	0.34
Greenheart Group Ltd.	94	421,051	*note 1	0.40
China Grand Forestry Green Resources Group Ltd.	910	405,361	*note 1	0.10
China Asean Resources Limited	8186	131,198	*note 1	0.13
China Environmental Resources Group Limited	1130	125,804	*note 1	0.18
Merdeka Resources Holdings Ltd.	8163	85,786	*note 1	0.14
		Highest	N.A	2.22
		Lowest	N.A	0.10
		Average	N.A	0.50

Notes:

1. P/E ratios of the Property Comparable Companies are extracted from Bloomberg as at the Last Trading Date. P/E ratios of the Forestry Comparable Companies are not applicable due to these companies were loss making for the latest financial year.
2. P/B ratios of both the Property Comparable Companies and Forestry Comparable Companies are calculated based on their respective market capitalisation as at the Last Trading Date and their respective consolidated total equity attributable to owner of the company as at the balance sheet date of their respective latest published financial statements.
3. P/E ratio of the Sale PNG Shares are calculated based on the assumed market capitalisation of PNG of approximately HK\$738,384,000 (implied by the Offer Price and 7,691,500,000 PNG Shares in issue as at the Latest Practicable Date) and the profit attributable to owners of PNG of approximately HK\$3,790,000 for the financial year ended 31 March 2012.
4. P/B ratios of the Sale PNG Shares are calculated based on the assumed market capitalisation of PNG of approximately HK\$738,384,000 (implied by the Offer Price and 7,691,500,000 PNG Shares in issue as at the Latest Practicable Date) and the consolidated total equity attributable to owners of PNG of approximately HK\$607,392,000 as at 31 March 2012.
5. Although China Forestry Holdings Co, Ltd. (HK: 930) and Sustainable Forest Holdings Limited (HK: 723) meet the selection criteria of Forestry Comparable Companies, they were excluded from our analysis because trading of the listing securities of these two companies have been suspended since 26 January 2011 and 3 July 2012, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the above tables, the P/E ratios of the Property Comparable Companies ranged from approximately 1.52 to approximately 6.36 times with an average of approximately 3.79 times. The P/B ratios of the Property Comparable Companies ranged from approximately 0.23 to 3.56 times with an average of approximately 0.77 times. Given that each of the P/E ratio and P/B ratio implied by the Offer Price is approximately 194.82 and approximately 1.22 respectively (note 3 and 4); such P/E ratio implied by the Offer Price is higher than the P/E ratios of the Property Comparable Companies and the P/B ratio implied by the Offer Price is within the range of the highest and lowest P/B ratios of the Property Comparable companies. In respect of the Forestry Comparable Companies, based on our review of the annual reports of the respective Forestry Comparable Companies for the latest financial year, we noted that all of the Forestry Comparable Companies were loss making in the latest financial year hence a P/E ratio is not applicable to these companies. The P/B ratio implied by the Offer Price is within the range of the lowest and highest P/B ratios from approximately 0.10 to approximately 2.22 times of the Forestry Comparable Companies.

(c) Conclusion

Taking into account of (i) the principal terms of the S&P Agreement was determined by the parties involved in the Disposal after arm's length negotiations; (ii) the Offer Price represents a premium of approximately 24.68% over the unaudited net asset value per PNG Share of approximately HK\$0.077 as at 30 September 2012; (iii) the liquidity in trading of the PNG Shares under the Review Period was thin and there may not be sufficient liquidity in the PNG Shares for the Group to dispose of the Sale PNG Share in the open market without suffering from a substantial discount; and (iv) the P/E ratio implied by the Offer Price is higher than that of the Property Comparable Companies and the P/B ratios implied by the Offer Price is within the range of the highest and lowest of the Property Comparable Companies and the Forestry Comparable Companies, we concur with the Directors' view that that principal terms of the S&P Agreement (including the consideration of the Disposal) are fair and reasonable and on normal commercial term.

