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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer 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** (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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**This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.**

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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 AND CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



云鋒金融

**REORIENT Financial Markets Limited**

**(A member of Yunfeng Financial Group)**

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A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at Room 4608, 46th Floor, The Centre, 99 Queen’s Road Central, Hong Kong on Monday, 31 July 2017, at 9:30 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. 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 office of the Company at 36th Floor, Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours (exclusive of any part of a day that is a public holiday) 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.

14 July 2017

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of the Directors
“Business Day(s)”	a day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business
“Company”	China Wah Yan Healthcare Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and dealt in on the Main Board of the Stock Exchange (stock code: 648)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares under the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be held at Room 4608, 46th Floor, The Centre, 99 Queen’s Road Central, Hong Kong, on Monday, 31 July 2017 at 9:30 a.m. for the Independent Shareholders to consider and, if thought fit, approve the resolutions relating to the Disposal
“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 People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in relation to the Disposal
“Independent Financial Adviser” or “Reorient”	REORIENT Financial Markets Limited (a wholly owned subsidiary of Yunfeng Financial Group Limited), a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders on the Disposal

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## DEFINITIONS

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“Independent Shareholder(s)”	Shareholder(s) who, under the Listing Rules, are not required to abstain from voting for the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Last Trading Day”	15 June 2017, being the last trading day immediately prior to the signing of the Sale and Purchase Agreement
“Latest Practicable Date”	10 July 2017, 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
“Mr. Liu”	Mr. Liu Xiaolin, who is the sole director of the Purchaser and the ultimate beneficial owner of all the issued shares in the Purchaser
“Offer”	the mandatory general cash offer to be made by the Purchaser to acquire all of the issued Rui Kang Pharmaceutical Shares not already owned or agreed to be acquired by the Purchaser and parties acting in concert with it under the Takeovers Code
“PRC”	the People’s Republic of China, which for the purpose of this circular only, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Genius Lead Limited, a company incorporated in Samoa with limited liability
“Rui Kang Pharmaceutical”	Rui Kang Pharmaceutical Group Investments Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed and dealt in on the Growth Enterprise Market of the Stock Exchange (stock code: 8037)
“Rui Kang Pharmaceutical Group”	Rui Kang Pharmaceutical and its subsidiaries
“Rui Kang Pharmaceutical Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of Rui Kang Pharmaceutical
“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 June 2017 entered into between the Purchaser and the Company for the acquisition of the Sale Shares by the Purchaser

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## DEFINITIONS

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“Sale Shares”	406,023,891 Rui Kang Pharmaceutical Shares to be disposed of by the Company to the Purchaser pursuant to the Sale and Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers



**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 Xuezhen

14 July 2017

*To the Shareholders*

Dear Sir or Madam,

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

**INTRODUCTION**

The purpose of this circular is to provide you with information relating to (i) the Sale and Purchase Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Disposal; and (iv) a notice of the EGM and the corresponding proxy form.

**THE SALE AND PURCHASE AGREEMENT**

**Date**

15 June 2017 (after the trading hours of the Stock Exchange)

**Parties**

(i) the Company, as the vendor; and

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## LETTER FROM THE BOARD

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- (ii) the Purchaser, as the purchaser

The Purchaser is an investment holding company and its ultimate beneficial owner is Mr. Liu, who held 93,820,000 Rui Kang Pharmaceutical Shares (representing approximately 11.9% of the issued shares of Rui Kang Pharmaceutical) as at the Latest Practicable Date. Therefore, the Purchaser is a substantial shareholder (as defined under the Listing Rules) of Rui Kang Pharmaceutical and is a connected person (as defined under the Listing Rules) of the Company.

### **Sale Shares and the consideration**

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares (being 406,023,891 Rui Kang Pharmaceutical Shares and representing approximately 51.5% of the issued shares of Rui Kang Pharmaceutical as at the Latest Practicable Date).

The consideration (the “Consideration”) for the Sale Shares is HK\$207,072,184.41 (equivalent to HK\$0.51 per Sale Share) and was determined after arm’s length negotiations between the Purchaser and the Company with reference to the prevailing market price of the Rui Kang Pharmaceutical Shares. The Consideration shall be payable in cash by the Purchaser (i) as to HK\$50,000,000 (the “Deposit”) upon the signing of the Sale and Purchase Agreement and (ii) as to the remaining balance of HK\$157,072,184.41 upon Completion.

The Consideration per Sale Share of HK\$0.51 represents:

- (i) a premium of 4.1% over the closing price of HK\$0.49 of the Rui Kang Pharmaceutical Shares as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of 2.2% over the average of the closing price of the Rui Kang Pharmaceutical Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of HK\$0.499 of the Rui Kang Pharmaceutical Shares;
- (iii) a premium of 2.0% over the average of the closing prices of the Rui Kang Pharmaceutical Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of HK\$0.5 of the Rui Kang Pharmaceutical Shares;
- (iv) a premium of 13.3% over the closing price of HK\$0.45 of the Rui Kang Pharmaceutical Shares as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of 50% over the audited consolidated net asset value attributable to its shareholders of the Rui Kang Pharmaceutical Shares as at 31 December 2016 of HK\$0.34 (the “2016 RKP NAV”) (which was calculated by dividing the audited

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## LETTER FROM THE BOARD

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consolidated net asset value of the Rui Kang Pharmaceutical Group attributable to its shareholders as at 31 December 2016 of HK\$265.51 million by 788,366,750 Rui Kang Pharmaceutical Shares).

