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## **China Wah Yan Healthcare Limited**

**中國華仁醫療有限公司**

*(Incorporated in the Hong Kong with limited liability)*

**(Stock Code: 648)**

### **PLACING OF NEW SHARES UNDER SPECIFIC MANDATE**

**Placing Agent**

**Nuada Limited**

#### **THE PLACING AGREEMENT**

On 15 September 2016 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 1,800,000,000 Placing Shares at the Placing Price to not less than six Places. The maximum gross proceeds and net proceeds from the Placing will be HK\$99.0 million and HK\$95.7 million respectively. The Company intends to apply the net proceeds for debt repayment and general working capital purposes.

Assuming that there will be no change in the number of issued Shares between the date of this announcement and the completion of the Placing, the maximum number of 1,800,000,000 Placing Shares represent (i) 38.1% of the number of issued Shares as at the date of this announcement; and (ii) 27.6% of the number of the issued Shares as enlarged by the allotment and issue of the Placing Shares.

The Placing Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the EGM and the Placing is conditional upon, among others, (i) the Stock Exchange having granted the listing of, and the permission to deal in the Placing Shares; and (ii) the shareholders of the Company having approved the Placing and the Specific Mandate at the EGM.

**Since completion of the Placing is subject to fulfillment of the conditions as set out in the paragraph headed “Conditions of the Placing Agreement” in this announcement, the Placing may or may not proceed to completion. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.**

## **PLACING OF NEW SHARES UNDER SPECIFIC MANDATE**

The Company is pleased to announce that on 15 September 2016 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, the principal terms of which are summarised below.

### **THE PLACING AGREEMENT**

#### **Date**

15 September 2016 (after trading hours)

#### **Parties**

- (i) The Company as the issuer; and
- (ii) The Placing Agent as the placing agent.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are not connected persons (as defined under the Listing Rules) of the Company.

#### **The Placing Shares and the Placees**

The Placing Agent has conditionally agreed to place, on a best effort basis, the maximum number of 1,800,000,000 Placing Shares to not less than six Placees. The Placing Agent has undertaken to the Company that the Placees and their ultimate beneficial owner(s) shall be third parties independent of the Company and its subsidiaries and not connected with nor acting in concert with any of the connected person (as defined in the Listing Rules) of the Company or any of their respective associates. No Placee is expected to become a substantial shareholder (as defined in the Listing Rules) of the Company as a result of the Placing.

Assuming that there will be no change in the number of issued Shares between the date of this announcement and the completion of the Placing, the maximum number of 1,800,000,000 Placing Shares represent (i) 38.1% of the number of issued Shares as at the date of this announcement; and (ii) 27.6% of the number of issued Shares as enlarged by the allotment and issue of the Placing Shares. Based on the closing price of HK\$0.063 per Share on 15 September 2016 (i.e. the date of the Placing Agreement), 1,800,000,000 Placing Shares have the market value of HK\$113.4 million.

#### **Ranking of the Placing Shares**

The Placing Shares will rank, upon allotment and issue, *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

## **The Placing Price**

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent with reference to the prevailing market prices of the Shares and represents:

- (i) a discount of 12.7% to the closing price of HK\$0.063 per Share as quoted on the Stock Exchange on 15 September 2016; and
- (ii) a discount of 14.1% to the average closing price of HK\$0.064 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to 15 September 2016.

Assuming that the 1,800,000,000 Placing Shares are fully placed under the Placing, the gross proceeds and the estimated net proceeds from the Placing will amount to HK\$99.0 million and HK\$95.7 million respectively. The net price per Placing Share is estimated to be approximately HK\$0.053.

## **Conditions of the Placing Agreement**

Completion of the Placing is conditional upon the satisfaction of the following conditions:

- (i) the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in the Placing Shares;
- (ii) the passing of the ordinary resolutions by the shareholders of the Company at the EGM to approve the Placing and the Specific mandate; and
- (iii) the Placing Agreement not being terminated in accordance with the terms thereof.

Completion of the Placing will take place on the fifth business day after fulfillment of the conditions as set out above (the "Completion Date") but not later than 15 November 2016 or such later date to be agreed between the Company and the Placing Agent (the "Long Stop Date"). If the above conditions are not satisfied and/or waived (other than condition (i) and (ii) above, which cannot be waived) on or before the Long Stop Date, the obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and none of the parties thereto shall have any claim against the other (save for any antecedent breach of obligations under the Placing Agreement).

## **Termination**

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the Completion Date if:

- (i) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (ii) there is any breach of the warranties, representations and undertakings given by the Company under the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or

(iii) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

The Company may, in its reasonable opinion, after consultation with the Placing Agent, terminate the Placing Agreement by notice in writing to the Placing Agent at any time up to 8:00 a.m. on the Completion Date if there is a breach of the warranties, representations and undertakings given by the Placing Agent in the Placing Agreement and such breach is considered by the Company on reasonable grounds to be material.

Upon termination of the Placing Agreement, all liabilities of the parties thereto shall cease and determine and no party thereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement, save in respect of any antecedent breach of any obligation under the Placing Agreement.

### **Placing Commission**

The Company shall pay to the Placing Agent a commission equal to 3% of the aggregate principal amount of the Placing Price multiplied by the actual number of the Placing Shares being placed. The commission rate was arrived at after arm's length negotiations between the Company and the Placing Agent.

