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If you have sold or transferred all your securities in China Wah Yan Healthcare Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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China Wah Yan Healthcare Limited

中國華仁醫療有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 648)

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Placing Agent

Nuada Limited

A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Thursday, 27 October 2016 at 1:30 p.m. is set out on pages 11 to 12 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company at www.chinawahyan.com.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company at 36th Floor, Times Tower, 391–407 Jaffe Road, 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 EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed revoked.

7 October 2016

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DEFINITIONS

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

“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 at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Thursday, 27 October 2016 at 1:30 p.m. for the shareholders of the Company to consider and, if thought fit, 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
“Latest Practicable Date”	3 October 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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 (as defined under the Listing Rules) of the Company 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

DEFINITIONS

“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



China Wah Yan Healthcare Limited

中國華仁醫療有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 648)

Executive Directors:

Mr. Chan Ka Chung (*Chairman*)
Mr. Cheung Wai Kwan
Mr. Wang Jianguo

Registered office:

36th Floor, Times Tower
391-407 Jaffe Road
Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Chan Yee Ping, Michael
Mr. Lam Chun Ho
Ms. Hu Xuezheng

7 October 2016

To the shareholders of the Company

Dear Sir or Madam,

**PLACING OF NEW SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 15 September 2016 relating to the Placing.

The purpose of this circular is to provide you with, among other things, details regarding (i) the Placing Agreement and the Specific Mandate; (ii) a notice convening the EGM; and (iii) other information as required under the Listing Rules.

LETTER FROM THE BOARD

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, a maximum 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 Latest Practicable Date 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 Latest Practicable Date; 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), the 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.

LETTER FROM THE BOARD

The Placing Price

The Placing Price 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;
- (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; and
- (iii) a discount of 1.8% to the closing price of HK\$0.056 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent with reference to a number of factors including (i) the recent prices of the Shares prior to the entering into of the Placing Agreement; (ii) the acceptance of the Placing Price (which is the same as the placing price of HK\$0.055 per Share under the Company's placing ("Previous Placing") of 778,057,500 new Shares completed on 9 September 2016) to the potential investors evidenced by the successful completion of the Previous Placing; and (iii) the substantially larger size of the Placing than the Previous Placing. The Company has also made reference to the placing of new shares by placing agents under specific mandates as announced by other companies listed on the Stock Exchange for a period of six months immediately prior to the date of the Placing Agreement (the "Comparable Placing Transactions") and noted that the discount represented by the Placing Price to the closing price of the Shares on the date of the Placing Agreement of 12.7% is within the range of discounts of the Comparable Placing Transactions. As such, the Directors consider the Placing Price is fair and reasonable.

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.

LETTER FROM THE BOARD

The EGM will be held on 27 October 2016 and 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 conditions (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

LETTER FROM THE BOARD

negotiations between the Company and the Placing Agent and is within the range of the commission rates of the Comparable Placing Transactions. The Directors consider that the commission rate is fair and reasonable and on normal commercial terms.

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 Latest Practicable Date and the Completion Date; and (ii) the 1,800,000,000 Placing Shares are fully placed under the Placing):

	As at the Latest Practicable Date		Upon completion of the Placing	
	Number of Shares	Approximately	Number of Shares	Approximately
Shareholders				
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><u>4,720,736,569</u></u>	<u><u>100.00%</u></u>	<u><u>6,520,736,569</u></u>	<u><u>100.00%</u></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 report 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 total liabilities of HK\$658.9 million (comprising borrowings of HK\$493.4 million, of which HK\$101.2

LETTER FROM THE BOARD

million in aggregate from five independent lenders is repayable within the next twelve months) 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 the Placing Agreement 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 not less than 90% of the net proceeds for debt repayment and the remaining balance as general working capital.

Other than the Placing, the Company has considered different fund raising methods (including debt financing or equity financing by way of open offer or rights issue). However, given the net current liabilities position of the Group and the continuous losses incurred in the past years, the Company has difficulty in obtaining long term debt financing (not to mention the interest cost to be incurred). Furthermore, given the lengthy approval procedures for a rights issue/open offer (usually 2 to 3 months) and the unsatisfactory response from two potential underwriters approached by the Company, it will be difficult for the Company to solicit an underwriter to underwrite a rights issue/open offer on a fully underwritten basis and attracting shareholders of the Company to subscribe for the new Shares under the rights issue/open offer without offering the new Shares at a substantial discount to the current price of the Shares. As such, the Directors are of the view that equity financing through the Placing is an appropriate fund raising means for the Company and 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.