Based on the above, the Directors are of the view that the Consideration is fair and reasonable.

In the event that the Sale and Purchase Agreement cannot be completed due to the non-fulfillment of the conditions precedent, the Deposit will be refunded, without interest, to the Purchaser within three (3) Business Days after the termination of the Sale and Purchase Agreement.

### **Conditions precedent to Completion**

Completion is conditional upon the following conditions precedent being fulfilled or waived (as the case may be):

- (a) the obtaining of approval of the Independent Shareholders at the the EGM in respect of the Sale and Purchase Agreement for the sale of the Sale Shares and the transactions contemplated thereunder in a manner as required by the Stock Exchange or under the Listing Rules and the articles of association of the Company and the applicable legislation;
- (b) the trading of the Rui Kang Pharmaceutical Shares on the Stock Exchange not having been suspended for a period longer than fourteen (14) consecutive trading days, save for any temporary suspension required by relevant regulatory authorities for approving the announcements in connection with the transactions contemplated under the Sale and Purchase Agreement and the Offer;
- (c) the listing of the Rui Kang Pharmaceutical Shares not having been cancelled or withdrawn and neither the Stock Exchange nor the SFC having indicated that the trading of the Rui Kang Pharmaceutical Shares on the Stock Exchange will be suspended, cancelled or withdrawn after Completion or that it will object to the continued listing of the Rui Kang Pharmaceutical Shares on the Stock Exchange; and
- (d) the warranties of the Company contained in the Sale and Purchase Agreement remaining true and accurate in all material respects and not misleading in any material respect.

While none of the conditions precedent is waivable by the Company, the Purchaser may in its absolute discretion at any time waive all or any of the above conditions precedent (other than the condition numbered (a)) in whole or in part, either unconditionally or subject to condition(s) which the Purchaser may consider appropriate. However, no waiver of the condition(s) above (other than the condition numbered (a)) would affect the substance of the Disposal. As at the Latest Practicable Date, none of the above conditions had been waived or fulfilled.



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## LETTER FROM THE BOARD

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If any of the conditions precedent to the Sale and Purchase Agreement have not been fulfilled (or waived by the Purchaser) on or before 15 September 2017 (or such other date as may be agreed between the Purchaser and the Company), the Sale and Purchase Agreement shall terminate whereupon none of the parties shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any prior breach of the Sale and Purchase Agreement) and the Offer will not be made.

### **Completion**

Completion shall take place on either (i) if the trading in the Rui Kang Pharmaceutical Shares on the Stock Exchange is not halted or suspended on such date, the third Business Day falling after the satisfaction of condition (a) as set out in the paragraph headed “Conditions precedent to Completion” above; or (ii) if the trading in the Rui Kang Pharmaceutical Shares on the Stock Exchange is halted or suspended on the date set out in (i) above, the second Business Day following the subsequent resumption of trading in the Rui Kang Pharmaceutical Shares on the Stock Exchange (or such other date as may be agreed between the Purchaser and the Company).

Following Completion, the Company will cease to have any interest in Rui Kang Pharmaceutical and Rui Kang Pharmaceutical will cease to be a subsidiary of the Company. Accordingly, the assets and liabilities, and the profit and loss of the Rui Kang Pharmaceutical Group will no longer be consolidated into the consolidated balance sheet and consolidated profit and loss accounts of the Group.

Based on (i) the audited consolidated net asset value of Rui Kang Pharmaceutical attributable to the Company as at 31 December 2016; (ii) the exchange reserve to be released as a result of the Disposal; and (iii) the Consideration, it is estimated that the Group will record a gain of approximately HK\$62.9 million as a result of the Disposal. However, the actual gain or loss in respect of the Disposal to be recorded by the Group will be subject to the then financial position of the Rui Kang Pharmaceutical Group upon Completion.

The gross and net proceeds from the Disposal amount to HK\$207.07 million and HK\$206.3 million respectively. The Company intends to apply the net proceeds from the Disposal as to (i) approximately 10% for general working capital purpose (such as corporate expense including staff salary, office expenses and professional fees); (ii) approximately 70% for repayment of debts (as at 31 December 2016, the Group (excluding the Rui Kang Pharmaceutical Group) had outstanding borrowings of HK\$212.5 million repayable by end of 2018); and (iii) approximately 20% for potential investment opportunities.

Save for the Disposal, the potential restructuring of the businesses of the Group and the voluntary conditional securities exchange offers to acquire the shares of Xinhua News Media Holdings Limited (the “Xinhua News Media Offers”), as at the Latest Practicable Date, the Group did not have any intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) or concrete plan on any disposal/termination/scaling down of the Company’s existing businesses, injection of any new business to the Group and any change in the board composition and shareholding structure of the Group. Although

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## LETTER FROM THE BOARD

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the Company encounters or is presented with potential investment opportunities from time to time, as at the Latest Practicable Date, there was no active on-going negotiation or concrete plan in respect of any of such opportunities at mature stage of which any agreement (including non-legally binding or definitive) has been entered into by the Company.

### INFORMATION ON THE RUI KANG PHARMACEUTICAL GROUP

The Rui Kang Pharmaceutical Group is principally engaged in the (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) trading of securities in Hong Kong. The Rui Kang Pharmaceutical Group is also engaged in the research and development, manufacture and distribution of branded cosmetic products through a joint venture in Switzerland.