6. Financial effects of the Disposal

(a) Effect on earnings

Based on our discussion and the representation from the Directors, we understand that the Directors have taken into account of the following factors when they considered the potential impact of the Disposal on the earnings of the Group:

1. As confirmed by the Directors and according to the 2012 Annual Report, the net amount of the Group's share of PNG's profit attributable to the owners of PNG are approximately HK\$2.9 million and HK\$1.9 million for the two years ended 31 March 2012, respectively, which accounted for approximately 6.33% and 2.47% of the Group's Operating Profit for the respective financial years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. In the meanwhile, as set out in the Letter from the Board, the Directors expected that, assuming the Disposal completes as scheduled, a net gain of approximately HK\$0.1 million (subject to audit) is expected to arise from the Disposal, being the consideration of the Disposal of HK\$110.4 million after deducting the unaudited carrying amount of partial interests in associates of PNG (approximately 14.95%) as at 30 September 2012 of approximately HK\$109.2 million.
3. Furthermore, according to the Letter from the Board, the Group will utilise the part of net proceeds from the Disposal to fund the 36 months revolving Loan Facility in the maximum aggregate amount of HK\$100.0 million to the Borrower and receive an interest of 10.0% per annum. The Directors are of the view that such interest income can enhance the source of income of the Group. Based on the terms of the Loan Facility and assuming that HK\$100.0 million of proceeds from the Disposal is utilised for the Loan Facility, the Directors expect that the interest income derived from the Loan Facility will be approximately HK\$10.0 million per annum provided that the Loan Facility is fully withdrawn by the Borrower. Also, according to the terms of the Loan Facility, if the amount of the Loan Facility utilised is lower than HK\$50.0 million after the date falling three months from the Effective Date, the Group will entitle to a commitment fee of 0.1% per annum on the undrawn portion of the Loan Facility for the period from (and including) the date which the three months from the Effective date to the last day of the drawdown period.

(b) Effect on net assets value

According to the interim results announcement of the Group for the six months ended 30 September 2012 published on 14 November 2012 (the “**Interim Result Announcement 2012**”), the unaudited consolidated net assets were approximately HK\$1.4 billion as at 30 September 2012. In the meanwhile, as discussed in the above, the Directors expect that, assuming the Disposal could be completed as scheduled, the Company will record a net gain on the Disposal of approximately HK\$0.1 million, subject to audit. In the light of the above, the Directors consider that the Disposal will not have any material negative effect on the net asset position of the Group.

(c) Effect on gearing ratio and working capital

As advised by the Directors and according to the Interim Result Announcement 2012, the bank balances and cash of the Group as at 30 September 2012 was approximately HK\$145.4 million. The Directors confirm that since the consideration will be entirely settled in cash on the Completion Date, the Directors are of the view that the Disposal will not have negative impact on the gearing and working capital of the Group immediately upon completion of the S&P Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the light of the above, we concur with the view of the Directors that the Disposal will not have material negative impact on the earnings, net asset value, gearing ratio and working capital of the Group upon completion of the S&P Agreement.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that although the Disposal is not in the ordinary and usual course of business of the Group, the terms of the S&P Agreement are on normal commercial terms and are fair and reasonable and the Disposal is in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) at the SGM to approve the Disposal.

Yours faithfully,
For and on behalf of

CMB International Capital Limited
Anthony Ng
Director
Investment Banking Division

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 March 2010, 2011 and 2012 and the six months ended 30 September 2012 are disclosed in the annual reports of the Company for the years ended 31 March 2010 (pages 25 to 109), 2011 (pages 26 to 107) and 2012 (pages 34 to 113) and the interim report of the Company for the six months ended 30 September 2012 (pages 15 to 44), respectively, which are published on both the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.wyth.net>). The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 March 2010, 2011 and 2012.

2. INDEBTEDNESS OF THE GROUP

Borrowings

At the close of business on 31 October 2012, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total borrowings of approximately HK\$126.3 million. Details of the total borrowings are summarised below:

	Approximate <i>HK\$ million</i>
Secured	
Bank Loan	118.3
Unsecured	
Bank Loan	<u>8.0</u>
Total Borrowings	<u><u>126.3</u></u>

The secured bank loans amounted to approximately HK\$118.3 million were secured by the Group's land and buildings and investment properties with a total carrying amount of approximately HK\$485.4 million as at 31 October 2012.

Pledge of Asset

At the close of business on 31 October 2012, the Group pledged its land and buildings and investment properties with a total carrying amount of approximately HK\$485.4 million to banks.

Contingent liabilities

At the close of business on 31 October 2012, the Group had no material contingent liabilities.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in normal course of business, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured guarantees or other material contingent liabilities at the close of business on 31 October 2012.

3. WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, taking into account the financial resources available to the Group, including internally generated funds, the available banking facilities and the net proceeds from the Disposal, the Group has sufficient working capital to meet its present requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

There is no change in the Group's principal activities since 31 March 2012, being the date on which the latest published audited consolidated financial statements of the Group were made up.

For the six-month period ended 30 September 2012, the Group continued to achieve a satisfactory business growth and recorded a turnover of approximately HK\$365.7 million (2011: approximately HK\$330.8 million), representing a growth of approximately 10.6% over the same period last year. Besides, the Group recorded a turn from a loss to a profit for the six months ended 30 September 2012 as compared to the corresponding period in 2011, achieving a profit attributable to owners of the Company of approximately HK\$33.7 million (2011: loss of approximately HK\$132.0 million).

Such achievement was mainly coming from: (i) the improved sales of the Chinese pharmaceutical and health food products resulting from the reinforcement of customer confidence in our quality products through strict production and process control, expansion of our product range to attract and broaden our customer base, optimisation of our customer loyalty program with more attractive gifts and rewards, enhancement of the incentive scheme for our staff to stimulate sales spirit, launch of a series of marketing campaigns to promote brand awareness and product image and the continuously increasing number of Mainland Chinese tourists visiting Hong Kong to buy our products; and (ii) the improved sales of the western pharmaceutical and health food products resulting from the diversification of the products portfolio, continuation of product development, addition of promotion effort, increase of product penetration and appearance in different sale channels.

The Group will continue to pay efforts to expand its product range, broaden its customer base, strengthen quality control and enhance marketing and promotion activities so as to further uplift the image and competitiveness of its brands and its products. Besides, the Group will increase the focus and add more resources to develop other sale channels, such as chain stores, key accounts, open trade, overseas, etc. and will also make use of the cyber world, such as co-operate with other agencies focusing on group purchase business, set up a fans page on Facebook and launch iPhone apps, which are expected to be a very effective and efficient way to promote our brands and products and bring in potential new customers from the younger generation. On the other hand, the Group will also evaluate merger and acquisition opportunities as a means to speed up growth, as well as diversification of its investment portfolio for strengthening and broadening its income base.

1. RESPONSIBILITY

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

2. DISCLOSURE OF INTERESTS

(a) Interest of Directors

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

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

Name of Director	Date of grant	Exercise price per Share HK\$	Number of share options outstanding	Exercisable period (Note 1)	Number of underlying Shares	Number of total underlying Shares	Approximate percentage of the Company's total issued share capital (Note 2) %
Tang Mui Fun	2.1.2008	1.8782	78,214	2.1.2009 – 1.1.2013	78,214		
	8.1.2009	1.2050	78,214	8.1.2010 – 7.1.2019	78,214	156,428	0.01

Notes:

(1) The exercisable period of the above share options was vested as follows:

On 1st anniversary of the date of grant	30% vest
On 2nd anniversary of the date of grant	Further 30% vest
On 3rd anniversary of the date of grant	Remaining 40% vest

(2) The percentage represented the number of underlying Shares over the total issued share capital of the Company as at the Latest Practicable Date of 2,036,142,969 Shares.

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

Save as disclosed below, as at the Latest Practicable Date, no person had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long positions in the Shares

Name of Shareholders	Number of Shares	Approximate percentage of the Company's total issued share capital (Note 2) %
Wang On (Note 1)	509,042,034	25.0
Wang On Enterprises (BVI) Limited ("WOE") (Note 1)	509,042,034	25.0
Rich Time Strategy Limited ("Rich Time") (Note 1)	509,042,034	25.0

Notes:

- (1) Rich Time is wholly owned by WOE, which is a wholly-owned subsidiary of Wang On. WOE and Wang On are deemed to be interested in 509,042,034 Shares held by Rich Time. As at the Latest Practicable Date, Mr. Tang Ching Ho, who is an executive Director and also an executive director of Wang On, held or was taken to be interested in 1,716,166,042 shares, representing approximately 26.3% equity interest, in Wang On and Mr. Chan Chun Hong, Thomas, who is an executive Director and also an executive director of Wang On, held options granted under the share option scheme of Wang On to convert into 270,441 shares in Wang On, representing approximately 0.004% of the issued share capital of Wang On.
- (2) The percentage represented the number of Shares over the total issued share capital of the Company as at the Latest Practicable Date of 2,036,142,969 Shares.

