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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 licenced securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **China Wah Yan Healthcare Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to licenced 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)

**MAJOR TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Capitalised terms used in this cover page shall have the same meaning as those defined in this circular.

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 Wednesday, 15 February 2017 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 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 at www.hkex.com.hk and the Company at www.chinawahyan.com.

Whether or not you are able to attend and vote at 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 holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall 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.

26 January 2017

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DEFINITIONS

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

“Announcement”	the joint announcement issued by the Company and New Ray Medicine dated 2 December 2016 relating to the Share Transfer
“associates”	has the same meaning ascribed to it under the Listing Rules
“Company”	China Wah Yan Healthcare Limited, a company incorporated in Hong Kong with limited liability and whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 648)
“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 Wednesday, 15 February 2017 and convened for the Shareholders to consider, and if thought fit, approve, among other things, the Tranche Two Share Transfer
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	19 January 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in the circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Ray Medicine”	New Ray Medicine International Holding Limited, a company incorporated in Bermuda with limited liability and whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 6108)
“New Ray Medicine Group”	New Ray Medicine and its subsidiaries
“New Ray Medicine SGM”	the special general meeting of New Ray Medicine to be held and convened for the shareholders of New Ray Medicine to consider, and if thought fit, approve, among other things, the Tranche Two Share Transfer

DEFINITIONS

“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	China New Rich Medicine Holding Co. Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of New Ray Medicine
“RK Pharmaceutical”	Rui Kang Pharmaceutical Group Investments Limited, a non wholly-owned subsidiary of the Company and whose issued shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8037)
“RK Pharmaceutical Group”	RK Pharmaceutical and its subsidiaries
“RK Pharmaceutical Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of RK Pharmaceutical
“Sale Share(s)”	collectively, the Tranche One Sale Shares and the Tranche Two Sale Shares
“Share(s)”	the ordinary share(s) of the Company
“Share Transfer”	collectively, the Tranche One Share Transfer and the Tranche Two Share Transfer
“Share Transfer Agreement”	the sale and purchase agreement dated 2 December 2016 entered into between the Company and the Purchaser in respect of the Share Transfer
“Shareholder(s)”	holder(s) of the Shares
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tranche One Completion Date”	12 January 2017, being the date of completion of the Tranche One Share Transfer
“Tranche One Consideration”	the consideration of HK\$33,362,160 payable by the Purchaser for its acquisition of the Tranche One Sale Shares
“Tranche One Sale Shares”	the 86,700,000 RK Pharmaceutical Shares beneficially owned by the Company as at the date of the Share Transfer Agreement

DEFINITIONS

“Tranche One Share Transfer”	the sale and purchase of the Tranche One Sale Shares between the Company and the Purchaser pursuant to the Share Transfer Agreement
“Tranche Two Completion Date”	the date of completion of the Tranche Two Share Transfer, which shall be within 5 business days following fulfilment of the last of the conditions precedent in respect of the Tranche Two Share Transfer (or such later date as may be agreed between the Company and the Purchaser in writing)
“Tranche Two Consideration”	the consideration of HK\$54,610,816 payable by the Purchaser for its acquisition of the Tranche Two Sale Shares
“Tranche Two Sale Shares”	the 141,920,000 RK Pharmaceutical Shares beneficially owned by the Company as at the date of the Share Transfer Agreement
“Tranche Two Share Transfer”	the sale and purchase of the Tranche Two Sale Shares between the Company and the Purchaser pursuant to the Share Transfer Agreement
“%”	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

26 January 2017

To the Shareholders of the Company

Dear Sir or Madam,

**MAJOR TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the joint announcement issued by the Company and New Ray Medicine dated 2 December 2016 relating to the Share Transfer Agreement and the transactions contemplated thereunder. The purpose of this circular is to provide you with information regarding (i) the Share Transfer Agreement and the transactions contemplated thereunder; and (ii) the notice of the EGM and the corresponding proxy form.

THE SHARE TRANSFER AGREEMENT

Date

2 December 2016

LETTER FROM THE BOARD

Parties to the Share Transfer Agreement

- (i) the Company, as the vendor; and
- (ii) the Purchaser, as the purchaser

The Purchaser, a wholly-owned subsidiary of New Ray Medicine, is principally engaged in investment holding and the New Ray Medicine Group is principally engaged in pharmaceutical distribution business in the PRC. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and the New Ray Medicine Group are third parties independent of the Company and its connected persons (as defined under the Listing Rules). As at the Latest Practicable Date, the New Ray Medicine Group holds 63,500,000 Shares (representing approximately 0.97% of the number of issued Shares as at the Latest Practicable Date).

Assets to be acquired

Subject to the terms and conditions of the Share Transfer Agreement, the Company has agreed to sell, and the Purchaser has agreed to acquire, the Sale Shares which comprise the Tranche One Sale Shares and the Tranche Two Sale Shares, and represent an aggregate of approximately 29.0% of the issued share capital of RK Pharmaceutical as at the date of the Share Transfer Agreement.

Tranche One Share Transfer

Pursuant to the terms and conditions of the Share Transfer Agreement, the Company has agreed to sell, and the Purchaser has agreed to acquire, the Tranche One Sale Shares, representing approximately 11.0% of the issued share capital of RK Pharmaceutical as at the date of the Share Transfer Agreement.

Tranche Two Share Transfer

Pursuant to the terms and conditions of the Share Transfer Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Tranche Two Sale Shares, representing approximately 18.0% of the issued share capital of RK Pharmaceutical as at the date of the Share Transfer Agreement.