#### Financial Information

The following table is a summary of certain audited financial information of the Rui Kang Pharmaceutical Group for the two financial years ended 31 December 2015 and 31 December 2016:

	For the year ended	
	31 December 2015 (HK\$'000) (audited)	31 December 2016 (HK\$'000) (audited)
Turnover	34,127	86,565
Loss before tax	(60,040)	(95,139)
Loss for the year from continuing operations	(59,651)	(95,618)
(Loss)/profit for the year from discontinued operation	(8,109)	35,526
Loss for the year	(67,760)	(60,092)

	As at	
	31 December 2015 (HK\$'000) (audited)	31 December 2016 (HK\$'000) (audited)
Total assets	478,018	322,956
Total liabilities	(135,280)	(47,739)
Net assets (including non-controlling interest)	342,738	275,217

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## LETTER FROM THE BOARD

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### Disposal of Rui Kang Pharmaceutical Shares in 2016

As described in the circular (the “2016 Disposal Circular”) of the Company dated 26 January 2017, the Company entered into a share transfer agreement (the “2016 Disposal Agreement”) with China New Rich Medicine Holding Co. Limited (a wholly-owned subsidiary of New Ray Medicine International Holding Limited (“New Ray Medicine”, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 6108)), pursuant to which the Company would dispose of (the “2016 Disposal”) 228,620,000 Rui Kang Pharmaceutical Shares in aggregate at the consideration of HK\$87,972,976 (representing a consideration of HK\$0.3848 (the “2016 Disposal Price”) per Rui Kang Pharmaceutical Share) comprising of two tranches, (i) the tranche one of which involved the disposal of 86,700,000 Rui Kang Pharmaceutical Shares and had been completed in January 2017; and (ii) the tranche two of which would involve the disposal of 141,920,000 Rui Kang Pharmaceutical Shares and was subject to the approval of the Shareholders.

As described in the 2016 Disposal Circular, the 2016 Disposal Price:

- (i) represented a premium of 50.9% over the closing price of HK\$0.255 of the Rui Kang Pharmaceutical Shares as quoted on the Stock Exchange as at the date of the 2016 Disposal Agreement;
- (ii) represented a premium of 45.5% over the average closing price of HK\$0.2645 of the Rui Kang Pharmaceutical Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to the date of the 2016 Disposal Agreement;
- (iii) approximated the unaudited consolidated net asset value of the Rui Kang Pharmaceutical Group attributable to its shareholders per Rui Kang Pharmaceutical Share of approximately HK\$0.3848 as at 30 June 2016 (based on the unaudited consolidated net asset value of the Rui Kang Pharmaceutical Group attributable to its shareholders of HK\$303.4 million as at 30 June 2016 and 788,366,750 Rui Kang Pharmaceutical Shares in issue as at the latest practicable date of the 2016 Disposal Circular).

As disclosed in the announcement of the Company dated 15 February 2017, the resolution relating to the 2016 Disposal was voted down by the then Shareholders at the extraordinary general meeting of the Company held on the same date (the “February EGM”). The Company was not sure about the reasons that the then Shareholders voted down the relevant resolution, but conjectured that the decision of the then Shareholders might be influenced by the surge in the price of the Rui Kang Pharmaceutical Shares to HK\$0.405 on 15 February 2017 as compared to the 2016 Disposal Price.

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## LETTER FROM THE BOARD

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However, the results announcement of Rui Kang Pharmaceutical for the year ended 31 December 2016 was yet to be released and made available to the then Shareholders as at the date of the February EGM. Having considered (i) the continuous loss incurred by the Rui Kang Pharmaceutical Group and its key business segments for the year ended 31 December 2016; (ii) the difficulty for the financial performance of the Rui Kang Pharmaceutical Group to turn around (for reasons as stated in the annual report of the Rui Kang Pharmaceutical Group for the year ended 31 December 2016 (the “RKP 2016 Annual Report”)); and (iii) the consideration per Sale Share of HK\$0.51 representing a premium of 32.5% over the 2016 Disposal Price and 50% over the 2016 RKP NAV, the Directors are of the view that the Disposal is in the interest of the Company and the Shareholders as a whole.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

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 Rui Kang Pharmaceutical Group became a subsidiary of the Company following the securities exchange offers completed in May 2016. It was the initial intention of the Company that the acquisition of Rui Kang Pharmaceutical would complement the Group in achieving its business goal of becoming a strategic healthcare and financial group. However, as disclosed in the RKP 2016 Annual Report, the financial results and prospects of the major business segments of the Rui Kang Pharmaceutical Group have been unsatisfactory, including (i) the segment loss of HK\$33.0 million (including an impairment loss recognised on goodwill of HK\$27.7 million) for the year ended 31 December 2016 in respect of its medical laboratory testing services and health check services business acquired in December 2015 due to the intensifying competition and weak consumption sentiment in the medical laboratory testing services and health check services in Hong Kong; and (ii) the continuous segment loss recorded by the manufacture and sale of health related and pharmaceutical products business segment of HK\$14.3 million and HK\$21.6 million for the years ended 31 December 2015 and 2016 respectively.