### **Listing Application**

An application will be made by the Company to the Stock Exchange for the granting of the listing of, and the permission to deal in the Placing Shares.

### **The Specific Mandate**

All the Placing Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

## **EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY**

Set out below is the table of the shareholding structure of the Company before and after completion of the Placing (assuming that (i) there is no change in the number of issued Shares between the date of this announcement and the Completion Date and (ii) the 1,800,000,000 Placing Shares are fully placed under the Placing):

	<b>As at the date of this announcement</b>		<b>Upon completion of the Placing</b>	
	<i>Number of Shares</i>	<i>Approximately</i>	<i>Number of Shares</i>	<i>Approximately</i>
<b>Shareholders</b>				
Director	101,250,000	2.14%	101,250,000	1.55%
The Placees ( <i>Note</i> )	—	—	1,800,000,000	27.60%
Other public shareholders of the Company	<u>4,619,486,569</u>	<u>97.86%</u>	<u>4,619,486,569</u>	<u>70.85%</u>
	<u>4,720,736,569</u>	<u>100.00%</u>	<u>6,520,736,569</u>	<u>100.00%</u>

*Note: Pursuant to the Placing Agreement, the Placing Agent will use its best endeavor to ensure that none of the Placees will, immediately upon completion of the Placing, become a substantial shareholder of the Company (as defined under the Listing Rules).*

## **REASONS FOR THE PLACING AND USE OF PROCEEDS**

The Group is principally engaged in (i) the health management business; (ii) the medical and well-being business; and (iii) the asset management business.

As described in the interim results announcement of the Company for the six months ended 30 June 2016, it is the Group's business strategy to achieve its business goal of establishing an integrated healthcare and well-being services platform through mergers, acquisitions and integration and to explore investment opportunities in financial/fixed/distressed assets with a view to paving its path to achieve its business goal, enhancing return to shareholders and diversifying business risk. However, as at 30 June 2016, the Group had current liabilities of HK\$384.5 million (comprising borrowings of HK\$228.5 million) and recorded net current liabilities of HK\$68.4 million. The Company considers that such net current liabilities position of the Group should be rectified immediately by debt reduction, otherwise, it may not only undermine the Group's ability to negotiate appropriate investment/business opportunities but will also cast doubt by the shareholders of the Company and potential investors as to the uncertainty of the Group's ability to continue as a going concern. Given the recent favourable market sentiment during the period from 1 September 2016 to the date of this announcement that the average closing of the Hang Seng Index was 23,514 (notwithstanding a yearly high of 24,099 on 9 September 2016), representing a substantial increase of 16% when compared with the closing of 20,259 of the index on 24 June 2016, the date on which the referendum in the United Kingdom voted in favour of its withdrawal from the European Union, the Directors are of the view that it is in the interest of the Company to seize this favourable market window to raise fund through the Placing to enhance its capital structure. The Company intends to apply the net proceeds for debt repayment and general working capital purposes. Given the above, the Directors are of the view that the terms of the Placing Agreement (including the Placing Price and the commission rate) are normal commercial terms and are fair and reasonable and the Placing is in the interest of the Company and its shareholders as a whole.

## **FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

The Company has conducted the following equity fund raising exercise in the past twelve months immediately preceding the date of this announcement.

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds raised (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
10 December 2015	Placing of new Shares	HK\$47 million	General working capital for development of the Group's principal business and capital structure enhancement	Used as intended
23 August 2016	Placing of new Shares	HK\$41 million	General working capital, investment opportunities and enhancement of capital structure	HK\$18 million utilised for debt reduction and the remaining balance to be used as intended

## THE EGM

The EGM will be convened to consider and, if thought fit, to approve the Placing and the Specific Mandate.

## GENERAL

A circular containing information of the Placing and the Specific Mandate, the notice of the EGM and the form of proxy, will be despatched to the shareholders of the Company as soon as practicable.

**Since completion of the Placing is subject to the fulfillment of the conditions as set out in the paragraph headed “Conditions of the Placing Agreement” in this announcement, the Placing may or may not proceed to completion. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

“Company”	China Wah Yan Healthcare Limited, a company incorporated in Hong Kong with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened to consider and, if though fit, to approve the Placing and the Specific Mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individual(s), corporate(s), institutional investor(s) or other investor(s), who are not connected persons of the Company (as defined under the Listing Rules) procured by or on behalf of the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	Nuada Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the placing agent in respect of the Placing

“Placing Agreement”	the placing agreement dated 15 September 2016 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.055 per Placing Share
“Placing Shares”	up to 1,800,000,000 new Shares to be placed pursuant to the terms of the Placing Agreement (each a Placing Share)
“Share(s)”	ordinary share(s) of the Company
“Specific Mandate”	the specific mandate to be granted by the shareholders of the Company to the Directors at the EGM for the allotment and issue of up to 1,800,000,000 Placing Shares pursuant to the Placing Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By Order of the Board of  
**China Wah Yan Healthcare Limited**  
**Chan Ka Chung**  
*Chairman*

Hong Kong, 15 September 2016

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chan Ka Chung, Mr. Cheung Wai Kwan and Mr. Wang Jianguo; and three independent non-executive Directors, namely, Mr. Chan Yee Ping, Michael, Ms. Hu Xuezheng and Mr. Lam Chun Ho.*