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (i) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.
- (ii) As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which had been, since 31 March 2012, being the latest published audited consolidated 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.

6. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualification
CMB International	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as set out in Schedule 5 to the SFO

As at the Latest Practicable Date, the Independent Financial Adviser:

- (a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2012, being the date up to which the latest published audited consolidated financial statements of the Group were made up; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear.

7. LITIGATION

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

8. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by member of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the S&P Agreement;
- (b) the Loan Agreement;
- (c) a top-up placing and subscription agreement dated 30 November 2012 entered into between Rich Time, an indirect wholly-owned subsidiary of Wang On, as the vendor and the subscriber, the Company as the issuer and Kingston Securities Limited (“**Kingston**”) pursuant to which (i) Rich Time has agreed to place, through Kingston, 250,000,000 existing Shares at a placing price of HK\$0.125 per Share; and (ii) Rich Time has conditionally agreed to subscribe for 250,000,000 new Shares at the subscription price of HK\$0.125 per Share;
- (d) a new issue placing agreement dated 30 November 2012 entered into between the Company and Kingston pursuant to which the Company has agreed to place, through Kingston, 157,000,000 new Shares at a placing price of HK\$0.125 per Share;
- (e) an amendment deed to the loan agreement dated 10 March 2011 entered into between Give Power, as the lender, and CAP, as the borrower, on 6 September 2012 for an extension of the repayment date to 30 September 2014 in consideration for an increase in interest rate from 8% to 10% per annum for an unsecured loan facility of not exceeding a sum of HK\$15 million granted to CAP, the details of which were set out in the announcement of the Company dated 6 September 2012;
- (f) an amendment deed to the loan agreement dated 11 January 2011 entered into between Give Power, as the lender, and CAP, as the borrower, on 6 September 2012 for an extension of the repayment date to 30 September 2014 in consideration for an increase in interest rate from 8% to 10% per annum for an unsecured loan facility of not exceeding a sum of HK\$60 million granted to CAP, the details of which were set out in the announcement of the Company dated 6 September 2012;

- (g) a licence agreement dated 30 June 2012 entered into between the Company, as the licensor, and Wang On Management Limited, a wholly-owned subsidiary of Wang On, as the licensee, in respect of the sub-lease of certain portions of the UG/F, G/F, 1st Floor and 5th Floor of Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong for a monthly rental of HK\$154,000 for a term of three years commencing from 1 July 2012, the details of which were set out in the announcement of the Company dated 30 June 2012;
- (h) a supplemental loan agreement dated 11 July 2011 entered into between Gain Better, as the lender, and PNG, as the borrower, on 11 July 2011 for extension of the repayment date for further three years from the date of its maturity (i.e. up to 8 July 2014) in relation to a loan facility of not exceeding a sum of HK\$10 million granted to PNG, the details of which were set out in the announcement of the Company dated 11 July 2011;
- (i) a provisional sale and purchase agreement dated 2 June 2011, entered into between Topmate Investment Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser, and Merit Talent Limited, as the vendor, in relation to the acquisition of a property located at Ground Floor and cockloft of No. 108 Lai Chi Kok Road, ground floor and cockloft of No. 110 Lai Chi Kok Road, and external wall and store room of Nos. 108 and 110 Lai Chi Kok Road, Kowloon, Hong Kong for a total consideration of HK\$26.0 million, the details of which were set out in the announcement of the Company dated 3 June 2011;
- (j) a provisional sale and purchase agreement dated 11 March 2011, entered into between Smart Star Investments Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser, and City Team Limited, as the vendor, in relation to the acquisition of a property located at Shops A and B on Ground Floor, No. 296 Electric Road, North Point, Hong Kong for a total consideration of HK\$35.28 million, the details of which were set out in the announcement of the Company dated 14 March 2011;
- (k) a loan agreement dated 10 March 2011 entered into between Give Power, as the lender, and CAP, as the borrower, in relation to a loan facility of a maximum of HK\$15 million granted to CAP for a term up to 30 September 2012 at an interest rate of 8% per annum;
- (l) a tenancy agreement dated 8 March 2011 entered into between Wai Yuen Tong (Retail) Limited, a wholly-owned subsidiary of the Company, and Hovan Investments Limited, a wholly-owned subsidiary of Wang On, as the landlord, in respect of the Shop Front Portion, G/F., Nathan Apartments, 510 Nathan Road, Kowloon, Hong Kong for a monthly rental of HK\$60,000 for a term of three years commencing from 11 March 2011; and
- (m) a loan agreement dated 11 January 2011 entered into between Give Power, as the lender, and CAP, as the borrower, in relation to a loan facility of a maximum of HK\$60 million granted to CAP for a term up to 30 September 2012 at an interest rate of 8% per annum, the details of which were set out in the announcement of the Company dated 11 January 2011.

9. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The Company's head office and principal place of business in Hong Kong is situated at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Ms. Mak Yuen Ming, Anita. She is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the following documents are available for inspection at the head office of the Company at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong, during normal business hours from the date of this circular up to and including the date of SGM:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the S&P Agreement;
- (iii) the Loan Agreement;
- (iv) the materials contracts as referred to in the paragraph headed "Material contracts" in this appendix;
- (v) letter from the Independent Board Committee to the Independent Shareholders dated 10 December 2012, the text of which is set out on page 16 of this circular;
- (vi) letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 10 December 2012, the text of which is set out on pages 17 to 32 of this circular;
- (vii) the consent letter issued by the Independent Financial Adviser referred to in the paragraph headed "Expert's qualification and consent" in this appendix;
- (viii) the annual reports of the Company for the financial years ended 31 March 2010, 31 March 2011 and 31 March 2012;
- (ix) the interim report of the Company for the six months ended 30 September 2012; and
- (x) this circular.

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 the special general meeting of Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*) (the “**Company**”) will be held at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on Thursday, 27 December 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

- (1) “**THAT:**
- (a) the transactions contemplated under the sale and purchase agreement dated 22 November 2012 (the “**S&P Agreement**”, a copy of which has been produced to the meeting marked “**A**” and signed for the purposes of identification by the chairman of the meeting) entered into between Gain Better Investments Limited (the “**Vendor**”), a wholly owned subsidiary of the Company, and Ever Task Limited (the “**Purchaser**”), pursuant to which, amongst other things, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell 1,150,000,000 shares in PNG Resources Holdings Limited at a consideration of HK\$110,400,000 be and are hereby approved; and
 - (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts and things, to sign and execute all such further documents, agreements or deeds for and on behalf of the Company as they shall in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the transactions contemplated under the S&P Agreement and to agree to such variation, amendment or waiver as are, in the opinion of the Directors, in the interest of the Company.”

* For identification purpose only

NOTICE OF THE SGM

(2) **“THAT:**

- (a) subject to the passing of the resolution numbered 1 set out in the notice of the special general meeting at which this resolution is considered, the transactions contemplated under the loan agreement dated 22 November 2012 (the **“Loan Agreement”**, a copy of which has been produced to the meeting marked **“B”** and signed for the purposes of identification by the chairman of the meeting) between Give Power Limited (the **“Lender”**), a wholly owned subsidiary of the Company, and China Agri-Products Exchange Limited (the **“Borrower”**), pursuant to which, amongst other things, the Lender conditionally agreed to grant a revolving credit facility in the maximum amount of HK\$100,000,000 at an interest rate of 10% per annum to the Borrower be and are hereby approved; and
- (b) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents, agreements or deeds for and on behalf of the Company as they shall in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the transactions contemplated under the Loan Agreement and to agree to such variation, amendment or waiver as are, in the opinion of the Directors, in the interest of the Company.”

By Order of the Board
Wai Yuen Tong Medicine Holdings Limited
(位元堂藥業控股有限公司*)
Mak Yuen Ming, Anita
Company Secretary

Hong Kong, 10 December 2012

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

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

* *For identification purpose only*

NOTICE OF THE SGM

Notes:

1. A form of proxy for use at the meeting is enclosed.
2. Any member of the Company (“**Member**”) entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company. A proxy need not be a Member.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of authority, shall be delivered to the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any shares, any one of such joint holders may vote, either in person or by proxy, in respect of such share(s) as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Members in respect of the joint holding.
6. All of the above resolutions will be voted by way of a poll at the meeting.