Given (i) the continuous loss incurred by the Rui Kang Pharmaceutical Group and its key business segments; (ii) the difficulty for the financial performance of Rui Kang Pharmaceutical’s medical laboratory testing services and health check services business to turn around (due to the fact that such business segment will remain challenging with great uncertainty and fierce competition as disclosed in the RKP 2016 Annual Report); (iii) the Consideration representing a significant premium of 50% over the audited consolidated net asset value of the Rui Kang Pharmaceutical Group; (iv) the additional working capital available to the Group as a result of the Disposal; (v) the premium of the Consideration per Sale Share of 32.5% over that of the 2016 Disposal Price; and (vi) the estimated gain on disposal as a result of the Disposal, the Directors are of the view that the Disposal is in line with the Company’s development strategy (though not in the ordinary and usual course of the business of the Group) and that the terms of the Disposal are fair and reasonable and on normal commercial terms and the Disposal is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### IMPLICATIONS OF THE LISTING RULES

By virtue of Mr. Liu, the ultimate beneficial owner of the Purchaser, being a substantial shareholder of Rui Kang Pharmaceutical, the Purchaser is a connected person of the Company and the Disposal is therefore a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is higher than 25% but less than 75%, the Disposal constitutes a major transaction for the Company. In view of the foregoing, the Disposal is subject to the notification, announcement and approval of the independent shareholders requirements under Chapters 14 and 14A of the Listing Rules.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the Disposal is on normal commercial terms, fair and reasonable and is in the interests of the independent Shareholders as a whole. REORIENT Financial Markets Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal.

Your attention is also drawn to the letter from the Independent Board Committee as set out on page 13 and the letter of advice from the Independent Financial Adviser as set out on pages 14 to 46 to this circular.

### THE EGM

The EGM will be held at Room 4608, 46th Floor, The Centre, 99 Queen's Road Central, Hong Kong, on Monday, 31 July 2017 at 9:30 a.m. for the Independent Shareholders to consider and, if thought fit, pass the requisite resolution(s) to approve the Disposal. To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, as at the Latest Practicable Date, the Purchaser did not hold any Shares and accordingly, no Shareholders will have a material interest in the Sale and Purchase Agreement. As such, no Shareholders will be required to abstain from voting at the EGM on the resolution relating to the Disposal.

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 26 July 2017 to Monday, 31 July 2017 (both days inclusive) during which period no transfer of Shares will be effected. In order to be entitled to attend and vote at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 25 July 2017.

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## LETTER FROM THE BOARD

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A proxy form for use at the EGM is enclosed with this circular. 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 (exclusive of any part of a day that is a public holiday) 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

Based on the above, the Directors are of the view that the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its shareholders as a whole. Therefore, the Directors recommend the Shareholders to vote in favour of the proposed resolution(s) in relation to the Sale and Purchase Agreement and the transaction contemplated thereunder.

### MISCELLANEOUS

Since none of the Directors have a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, no Directors are required to abstain from voting on the relevant board resolution.

Your attention is also drawn to the appendices of this circular.

By order of the board of directors of  
**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)**

14 July 2017

*To the independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION**

We refer to the circular dated 14 July 2017 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the Disposal are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the recommendation from the letter of advice prepared by the Independent Financial Adviser in relation to the Disposal as set out on pages 14 to 46, we consider that the Disposal is in line with the Company’s development strategy (though not in the ordinary and usual course of business of the Group) and are of the view that the Disposal is fair and reasonable, on normal commercial terms and is in the interests of the Company and the Independent Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) in relation to the Disposal.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from REORIENT Financial Markets Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, for the purpose of incorporation into this circular.*



云 锋 金 融

Suites 3201–3204  
One Exchange Square  
8 Connaught Place  
Hong Kong

14 July 2017

*The Board of Directors, the Independent Board Committee and  
the Independent Shareholders*

China Wah Yan Healthcare Limited

Dear Sirs,

### **CONNECTED TRANSACTION DISPOSAL OF RUI KANG PHARMACEUTICAL SHARES**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal. Details of the Disposal are set out in the circular of the Company dated 14 July 2017 (the “Circular”) of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

On 15 June 2017, the Offeror, the Company and Rui Kang Pharmaceutical jointly announced that, the Offeror and the Company entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell and the Offeror has conditionally agreed to acquire 406,023,891 Sale Shares, representing approximately 51.5% of the issued share capital of Rui Kang Pharmaceutical as at the Latest Practicable Date. The consideration for the Sale Shares pursuant to the Sale and Purchase Agreement is HK\$207,072,184.41 (equivalent to HK\$0.51 per Sale Share).

Mr. Liu is a substantial shareholder of Rui Kang Pharmaceutical and the ultimate beneficial owner of the Offeror. Apart from this, Mr. Liu does not have any other relationship with the Company. The Offeror is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is higher than 25% but less than 75%, the Disposal also constitutes a major transaction of the Company and is subject to the notification, announcement and the independent shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Yee Ping, Michael, Ms. Hu Xuezheng and Mr. Lam Chun Ho, has been established to give advice and recommendation to the Independent Shareholders in relation to the Disposal.

We, REORIENT Financial Markets Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the Disposal is in the ordinary and usual course of business of the Company and the terms of the Disposal are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole

In formulating our opinion, we have relied upon the information, facts and representations contained in the Circular, those made in other publications of the Company and those supplied or made available by the management of the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 13.80 of the Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group, the Rui Kang Pharmaceutical Group and their respective associates.