No further RK Pharmaceutical Shares have been issued and allotted during the period from the date of the Share Transfer Agreement and up to the Latest Practicable Date.

As at the date of the Share Transfer Agreement, RK Pharmaceutical is a 62.5%-owned subsidiary of the Company and is principally engaged in (i) the manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong.

LETTER FROM THE BOARD

Set out below is a summary of the financial information of the RK Pharmaceutical Group for the years ended 31 December 2014 and 2015 and for the six months ended 30 June 2016 extracted from the relevant annual reports and interim report of RK Pharmaceutical:

	For the year ended 31 December		For the six months ended
	2014	2015	30 June
	(HK\$'000)	(HK\$'000)	(HK\$'000)
	(Audited)	(Audited)	(Unaudited)
Revenue	70,110	34,127	80,951
Loss before tax	(74,398)	(60,040)	(32,123)
Loss after tax	(74,871)	(59,651)	(32,215)

As at 30 June 2016, the unaudited consolidated net asset value of the RK Pharmaceutical Group attributable to its shareholders amounted to HK\$303.4 million.

Consideration

The aggregate consideration for the sale and purchase of the Tranche One Sale Shares and the Tranche Two Sale Shares of HK\$87,972,976, was determined after arm's length negotiation between the Group and the New Ray Medicine Group and taking into account the expected synergy between the RK Pharmaceutical Group and the New Ray Medicine Group following completion of the Share Transfer and approximates 29% of the unaudited consolidated net asset value of RK Pharmaceutical Group attributable to its shareholders of HK\$303.4 million as at 30 June 2016.

The Tranche One Consideration is HK\$33,362,160 and is payable by the Purchaser to the Company in cash (i) as to HK\$5,000,000 on the Tranche One Completion Date; and (ii) as to the remaining HK\$28,362,160 on a date falling on or before the third month from the Tranche One Completion Date as agreed between the Company and the Purchaser or on the Tranche Two Completion Date, whichever is the earlier.

The Tranche Two Consideration is HK\$54,610,816 and is payable by the Purchaser to the Company in cash on the Tranche Two Completion Date.

The Company intends to apply the proceeds from the Share Transfer as to approximately 30% for general working capital and as to approximately 70% for development of the Group's existing businesses and repayment of debts.

LETTER FROM THE BOARD

The consideration per Sale Share of HK\$0.3848 (calculated from the aggregate consideration of HK\$87,972,976 and 228,620,000 Sale Shares):

- (i) represents a premium of approximately 50.9% over the closing price of HK\$0.255 per RK Pharmaceutical Share as quoted on the Stock Exchange as at the date of the Share Transfer Agreement;
- (ii) represents a premium of approximately 45.5% over the average closing price of HK\$0.2645 per RK Pharmaceutical Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to the date of the Share Transfer Agreement;
- (iii) represents a premium of approximately 20.3% over the closing price of HK\$0.32 per RK Pharmaceutical Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (iv) approximates to the unaudited consolidated net asset value of RK Pharmaceutical Group attributable to its shareholders per RK Pharmaceutical Share of approximately HK\$0.3848 as at 30 June 2016 (based on the unaudited consolidated net asset value of the RK Pharmaceutical Group attributable to its shareholders of HK\$303.4 million as at 30 June 2016 and 788,366,750 RK Pharmaceutical Shares in issue as at the Latest Practicable Date).

Conditions Precedent

Completion of the Tranche One Share Transfer is not subject to any condition precedent and took place on 12 January 2017.

Completion of the Tranche Two Share Transfer shall take place on the Tranche Two Completion Date, subject to the fulfilment of the following conditions precedent:

- (i) completion of the Tranche One Share Transfer having taken place;
- (ii) approval having been obtained from the Shareholders at the EGM in respect of, among other things, the terms of the Share Transfer Agreement and the sale and purchase of the Tranche Two Sale Shares in accordance with the requirements of the Listing Rules;
- (iii) approval having been obtained from the shareholders of New Ray Medicine at the New Ray Medicine SGM in respect of, among other things, the terms of the Share Transfer Agreement and the sale and purchase of the Tranche Two Sale Shares in accordance with the requirements of the Listing Rules; and
- (iv) all necessary licences, consents, approvals, authorisations, permissions, waivers, orders, exemptions of, among others, the Stock Exchange and/or any other governmental or regulatory authorities, which are required for the execution and

LETTER FROM THE BOARD

performance of the Share Transfer Agreement or completion of the Tranche Two Share Transfer, having been obtained and not having been revoked prior to completion of the Tranche Two Share Transfer.

Neither parties to the Share Transfer Agreement shall have the right to waive any of the conditions precedent above. As at the Latest Practicable Date, only condition numbered (i) had been fulfilled.

If the conditions precedent in respect of the Tranche Two Share Transfer as set out above are not fulfilled in full at or before 5:00 p.m. on 30 April 2017 (or such later date as may be agreed between the Company and the Purchaser in writing), without prejudice to the rights and obligations of the parties thereunder accrued up to and immediately after completion of the Tranche One Share Transfer, all other rights and obligations of the parties thereunder shall cease and terminate, save and except for those pursuant to the provisions relating to confidentiality and miscellaneous matters which provisions shall remain in full force and effect, and no party shall have any claim against the other save for claim (if any) in respect of such continuing provisions or any antecedent breach thereof.

Completion

Tranche One Share Transfer

Immediately following completion of the Tranche One Share Transfer and as at the Latest Practicable Date, the Group and the New Ray Medicine Group respectively hold approximately 51.5% and approximately 11.0% of the issued share capital of RK Pharmaceutical. RK Pharmaceutical remains as a non wholly-owned subsidiary of the Company.