LETTER FROM THE BOARD

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 Latest Practicable Date.

Date of announcement	Event	Net proceeds raised <i>(approximately)</i>	Intended use of proceeds	Actual use of proceeds
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

EGM

The EGM will be convened at which resolution will be proposed to seek the approval of the shareholders of the Company for, the Placing and the Specific Mandate by way of a poll. Shareholders of the Company and their associates, who have material interest in the Placing Agreement and the transactions contemplated thereunder and hold any Shares as at the date of the EGM, shall abstain from voting on the resolution approving the Placing and the Specific Mandate. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, no shareholders of the Company have material interest in the Placing Agreement and the transactions contemplated thereunder and therefore, no shareholders of the Company are required to abstain from voting at the EGM to approve the relevant resolution regarding the Placing and the Specific Mandate.

A notice convening the EGM to be held at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong, on Thursday, 27 October 2016 at 1:30 p.m. is set out on pages 11 to 12 of this circular. A proxy form for the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the registered office of the Company at 36/F., Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournments thereof should you so wish. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed revoked.

LETTER FROM THE BOARD

RECOMMENDATION

Having considered the above, the Company considers that the terms of the Placing are fair and reasonable and the Placing and the Specific Mandate are in the interests of the Company and its shareholders as a whole, and recommends the shareholders of the Company to vote in favour of the resolution to be proposed at the EGM to approve the Placing and the Specific Mandate.

RESPONSIBILITY STATEMENT

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

By order of the Board of Directors
China Wah Yan Healthcare Limited
Chan Ka Chung
Chairman



China Wah Yan Healthcare Limited

中國華仁醫療有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 648)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of China Wah Yan Healthcare Limited (the “Company”) will be held at Suites 903–905, 9th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Thursday, 27 October 2016 at 1:30 p.m., for the purpose of considering and, if thought fit, passing the following ordinary resolution (with or without modifications):

ORDINARY RESOLUTION

“THAT

- (a) the conditional placing agreement dated 15 September 2016 (the “Placing Agreement”) (a copy of which is marked “A” and initialled by the chairman of the EGM for the purpose of identification has been produced to the EGM) and entered into between the Company as the issuer and Nuada Limited as the placing agent in relation to the placing of up to 1,800,000,000 new ordinary shares of the Company (the “Placing Shares”) at the placing price of HK\$0.055 per Placing Share, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company (the “Directors”) be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Placing Shares, subject to and in accordance with the terms and conditions set out in the Placing Agreement; and
- (c) any Director(s) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements (whether under common seal or not and in the case of execution under the common seal, the common seal be affixed in accordance with the articles of association of the Company) and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Placing Agreement as he/she/they consider(s) necessary, desirable or expedient for

NOTICE OF EGM

the implementation of and giving effect to the Placing Agreement and all transactions contemplated thereunder (including but not limited to the allotment and issue of the Placing Shares).”

For and on behalf of
the board of directors of
China Wah Yan Healthcare Limited
Chan Ka Chung
Chairman

Hong Kong, 7 October 2016

Registered office:

36th Floor
Times Tower
391–407, Jaffe Road
Wanchai
Hong Kong

Notes:

- (i) A member entitled to attend and vote at the above meeting is entitled to appoint one proxy or, if he/she/it is a holder of more than one share of the Company, more proxies to attend and vote instead of him/her/it. A proxy needs not be a member of the Company but must be present at the meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of the shares of the Company in respect of which each such proxy is so appointed.
- (ii) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of the Company at 36th Floor, Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the above meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the above meeting or any adjournment thereof, should he/she/it so wish, and in such event, the instrument appointing a proxy shall be deemed revoked.
- (iii) Where there are joint holders of any share of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the Register of Members of the Company in respect of such share shall alone be entitled to vote in respect thereof.