During the past two years, we acted as independent financial adviser of the Company in respect of other transaction and are currently acting as independent financial adviser of the Company in respect of another transaction providing our independent view to the independent board committee and the independent shareholders of the Company. Apart from normal professional fees for our services to the Company in connection with the engagement described above, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. During the past two years, we have also acted as independent financial adviser of IR Resources Limited (stock code: 8186) (“IR Resources”), a company listed on the Growth Enterprise Market of the Stock Exchange in which the Company held approximately 26.58% in the issued share capital of IR Resources as at the Latest Practicable Date, in respect of a transaction involving a rights issue and two transactions involving the refreshment of general mandate providing our independent view to the independent board committee and the independent shareholders of IR Resources. The above transactions are not inter-conditional and are independent to the Disposal. Our role involved in the above previous transactions is limited to providing an independent view to the independent board committee and independent shareholders. We have not been involved in advising the Company or any other parties to those transactions

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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on the terms and structures of those transactions. We consider that in acting as the independent financial adviser in respect to the above transactions will not affect our independency in acting as the independent financial adviser in respect of the Disposal.

As at the Latest Practicable Date, we are not aware of any relationships or interests between us, the Company or its substantial shareholders, directors or chief executive, or associates. We are independent under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal.

### PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the Disposal, we have taken into consideration the following principal factors:

#### **Information of the Group**

##### *Principal business of the Group*

The Group is principally engaged in (i) the health management business (operation of a chain of sports and healthcare clubhouses under the brand name of “Megafit” in the PRC) (the “Health Management Business”); (ii) the medical and well-being business comprising the operation of a chain of optical products and eye-care services retail shops under the brand name of “Hong Kong Optical” (the “Eye-care Business”) and the provision of obstetric and gynaecological services (the “O&G Business”); and (iii) the asset management business. Since May 2016, the Company has become the holding company of Rui Kang Pharmaceutical, which is principally engaged in (i) the manufacture, research and development of pharmaceutical products in the PRC and Hong Kong (the “Pharmaceutical Manufacturing Business”); (ii) the provision of medical laboratory testing services and health check services in Hong Kong (the “Medical Laboratory Testing Business”); and (iii) trading of securities in Hong Kong. The Rui Kang Pharmaceutical Group is also engage in the research and development, manufacture and distribution of branded cosmetic products through a joint venture in Switzerland.

On 4 December 2016, a direct wholly-owned subsidiary of the Company (the “Xinhua News Media Offeror”), informed the board of directors of Xinhua News Media Holdings Limited (“Xinhua News Media”) that it will make voluntary conditional securities exchange offers (i) to acquire all of the issued shares of Xinhua News Media held by the shareholders of Xinhua News Media; and (ii) to cancel all of the outstanding share options granted by Xinhua News Media pursuant to its share option scheme adopted on 25 September 2015 (altogether, the “Xinhua News Media Offer”). Subsequently, on 16 March 2017, the Xinhua News Media Offeror and the Company jointly announced that certain terms of the Xinhua News Media Offer had been revised. On 22 May 2017, the Company published the circular and offer document in relation to the Xinhua News Media Offer. One major reason for the Xinhua News Media Offer is to diversify the Group’s business into the business portfolio of Xinhua News Media, including the provision of cleaning and related

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services, broadcasting information and advertisement on television screen services, and medical waste treatment services. Shareholders shall refer to them for further information on the Xinhua News Media Offer.

***Financial performance of the Group***

We set out below the audited consolidated statement of profit or loss of the Group for the years ended 31 December 2014, 2015 and 2016 as contained in the annual reports of the Company for the year ended 31 December 2015 (the “2015 Annual Report”) and for the year ended 31 December 2016 (the “2016 Annual Report”):

**Consolidated statement of profit and loss**

	<b>Year ended 31 December</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
		(Restated)	
<b>REVENUE</b>	194,211	127,236	85,385
Costs of goods sold and services	(146,071)	(98,817)	(18,245)
<b>Gross profit</b>	48,140	28,419	67,140
<b>Gross profit ratio</b>	24.79%	22.34%	78.63%
Other gains and losses	28,719	5,996	11,573
Selling and distribution expenses	(25,756)	(11,756)	—
Administrative expenses	(124,685)	(179,752)	(66,244)
Net (loss)/gain on disposal of property, plant and equipment and other intangible assets	—	—	16,898
Change in fair value of financial assets at fair value through profit or loss	(47,236)	(2,011)	—
Impairment loss on available-for-sale financial assets	(183,372)	(40,734)	—
Impairment loss on trade receivables	(5,075)	(17,172)	—
Impairment loss on promissory note receivable	—	—	—
Impairment loss on property, plant and equipment and other intangible assets	—	(18,532)	—
Fair value change on investment properties	(12,901)	(44,110)	3,535
Loss arising on extinguishment of convertible bonds	—	(69,410)	—
Share of results of associates	8,741	—	(1,971)
Share of results of a joint venture	(3,902)	6,891	(476)
Loss on disposal of associates	—	—	(60,960)

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>Year ended 31 December</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited) (Restated)	(Audited)
Loss on disposal of subsidiaries	(40,475)	—	—
Gain on bargain purchase of subsidiaries	49,318	—	—
Finance costs	(29,445)	(16,655)	(8,995)
<b>LOSS BEFORE TAXATION</b>	(337,929)	(358,826)	(39,500)
Income tax	(702)	(5,847)	(2,320)
<b>LOSS FOR THE YEAR/PERIOD</b>	(338,631)	(364,673)	(41,820)
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company	(311,388)	(436,503)	(61,138)
Non-controlling interests	(27,243)	71,830	19,318
	(338,631)	(364,673)	(41,820)
<b>Loss per share attributable to the owners of the Company (HK cents)</b>			
— Basic and diluted	(7.92)	(24.49)	(7.00)