Tranche Two Share Transfer

Immediately following completion of the Tranche Two Share Transfer, the Group and the New Ray Medicine Group will respectively hold approximately 33.5% and approximately 29.0% of the issued share capital of RK Pharmaceutical. RK Pharmaceutical will cease to be a subsidiary of the Company and will be accounted for as an associate of the Company.

Financial impact of the Share Transfer

RK Pharmaceutical remains as a non wholly-owned subsidiary of the Group after completion of the Tranche One Share Transfer and its assets and liabilities and financial results will continue to be included in the consolidated financial statements of the Group. Given the unaudited consolidated net asset value of RK Pharmaceutical reflected in the Group's consolidated financial statements of HK\$273.1 million as at 30 September 2016 ("Attributable NAV"), the Tranche One Sale Shares (representing approximately 11% of the issued share capital of RK Pharmaceutical) and the Tranche One Consideration of HK\$33.4 million, it is estimated that the Group will record a gain of HK\$2.9 million as a result of the Tranche One Share Transfer (which will be represented as a credit balance on the Group's reserve). Following completion of the Tranche Two Share Transfer, RK

LETTER FROM THE BOARD

Pharmaceutical will be accounted for as an associate of the Company and the Company will share only its proportionate interest in the consolidated net asset value and financial results of the RK Pharmaceutical Group in its consolidated balance sheet and profit and loss accounts. In addition, the debit balance of HK\$18.9 million (the “Loss in Deemed Disposal”) previously included in the reserves of the Group as a result of the placing of new shares of PK Pharmaceutical completed in August 2016 at a price less than its then consolidated net asset value per share will be subsequently recognised in the Group’s consolidated profit and loss accounts. Based on (i) the Attributable NAV; (ii) the Tranche Two Sale Shares (representing 18% of the issued share capital of RK Pharmaceutical); and (iii) the Tranche Two Consideration of HK\$54.6 million, it is estimated that the Tranche Two Share Transfer will result in the Group recording a gain of HK\$6.0 million. If the Loss on Deemed Disposal is taken into account, the Share Transfer will result in the Group recording an aggregate loss on disposal of HK\$10.0 million. However, the actual gain or loss to be recorded by the Group pursuant to the Share Transfer Agreement will be subject to the then financial position of RK Pharmaceutical.

REASONS FOR AND BENEFITS OF THE SHARE TRANSFER

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

The Group has become a strategic investor of New Ray Medicine since June 2016 following its acquisition of 34.4 million shares of New Ray Medicine (representing 8.25% of the issued share capital of New Ray Medicine as at the Latest Practicable Date). As disclosed in New Ray Medicine’s interim report for the six months ended 30 June 2016, New Ray Medicine, in addition to its principal focus in Zhejiang Province, has established an extensive distribution network covering 22 regions in the PRC, including Shanghai, Chongqing, Anhui Province, Sichuan Province, Hebei Province and Guangdong Province. In October and November 2016, New Ray Medicine also announced its acquisition of 26% equity interest in a medical group (the “Contracted Medical Scheme Group”) principally engaged in the provision of contracted medical schemes for integrated medical and healthcare check-up services for corporate clients and having a network of over 700 contracted specialist and general practitioner doctors for providing medical and healthcare services, in which the RK Pharmaceutical Group also made a strategic investment of 4% equity interest.

RK Pharmaceutical has become a non wholly-owned subsidiary of the Company since completion of the voluntary conditional securities exchange offer made by the Company to acquire all of the issued shares of RK Pharmaceutical in May 2016. As the holding company of the RK Pharmaceutical Group, it has been the intention of the Company to formulate business strategies which will benefit both the Group and the RK Pharmaceutical Group as a whole. After the Group’s strategic investment in New Ray Medicine, the Group has considered that the respective business strengths of RK Pharmaceutical Group and New Ray Medicine Group would complement with each other. On one hand, the RK Pharmaceutical Group will be able to (i) leverage on the distribution network and sales expertise of the New Ray Medicine Group to expand its clientele, product offerings and market coverage of its pharmaceutical and health related products (complementing the

LETTER FROM THE BOARD

objective of the RK Pharmaceutical Group to develop and expand its distribution network of existing products and new health related and pharmaceutical products as disclosed in its interim report for the six months ended 30 June 2016); and (ii) devise business plans with the Contracted Medical Scheme Group to enhance the customer base and service offerings of the medical laboratory testing and health check services of RK Pharmaceutical in Hong Kong. On the other hand, New Ray Medicine Group will be able to, as described in the Announcement, benefit from (i) the pharmaceutical and healthcare products manufactured by RK Pharmaceutical to enhance its product portfolio; and (ii) the provision of medical laboratory testing and health check business of the RK Pharmaceutical Group to generate possible synergy effects on the business of the Contracted Medical Scheme Group in the future. Accordingly, the Share Transfer represents an introduction of a strategic shareholder to the RK Pharmaceutical Group with a view to establishing closer collaboration with the New Ray Medicine Group which will enhance the Group's investment return in both RK Pharmaceutical and New Ray Medicine. Although the Share Transfer will result in an one-off loss of HK\$10.0 million, the loss on disposal was mainly due to the Loss on Deemed Disposal and, if such loss were excluded, the Share Transfer would result in a gain of HK\$8.9 million. Having considered the above benefits of the Share Transfer to the business development of RK Pharmaceutical (hence the Group), together with the premium over the recent share price of the RK Pharmaceutical Shares represented by the consideration per Sale Share and the additional general working capital from the proceeds of the Share Transfer for the Group's business development, the Directors are of the view that the terms of the Share Transfer Agreement are fair and reasonable and on normal commercial terms and the entering into of the Share Transfer Agreement is in the interest of the Company and the Shareholders as a whole.