***The Group's business segment***

We set out the audited segment results of the Group for the 3 years ended 31 December 2016 as extracted from the 2016 Annual Report and the 2015 Annual Report:

For the year ended 31 December	Health Management Business	% to revenue	Segment results	Medical and well-being business	% to revenue	Segment results	Asset management	% to revenue	Segment results
	<i>HK\$'000</i> Audited		<i>HK\$'000</i> Audited	<i>HK\$'000</i> Audited		<i>HK\$'000</i> Audited	<i>HK\$'000</i> Audited		<i>HK\$'000</i> Audited
2016	92,430	47.59%	3,467	101,253	52.14%	(13,834)	528	0.27%	(246,687)
2015	86,035	67.62%	(3,558)	41,201	32.38%	(128,627)	—	0.00%	(87,425)
2014	N/A	N/A	N/A	85,385	100.00%	56,119	—	0.00%	(25)

The Health Management Business and the medical and well-being business accounted for almost all of the revenue of the Group for the year ended 31 December 2016.

The Health Management Business refers to the Group's business in the operation of a chain of sports and healthcare clubhouses under the brand name of "Megafit" in the PRC.

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The Health Management Business is a major source of income and profit for the Group for the year ended 31 December 2016. Revenue attributable from the Health Management Business for the year ended 31 December 2016 increased by approximately 7.43% as compared with that for the year ended 31 December 2015, however, the percentage to total revenue of the Group decreased to approximately 47.59% for the year ended 31 December 2016 from approximately 67.62% for the year ended 31 December 2015 is due to the increase in revenue recognised in the medical and well-being business segment resulting from the consolidation of the results from Rui Kang Pharmaceutical since it became a subsidiary of the Company in May 2016. The revenue from the medical and well-being business accounted for approximately 52.14% of total revenue of the Group for the year ended 31 December 2016 as compared with approximately 32.38% for the year ended 31 December 2015.

The medical and well-being business consists of the Eye-care Business, the O&G Business, the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business.

Below are the discussions on the financial results of the Group based on the information as set out in the 2016 Annual Report and the 2015 Annual Report and representations made by the management of the Group to us.

***Financial results for the year ended 31 December 2016 (“FY2016”) compared with the year ended 31 December 2015 (“FY2015”)***

For FY2016, revenue of the Group increased by approximately 52.6% to approximately HK\$194.2 million. The increase in revenue for FY2016 was attributable to (i) the inclusion of the revenue derived from the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business in the aggregate amount of approximately HK\$58.5 million after Rui Kang Pharmaceutical has become a subsidiary of the Company since May 2016; (ii) the increase in the revenue derived from the Healthcare Management Business due to recognition of full year revenue of the business; (iii) the increase in the revenue of the Eye-care Business; and (iv) the revenue contribution from the O&G Business acquired in June 2016.

For FY2016, the gross profit and gross profit margin of the Group increased to approximately HK\$48.1 million and 24.8% respectively. The increase in the gross profit was attributable to (i) the increase in the revenue from the Health Management Business and the Eye-care Business whilst the gross profit margins of these two business lines remained at similar levels for FY2016 when compared to previous year; and (ii) the contributions from the new business acquired during the year (the Medical Laboratory Testing Business, the Pharmaceutical Manufacturing Business and the O&G Business).

For FY2016, the Group recorded net loss of approximately HK\$338.6 million, which was attributable to the combined impact of (i) the loss on disposal of the Group’s tumour medical business; (ii) the gain due to the increase in trading price of Rui Kang Pharmaceutical when the Group’s investment in it was accounted for as available-for-sale financial assets prior to Rui Kang Pharmaceutical becoming a

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subsidiary of the Group; (iii) the gain on bargain purchase of Rui Kang Pharmaceutical; and (iv) the impairment loss on available-for-sale financial assets (mainly attributable to the investment in New Ray Medicine International Holding Limited (“New Ray”) and IR Resources) and loss arising from change in fair value of listed securities due to the volatile global equity and Hong Kong financial/property markets.

***Financial results for FY2015 compared with the year ended 31 December 2014 (“FY2014”)***

For FY2015, revenue of the Group increased substantially by approximately 49% from approximately HK\$85.4 million for FY2014 to approximately HK\$127.2 million for FY2015. The increase is mainly due to the revenue contribution of the Health Management Business of approximately HK\$86 million and the Eye-care Business of HK\$31.5 million (the acquisitions of which were completed in April 2015 and November 2014, respectively). For FY2015, the Group recorded gross profit of approximately HK\$28.4 million and was mainly contributed from the Health Management Business and the Eye-care Business. For FY2015, the Group recorded consolidated net loss of approximately HK\$364.7 million and was mainly attributable to, among other things, (i) the various provision and impairment losses on available-for-sale financial assets, trade receivables and property, plant and equipment and other intangible assets; (ii) the increase in administrative, financing and employee related expenses (mainly due to expansion of the Group’s business portfolio and increase in commission expenses paid to the placing agents for fund raising activities); and (iii) loss arising on extinguishment of convertible bonds.