THE LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Tranche Two Share Transfer, either standing alone or aggregated with the Tranche One Share Transfer as a whole, is greater than 25% but all applicable percentage ratios (as defined under the Listing Rules) are less than 75% for the Company, the Tranche Two Share Transfer constitutes a major transaction of the Company under the Listing Rules and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE EGM

The EGM will be convened at which resolution(s) will be proposed to seek the Shareholders' approval for the Tranche Two Share Transfer by way of a poll. Since the New Ray Medicine Group holds 63,500,000 Shares (representing approximately 0.97% of the issued Share) as at the Latest Practicable Date, New Ray Medicine and its associates are required to abstain from voting at the EGM to approve the resolution(s) regarding the Tranche Two Share Transfer. Save as disclosed above, to the best of the Directors' knowledge, information and belief, there are no other Shareholders who have a material interest in the Share Transfer Agreement and the transactions contemplated thereunder and

LETTER FROM THE BOARD

therefore, no Shareholders (except New Ray Medicine and its associates) are required to abstain from voting at the EGM to approve the resolution(s) regarding the Tranche Two Share Transfer.

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 Wednesday, 15 February 2017 at 10:00 a.m. is set out on pages EGM-1 and EGM-2 of this circular. A proxy form for the EGM is enclosed. Whether or not you intend to attend and vote at 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.

RECOMMENDATION

Given the above, the Directors consider that the terms of the Share Transfer Agreement and the Tranche Two Share Transfer are fair and reasonable, and the Share Transfer Agreement and the Tranche Two Share Transfer are in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Transfer Agreement and the transaction contemplated thereunder (including the Tranche Two Share Transfer).

ADDITIONAL INFORMATION

Your attention is also drawn to the further information set out in the appendices to this circular.

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

1. FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2013, 31 DECEMBER 2014 AND 31 DECEMBER 2015 AND THE SIX MONTHS ENDED 30 JUNE 2016

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2013, 31 December 2014 and 31 December 2015, as well as the unaudited consolidated financial statements of the Group for the six months ended 30 June 2016 were disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.chinawahyan.com):

- Interim report of the Group for the six months ended 30 June 2016 published on 21 September 2016 (pages 17 to 42); (<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0921/LTN20160921716.pdf>)
- Annual report of the Group for the year ended 31 December 2015 published on 13 April 2016 (pages 34 to 157); (<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0413/LTN201604131000.pdf>)
- Annual report of the Group for the year ended 31 December 2014 published on 23 April 2015 (pages 31 to 159); and (<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0423/LTN201504231316.pdf>)
- Annual report of the Group for the year ended 31 December 2013 published on 29 April 2014 (pages 29 to 111); (<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0429/LTN201404291404.pdf>)

2. STATEMENT OF INDEBTEDNESS

As at 30 November 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following outstanding borrowings:

Unsecured

1. Unsecured loan from a third party with principal amount of HK\$10.4 million which bears an interest rate based on the prime rate published by Mizuho Corporate Bank in Japan plus 1% per annum and is repayable in 2026.
2. Unsecured loan from a third party with principal amount of HK\$61.7 million which bears an interest rate based on the prime rate published by Mizuho Corporate Bank in Japan plus 1% per annum and is repayable in 2026.
3. Unsecured loans from third parties comprising (i) HK\$5 million which bears an interest rate at 7% per annum and is repayable in 2017; (ii) HK\$40 million which bears an interest rate of 8.5% per annum and is repayable in 2018; (iii) RMB1 million (approximately HK\$1.1 million) which bears an interest rate of 8% per annum and is repayable in 2016; and (iv) RMB8.2 million (approximately HK\$9.3 million) which bears an interest of 1% per annum and is repayable in 2017.

4. Unsecured bonds with principal amount of HK\$138.9 million comprising (i) HK\$10 million which bears an interest rate of 6% per annum and matures in 2017; (ii) HK\$10 million which bears an interest rate of 5% per annum and matures in 2021; (iii) HK\$70.9 million which bears an interest rate of 9.6% per annum and matures in 2017; and (iv) HK\$9 million which bears an interest rate of 6% per annum and mature in 2020; (v) HK\$29 million which bears an interest rate of 6.5% per annum and matures in 2022; and (vi) HK\$10 million which bears an interest rate of 6.5% per annum and matures in 2021.
5. Unsecured convertible note with principal amount of HK\$2 million which bears an interest rate at 5% per annum and matures in 2017.
6. Unsecured promissory note with principal amount of HK\$65 million which bears an interest rate at 5% per annum and matures in 2018.

Secured

7. Secured bank loans comprising (i) HK\$50.7 million which bears an interest rate of one month HIBOR plus 2.5% per annum and matures in 2025; and (ii) HK\$5.2 million which bears an interest of best lending rate minus 2.7% per annum and matures in 2021. These borrowings were secured by properties in Hong Kong.

Save as disclosed above and apart from intra-group liabilities, as at 30 November 2016, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts, liabilities under acceptance (other than normal trade bill) or acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities or guarantees.