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We set out below the audited consolidated statement of financial position of the Group as at 31 December 2015 contained in the 2015 Annual Report and the audited consolidated statement of financial position of the Group as at 31 December 2016 contained in the 2016 Annual Report:

**Consolidated statement of financial position**

	<b>As at</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Property, plant and equipment	57,462	26,986
Land use right	7,842	3,506
Investment properties	101,000	150,600
Goodwill	69,010	61,237
Investment in associates	72,611	—
Other intangible assets	60,621	3,610
Available-for-sale financial assets	113,944	335,324
Long-term prepayments and deposits	1,944	108,921
	484,434	690,184
<b>Current assets</b>		
Land use right	225	84
Inventories	17,781	11,099
Trade receivables	25,103	24,011
Other receivables, prepayments and deposits	47,849	133,473
Tax recoverable	1,157	—
Available-for-sale financial assets	91,095	67,858
Financial assets at fair value through profit or loss	124,714	75,584
Cash and bank balances	72,943	91,713
	380,867	403,822
Assets classified as held for sale	8,777	—
	389,644	403,822
<b>Current liabilities</b>		
Trade and other payables	96,962	143,444
Receipt in advance	60,808	77,807
Tax payable	275	17,189
Borrowings	113,600	129,835
Convertible bonds	1,990	—
Bonds payable	79,693	—
	353,328	368,275
Net current assets	36,316	35,547
<b>Total assets less current liabilities</b>	520,750	725,731



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	<b>As at</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
<b>Non-current liabilities</b>		
Other payable	13,821	7,000
Borrowings	69,619	67,684
Convertible notes	—	1,963
Bonds payable	53,734	96,828
Promissory note	61,383	—
Deferred tax liabilities	2,314	642
	200,871	174,117
<b>Net assets</b>	<b>319,879</b>	<b>551,614</b>
<b>CAPITAL AND RESERVES</b>		
Share capital	3,030,660	2,757,283
Reserves	(2,784,783)	(2,379,093)
Total equity attributable to:		
Equity holders of the Company	245,877	378,190
Non-controlling interests	74,002	173,424
<b>Total equity</b>	<b>319,879</b>	<b>551,614</b>

**Development and prospect of the Group**

In recent years, the Group has been carrying out different acquisitions and divestments and has built up its current business portfolio comprising three major business segments: the Health Management Business, the medical and well-being business segment and the asset management segment. The Company plans to restructure (i) the Health Management Business through upgrading the facilities of the existing fitness centres, opening new fitness centres and closing down non-performing centres, and engaging capable operators with a view to capturing potential opportunities which the rising living standard in major cities in the PRC may offer; (ii) the O&G Business through expanding the clinic and; (iii) the Eye-care Business through opening new eye-care shops with collaboration with medical centres. The Company also invested in other companies/businesses, like the acquisition of shareholding interests in IR Resources and New Ray.

In the past two years, the Group acquired the O&G Business and the Eye-care Business and has recently proposed the Xinhua News Media Offers to acquire Xinhua News Media which is principally engaged in the provision of cleaning and related services, broadcasting information and advertisement on television screen services, and medical waste treatment services. The Group has also become a significant shareholder



of New Ray and invested in other trading securities. Whilst the acquisitions and investment activities help the Group develop its business portfolio, they also help generate return to the Company if there are good divestment opportunities.

**Background and information of Rui Kang Pharmaceutical**

As set out in the 2015 Annual Report, the Rui Kang Pharmaceutical Group, prior to the Group's investment in it, was engaged in the manufacture, research and development, sale and distribution of consumer cosmetic, health related and pharmaceutical products in the PRC and Hong Kong. In January 2015, the Group became a strategic investor and the single largest shareholder of Rui Kang Pharmaceutical through subscription of a 20.4% equity interest of Rui Kang Pharmaceutical at an investment cost of HK\$33 million in cash.

As a strategic shareholder, the Company also participated in a rights issue of Rui Kang in August 2015 with an investment amount of HK\$37.1 million.

In February 2016, the Company proposed a voluntary conditional securities exchange offer of every 2 existing Rui Kang Pharmaceutical Shares (after the share consolidation of Rui Kang Pharmaceutical becomes effective) for 5 new Shares to acquire all of the issued Rui Kang Pharmaceutical Shares (the "RK Exchange Offer"). In May 2016, Rui Kang Pharmaceutical became a non wholly-owned subsidiary of the Company by issuing 1,330,131,743 Shares upon completion of the RK Exchange Offer at an investment cost of approximately HK\$135.88 million as disclosed in the 2015 Annual Report (based on the closing prices of the Shares upon acceptances of the RK Exchange Offer). Following completion of the RK Exchange Offer in May 2016, the results of Rui Kang Pharmaceutical have been consolidated in the accounts of the Company. Based on the above, the Group's average investment cost per share of Rui Kang Pharmaceutical amounted to approximately HK\$0.40.

After the RK Exchange Offer, the Company placed down and sold some shareholding interest in Rui Kang Pharmaceutical and as at the Latest Practicable Date, the Company held an approximately 51.5% equity interest in Rui Kang Pharmaceutical.