3. WORKING CAPITAL

After taking into account the proceeds to be obtained from the Share Transfer and the present financial resources available to the Group (including internally generated revenue and funds), the Company believes that the Group shall have sufficient working capital to meet its present requirement for at least 12 months from the date of this circular in the absence of any unforeseen circumstance.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, 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

As mentioned in the paragraph “Reasons for and benefits of the Share Transfer” under the section headed “Letter from the Board”, it is expected that following completion of the Share Transfer, the New Ray Medicine Group will become a strategic investor of the RK

Pharmaceutical Group and is expected to contribute positively to the business development of the RK Pharmaceutical Group. In addition, the proceeds from the Share Transfer will also provide additional general working capital to the Group. Looking forward, it is the intention of the Group, the RK Pharmaceutical Group and the New Way Medicine Group to devise business plans which can utilise their respective strengths and create synergy for the benefit of all parties.

6. MATERIAL ACQUISITION

On 5 February 2016, the Company made a voluntary conditional securities exchange offer to acquire all of the issued shares of RK Pharmaceutical (other than those already owned by the Company and parties acting in concert with it) (the “RK Share Offer”) and to cancel all of the outstanding share options granted by Rui Kang Pharmaceutical pursuant to its share option scheme (the “RK Option Offer”). At the close of the said voluntary securities exchange offers, RK Pharmaceutical became a non-wholly owned subsidiary of the Company. The Company made the RK Share Offer on an exchange ratio of 7 Shares per 2 shares in RK Pharmaceutical and the RK Option Offer on an exchange ratio of 1 new Share for cancellation of every 500 options of RK Pharmaceutical. On the basis that (i) shareholders of RK Pharmaceutical holding approximately 380.0 million shares of RK Pharmaceutical have accepted the said offers at the closing of the offers and that (ii) the ascribed value of each share in Rui Kang Pharmaceutical was HK\$0.336 (as calculated according to the announcement on 6 April 2016), the aggregate value of consideration for the offers was approximately HK\$127.7 million.

RK Pharmaceutical, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange, is principally engaged in (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) investment in a joint venture in Switzerland engaged in the research and development, manufacture and distribution of beauty products, with principal establishment located in the PRC and Hong Kong.

There is no variation to the remuneration payable to and benefits in kind receivable by the Directors in consequence of the said acquisition of RK Pharmaceutical.

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for RK Pharmaceutical. The above information is set out in Appendix II to the Company’s circular dated 20 April 2016:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0419/LTN20160419841.pdf>

7. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below are the relevant paragraphs extracted from the Group's interim report for the six months ended 30 June 2016:

Review on Business Segments

Health Management Business Segment

As mentioned above, due to the recognition of the full-period revenue of the Health Management Business, the revenue and the segment profit of the Health Management Business increased to HK\$55.6 million (six months ended 30 June 2015: HK\$23.9 million) and HK\$2.5 million (six months ended 30 June 2015: HK\$1.4 million) respectively for the six months ended 30 June 2016. During the period under review, the Group had closed down certain non-performing sports and healthcare clubhouses and, as a result, the number of membership decreased to about 24,000 as at 30 June 2016 (31 December 2015: about 31,000). Given the increasingly fierce competition in the sports and fitness market in the PRC, the Group will continue to monitor and review its strategy as to the Health Management Business as and when appropriate.

Medical and Well-being Business Segment

The Eye-care Business

The Eye-care Business, similar to other retail businesses in Hong Kong, has been suffering from the increase in the rent of commercial properties and the decrease in the number of tourists from the PRC. As a result, although the Eye-care Business recorded an increase of 25.5% in revenue during the six months ended 30 June 2016 due to the opening of two additional shops and gross profit margin was able to remain at a similar level to the same period in the previous year, fixed costs (such as rental expenses) have continued to adversely affect the profitability of the Eye-care Business and the Eye-care Business still incurred a net loss for the period. The Group will continue to devise plans to enhance the financial performance of this business including potential business collaboration with the Ophthalmic Business.

The Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business

Since the Share Offer was just completed in May 2016, the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business contributed only HK\$6.6 million to the Group's revenue. It is anticipated that the revenue and profit contribution of these businesses to the Group will increase when their full-period financial results are reflected in the Group's consolidated financial statements. In addition, as disclosed in the interim report of Rui Kang for the six months ended 30 June 2016, Rui Kang will continue to strengthen the Pharmaceutical Manufacturing Business through (i) enhancement of online sales; (ii) introduction of new health related products; and (iii) expansion of distribution network.

The O&G Business

Since the acquisition of the O&G Business was completed only in late June 2016, financial contribution from this business line to the Group was minimal for the period under review.

*Asset Management Segment**Investment in financial/fixed/distressed assets*

The Group's investment portfolio comprises investment in financial/fixed/distressed assets in Hong Kong. As at 30 June 2016, the Group held 9.9% equity interest in New Ray Medicine and 29.3% equity interest in IR Resources as part of its strategic plan to achieve its business goal.

As at 30 June 2016, the total assets of the asset management segment of the Group amounted to HK\$383.9 million (31 December 2015: HK\$379.4 million). The slight increase in the total assets of this business segment was attributable to the combined impact of (i) the Group's investment in New Ray Medicine and participation in the rights issue of IR Resources; (ii) the inclusion of the investment portfolio of Rui Kang; (iii) the exclusion of the Group's investment in Rui Kang from this business segment after completion of the Share Offer; (iv) the restructuring of its property portfolio; and (v) the decrease in the fair value of the Company's financial and capital assets held under this business segment (which recorded a segment loss of HK\$224.7 million mainly resulted from the impairment loss on investment in listed securities and investment properties and the decrease in the fair value of Rui Kang's investment portfolio from completion of the Share Offer till 30 June 2016) due to the adverse market sentiments as mentioned above (six months ended 30 June 2015: segment profit of HK\$32.2 million). The Group will continue to monitor the performance of this business segment and review its investment portfolio as and when appropriate to serve the purposes of this business segment of paving the Group's path towards its business goal and diversifying the Group's risk and return.

Loan financing

In order to seize the opportunities in the non-bank financing sector in Hong Kong and the PRC, the Company obtained a money lending license granted by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in 2015. However, since Rui Kang has commenced its money lending business in 2015, the Company intends to focus its loan financing business on the market sectors different from Rui Kang's. The Group will also keep abreast of opportunities for financial services and products platforms which would enhance the capability and sustainability of the loan financing business line.

Prospects

Going forward, the Group will continue to streamline its business portfolio through mergers, acquisitions and integration. In addition, the Group will continue to explore investment opportunities in financial/fixed/distressed assets with a view to paving its path to achieve its business goal, diversifying the risk and return of its businesses and enhancing return to shareholders.

Financial Review*Liquidity and financial resources*

For the six months ended 30 June 2016, the net cash outflow from operating activities amounted to HK\$98.3 million (six months ended 30 June 2015: net cash outflow of HK\$108.1 million), the net cash outflow from investing activities amounted to HK\$20.1 million (six months ended 30 June 2015: net cash outflow of HK\$48.3 million) and the net cash inflow from financing activities amounted to HK\$131.5 million (six months ended 30 June 2015: net cash inflow of HK\$58.0 million). As a result, the Group recorded a net cash inflow of HK\$13.1 million for the six months ended 30 June 2016 (six months ended 30 June 2015: net cash outflow of HK\$98.4 million).

As at 30 June 2016, the Group had cash and bank balances of HK\$104.3 million (31 December 2015: HK\$91.7 million).

As at 30 June 2016, the Group's total borrowings amounted to HK\$493.4 million (31 December 2015: HK\$296.3 million) which included borrowings of HK\$307.8 million (31 December 2015: HK\$197.5 million), convertible securities of HK\$2.0 million (31 December 2015: HK\$2.0 million), promissory note payable of HK\$60.3 million (31 December 2015: Nil) and bonds payable of HK\$123.3 million (31 December 2015: HK\$96.8 million). The increase in total borrowings was due to additional financing and business combination during the period. The borrowings are denominated in Hong Kong dollars and Japanese Yen and will either be repaid by generated funds or rolled over upon maturity.

As at 30 June 2016, the Group's net asset value (including non-controlling interest) was HK\$281.5 million (31 December 2015: HK\$551.6 million) with a liquidity ratio (calculated based on the Group's current assets to current liabilities) of 0.8 times as at 30 June 2016 (31 December 2015: 1.1 times). The Group's gearing ratio (calculated based on the Group's total borrowings to the equity attributable to the owners of the Company) was 233.6% (31 December 2015: 78.3%). Given the net current liabilities position and the significant increase in the gearing ratio (from 31 December 2015) of the Group as at 30 June 2016, the Directors concurred with the view of the auditors to the Group that the Group shall seize appropriate opportunities when available to raise funds to reduce its short term borrowings and liabilities.

Exposure to fluctuation in exchange rates

The Group's cash flow from operations is mainly denominated in Renminbi and Hong Kong dollars. Its assets are mostly denominated in Renminbi and Hong Kong dollars, and liabilities are mainly denominated in Japanese Yen and Hong Kong dollars. The Group recorded currency exchange loss of HK\$11.6 million mainly resulted from the recent appreciation of Japanese Yen during the period under review. The Group will continue to monitor the situation and may consider to reduce its debt exposure to Japanese Yen through external fund raising means as and when appropriate.

Charge on group assets

As at 30 June 2016, investment properties with carrying value of HK\$95.0 million (31 December 2015: HK\$150.6 million) of the Group was pledged to a financial institution to secure borrowings of HK\$52.9 million (31 December 2015: HK\$55.2 million) of the Group.

Contingencies

There was no provision in respect of contingencies required to be made in the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016.

Employees and Remuneration Policy

As at 30 June 2016, the total number of employees of the Group was 1,015. The Group remunerates its employees based on their performance, working experience and the prevailing market price. Other employee benefits include retirement benefits, insurance and medical coverage, training programs and share option scheme.

A. RESPONSIBILITY STATEMENT

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

B. DISCLOSURE OF INTERESTS**1. Interests of directors and chief executives of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) 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 and short positions which he/she is taken or was deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the “Model Code”), to be notified to the Company and the Stock Exchange were as follows:

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approx. % of shareholding of the Company
Mr. Chan Ka Chung (“Mr. Chan”)	Corporate interest	101,250,000	—	101,250,000	1.55%
	Personal	—	11,819,437 <i>(Note 1)</i>	11,819,437	0.18%
Mr. Cheung Wai Kwan	Personal	—	3,000,000 <i>(Note 1)</i>	3,000,000	0.046%
Mr. Chan Yee Ping, Michael	Personal	—	1,499,866 <i>(Note 1)</i>	1,499,866	0.023%
Mr. Lam Chun Ho	Personal	—	1,499,866 <i>(Note 1)</i>	1,499,866	0.023%
Ms. Hu Xuezhen	Personal	—	1,499,866 <i>(Note 1)</i>	1,499,866	0.023%

Note:

- This represents long position in the underlying Shares under the share options granted pursuant to the share options scheme adopted by the Company pursuant to an ordinary resolution of the Shareholders passed on 12 June 2014. Details are summarised as below:

Grantee	Date of grant	Exercisable period	Exercise price per share (HK\$)	As at the Latest Practicable Date
<i>Executive Directors</i>				
Mr. Chan	24-06-2015	24-06-2015 to 23-06-2017	0.28	11,819,437
Mr. Cheung Wai Kwan	24-06-2015	24-06-2015 to 23-06-2017	0.28	3,000,000
<i>Independent Non-executive Directors</i>				
Mr. Chan Yee Ping, Michael	24-06-2015	24-06-2015 to 23-06-2017	0.28	1,499,866
Mr. Lam Chun Ho	24-06-2015	24-06-2015 to 23-06-2017	0.28	1,499,866
Ms. Hu Xuezheng	24-06-2015	24-06-2015 to 23-06-2017	0.28	1,499,866

Associated corporations

Name	Associated corporation	Percentage of issued capital
Mr. Chan	Epoch Unicorn Limited	51%
Dr. Chan Leung Kwok	Seaside Treasure Limited	49%

Save as disclosed above, as at the Latest Practicable Date, no other Directors had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Interests of Substantial Shareholders

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other interest or short position in the shares or the underlying shares of the Company 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.

C. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation)).

D. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, 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.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

E. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates were interested in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

F. MATERIAL CONTRACTS**The Group (excluding the RK Pharmaceutical Group)**

The following contracts were entered into by the Group within two years preceding the date of this circular and ending on the Latest Practicable Date, which are or may be material to the business of the Group as a whole:

- (i) the subscription agreement dated 26 February 2015 and entered into between a wholly-owned subsidiary of the Company holding indirect interest in the health management business and a wholly-owned subsidiary of RK Pharmaceutical in relation to the subscription of 23% interest in that wholly-owned subsidiary of the Company at a consideration of HK\$4.83 million;
- (ii) the placing agreement dated 27 March 2015 and entered into between the Company and Fordjoy Securities and Futures Limited relating to the placing of 223,426,687 new Shares at the placing price of HK\$0.19 per placing share;

- (iii) the deeds of amendment dated 10 April 2015 and entered into amongst the Company and Hydra Capital SPC for and on behalf of SP#2, Hydra Capital SPC for and on behalf of SP#3 and DRL Capital relating to the amendment of the conversion price of the convertible bonds from HK\$0.32 to HK\$0.183 per conversion share;
- (iv) the sale and purchase agreement dated 20 May 2015 entered into between Mr. Chan and a wholly owned subsidiary of the Company relating to the acquisition of 50% equity interest of a property holding company at a consideration of HK\$3.5 million;
- (v) the placing agreement dated 1 June 2015 and entered into between the Company and China Everbright Securities (HK) Limited relating to the placing of 362,853,795 new Shares at the placing price of HK\$0.335 per placing share;
- (vi) the undertaking agreement dated 11 June 2015 and provided by the Company to RK Pharmaceutical that the Company had irrevocably undertaken to RK Pharmaceutical to participate in the rights issue in RK Pharmaceutical and subscribe for 206,250,000 shares in RK Pharmaceutical at a total consideration of approximately HK\$59.8 million;
- (vii) the placing agreement dated 29 July 2015 and entered into between the Company and Convoy Asset Management Limited relating to the placing of bonds due 2017 with principal amount of up to HK\$200 million;
- (viii) the joint venture agreement dated 14 July 2015 and entered into between the Company and an independent third party relating to the setting up of a joint venture for development of Chinese medicine in Hong Kong and the PRC;
- (ix) the option deed dated 14 July 2015 and entered into between the Company and a company wholly owned by Mr Chan relating to the granting of option to acquire or dispose of the Group's certain interest in the Chinese medicine business;
- (x) the facility agreement dated 9 September 2015 and entered into between the Company and a company wholly-owned by Mr. Chan in relation to provision of an equity credit facility;
- (xi) the placing agreement dated 10 December 2015 and entered into between the Company and Jun Yang Securities Company Limited relating to the placing of up to 435,424,554 new Shares at the placing price of HK\$0.112 per placing share;

- (xii) the subscription agreement dated 29 January 2016 and entered into by the Company with CCE Capital relating to the investment of HK\$55 million in an investment fund established for the exploration of investment opportunities in healthcare related industries in the Greater China Region;
- (xiii) the sale and purchase agreement dated 16 February 2016 and entered into between a wholly-owned subsidiary of the Company and an independent third party in relation to the disposal of 19% of a non wholly-owned subsidiary of the Company holding interest in the health management business and a loan assignment at a consideration of HK\$6.65 million;
- (xiv) the placing agreement dated 18 February 2016 and entered into between the Company and Convoy Asset Management Limited (as the placing agent) relating to the placing of bonds due 2017 with principal amount of up to HK\$100 million;
- (xv) the undertaking agreement dated 24 February 2016 and provided by the Company that the Company had irrevocably undertaken that it will subscribe for 7,100,000,000 shares of IR Resources Limited under its rights issue at a consideration of approximately HK\$71 million;
- (xvi) the sale and purchase agreement dated 22 March 2016 and entered into between a wholly-owned subsidiary of the Company and an independent third party in relation to the disposal of the Group's entire equity interest in a company engaged in the operation of medical centres specialising in diagnosis and treatment of tumour in the PRC at a consideration of HK\$34 million;
- (xvii) the sale and purchase agreement dated 26 May 2016 and entered into between a wholly-owned subsidiary of the Company and a non wholly-owned subsidiary of the Group relating to the acquisition of 18% interest in a PRC company involved in the development of a tumour-specialised hospital in the PRC at a consideration of HK\$88.8 million;
- (xviii) the sale and purchase agreement dated 26 May 2016 and entered into between an independent third party and a wholly-owned subsidiary of the Company relating to the disposal of the Group's 45% equity interest in a non wholly-owned subsidiary of the Company (which had interest in projects involving elderly nursing home, upgrading of a hospital and an elderly care zone in the PRC) at a consideration of HK\$89.5 million;
- (xix) the bond placing agreement dated 30 May 2016 and entered into between the Company and Convoy Asset Management Limited relating to the placing of bonds due 2022 with principal amount of up to HK\$100 million;
- (xx) the sale and purchase agreement dated 7 June 2016 and entered into between a wholly-owned subsidiary of the Company and Dr. Chan Leung Kwok relating to the acquisition of the entire equity interest of Women's Health

And Reproductive Medicine Centre Limited, a company engaged in the provision of obstetric and gynaecological services in Hong Kong, at a consideration of HK\$8.85 million;

- (xxi) the sale and purchase agreement dated 23 June 2016 and entered into between a wholly-owned subsidiary of the Company and an independent third party relating to the acquisition of 34,356,960 shares of New Ray Medicine at a consideration of approximately HK\$79.15 million;
- (xxii) the placing agreement dated 23 August 2016 and entered into between the Company and Nuada Limited relating to the placing of up to 778,057,500 new Shares at the placing price of HK\$0.055 per placing share;
- (xxiii) the bond placing agreement dated 30 August 2016 and entered into between the Company and Convoy Asset Management Limited relating to the placing of bonds due 2021 with the principal amount of up to HK\$100 million;
- (xxiv) the placing agreement dated 15 September 2016 and entered into between the Company and Nuada Limited relating to the placing of up to 1,800,000,000 new Shares at the placing price of HK\$0.055 per placing share; and
- (xxv) the Share Transfer Agreement.

The RK Pharmaceutical Group

RK Pharmaceutical has become a non wholly-owned subsidiary of the Company since completion of a securities exchange offer to acquire all the shares of RK Pharmaceutical by the Company in May 2016. The following contracts were entered into by RK Pharmaceutical since becoming a subsidiary of the Company up to and ending on the Latest Practicable Date, which are or may be material to the business of the RK Pharmaceutical Group as a whole:

- (a) The sale and purchase agreement dated 15 July 2016 and entered into between a wholly-owned subsidiary of RK Pharmaceutical and JFA Capital relating to the acquisition of 4% equity interest of the Contracted Medical Scheme Group by the Rui Kang Pharmaceutical Group at a consideration of approximately HK\$19.42 million.
- (b) The placing agreement dated 22 July 2016 and entered into between RK Pharmaceutical and Supreme China Securities Limited relating to the placing of up to 131,380,000 new shares of RK Pharmaceutical at the placing price of HK\$0.169 per placing share.
- (c) The sale and purchase agreement dated 17 November 2016 and entered into between a wholly-owned subsidiary of RK Pharmaceutical and Mr. U Man Iong relating to the disposal of 6.136% equity interest of a company engaged in money lending business in the PRC by the RK Pharmaceutical Group at a consideration of HK\$10 million.

G. LITIGATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, neither the Group nor any of its subsidiaries have been engaged in any litigation, arbitration or claims of material importance and, so far as the Directors are aware, no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Group.

H. GENERAL

- (a) The registered office of the Company is located at 36th Floor, Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Lam Sung Him, Gaston, who is a member of the American Institute of Certified Public Accountants.
- (c) The Company’s principal share registrar and transfer office is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

I. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours, Monday to Friday (other than public holidays) at the principal place of business of the Company at 36th Floor, Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong from the date of this circular until the date of the EGM:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2014 and 2015;
- (c) the interim report of the Company for the six months ended 30 June 2016;
- (d) the material contracts as set out in the paragraph “Material Contracts” in this Appendix;
- (e) the circular dated 20 April 2016 in relation to the RK Offer;
- (f) the circular dated 7 October 2016 in relation to the placing of 1,800,000,000 new Shares; and
- (g) this circular.

J. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.



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 Wednesday, 15 February 2017 at 10:00 a.m., for the purpose of considering and, if thought fit, passing the following ordinary resolution (with or without modifications):

ORDINARY RESOLUTION

“**THAT**

- (a) the sale and purchase agreement dated 2 December 2016 (the “Sale and Purchase 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 seller and China New Rich Medicine Holding Co. Limited (the “Purchaser”) as the purchaser pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally to purchase from the Company in aggregate of 228,620,000 shares of Rui Kang Pharmaceutical Group Investments Limited (“RK Pharmaceutical”) at a total cash consideration of HK\$87,972,976 and the transactions contemplated thereunder, in particular the sale and purchase of 141,920,000 shares of RK Pharmaceutical at a consideration of HK\$54,610,816 as Tranche Two Share Transfer (as defined in the circular of the Company dated 26 January 2017), be and are hereby approved, confirmed and ratified;
- (b) 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 Tranche Two Share Transfer

NOTICE OF EGM

and/or other matters contemplated in the Sale and Purchase Agreement as he/she/they consider(s) necessary, desirable or expedient for the implementation of and giving effect to the Tranche Two Share Transfer and all other transactions contemplated under the Sale and Purchase Agreement.”

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

Hong Kong, 26 January 2017

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.