For the year ended 31 December 2016, the Group's revenue derived from the Medical Laboratory Testing Business and the Pharmaceutical Manufacturing Business (the "Rui Kang Business") amounted to approximately HK\$48.32 million and HK\$10.18 million respectively, representing approximately 47.72% and approximately 10.05% of the medical and well-being business segment revenue. The total revenue of the Group attributable from the Rui Kang Business amounted to approximately 30.4% to the total revenue of the Group's total revenue for the year ended 31 December 2016.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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***Financial performance of Rui Kang Pharmaceutical***

We set out below the summary of the audited consolidated results of the Rui Kang Pharmaceutical Group for the three years ended 31 December 2014, 2015 and 2016 (“2014FY”, “2015FY” and “2016FY”) as set out in the annual reports of Rui Kang Pharmaceutical for the years ended 31 December 2015 (the “2015 RK Annual Report”) and 31 December 2016 (the “2016 RK Annual Report”):

	<b>For the year ended 31 December</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Audited)	(Audited) Restated
Revenue	86,565	34,127	70,110
Loss before tax	(95,139)	(60,040)	(74,398)
Loss for the year from continuing operations	(95,618)	(59,651)	(74,871)
(Loss)/profit for the year from discontinued operation	35,526	(8,109)	(8,075)
Loss for the year	(60,092)	(67,760)	(82,946)

	<b>As at 31 December</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Audited)	(Audited) Restated
Total assets	322,956	478,018	327,016
Total liabilities	(47,739)	(135,280)	(129,103)
Equity attributable to owners of Rui Kang Pharmaceutical	265,510	321,058	169,270
Total equity	275,217	342,738	197,913

During 2016FY, the Rui Kang Pharmaceutical Group recorded a revenue of approximately HK\$86.66 million from continuing operations, representing a significant increase of approximately 1.54 times as compared with that for 2015FY. The overall increase was due to the contribution of provision of medical laboratory testing services and health check services by DVF Holdco (Cayman) Limited (“DVF”) and its subsidiaries (the “DVF Group”), which was acquired by the Rui Kang Pharmaceutical Group in December 2015, as its full year’s revenue has been recognized in 2016FY. However, such increase was partially offset by the deconsolidation of the results of a then subsidiary of Rui Kang Pharmaceutical, Guangzhou Shimalong Pharmaceutical Co., Ltd. (“Shimalong”), which is principally engaged in the sale of medicated oil products in the PRC, on 30 January 2015 (the “Deconsolidation”) as a result of the disposal of 70% of the issued share capital of Magical Bloom Limited and its subsidiaries. The Deconsolidation led to a decrease in revenue in the manufacture

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and sale of health related and pharmaceutical products segment. During the period from 1 January 2015 to 30 January 2015, Shimalong generated revenue of approximately HK\$6.61 million.

The Rui Kang Pharmaceutical Group recorded an increase in gross profit for 2016FY of approximately HK\$19.2 million as compared with that for 2015FY. However, the loss for the year from continuing operations for 2016FY increased to approximately HK\$95.62 million as compared with that of HK\$59.65 million. The increase in loss was mainly attributable to the increase of net loss on financial assets at fair value through profit or loss of approximately HK\$16.59 million as compared with that of 2015FY; (ii) the increase of recognition of an impairment loss on trade receivables of approximately HK\$4.85 million as compared with that of 2015FY; (iii) the increase in impairment of available-for-sale financial assets of approximately HK\$3.2 million as compared with that of 2015FY; and (iv) an increase of impairment loss on goodwill in respect of its Medical Laboratory Testing Business of approximately HK\$26.67 million.

### Segmental results

We set out below the breakdown of the consolidated revenue and results of Rui Kang Pharmaceutical by segment for 2014FY, 2015FY and 2016FY:

For the year ended 31 December	Pharmaceutical Manufacturing			Medical Laboratory Testing			Trading of financial assets at FVTPL			Others	Segment	
	Business	% to	Segment	Business	% to	Segment	assets at	% to	Segment		% to	Segment
	HK\$'000	revenue	results	HK\$'000	revenue	results	HK\$'000	revenue	results		revenue	results
	Audited		Audited	Audited		Audited	Audited		Audited	Audited		Audited
2016	26,846	19.85%	(21,639)	57,048	42.18%	(33,003)	48,693	36.00%	(30,606)	2,671	1.97%	(2,954)
2015	26,718	23.09%	(14,265)	7,384	6.38%	(1,604)	81,566	70.50%	(11,555)	25	0.02%	(1,423)
2014 (restated)	70,110	48.92%	8,008	—	0.00%	—	73,206	51.08%	(39,483)	—	0.00%	—

### *Pharmaceutical Manufacturing Business*

Revenue derived from the Pharmaceutical Manufacturing Business accounted for approximately 48.92%, 23.09% and 19.85% of the total revenue of the Rui Kang Pharmaceutical Group for 2014FY, 2015FY and 2016FY, respectively.

For 2016FY, revenue derived from the Pharmaceutical Manufacturing Business amounted to approximately HK\$26.85 million, representing a slight improvement as compared with that for 2015FY. The increase was due to the extended business portfolio of the Pharmaceutical Manufacturing Business of sourcing pharmaceutical products from intermediates in the PRC and distributing such products overseas which generated revenue of approximately HK\$10.12 million in the fourth quarter of 2016FY, and offset by (i) the Deconsolidation, which led to a decrease in sale of medicated oil products by Shimalong (revenue of approximately HK\$6.61 million from Shimalong was recognized in 2015FY); and (ii) the decrease of revenue generated by Guizhou Shuang Sheng Pharmaceutical Co., Ltd. (“Shuang Sheung”) due to the gradual phasing out of a then main product of it (Jianghuang Xiaocuo Chaiji).

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For 2015FY, revenue derived from the Pharmaceutical Manufacturing Business amounted to approximately HK\$26.72 million, representing a decrease of approximately HK\$43.39 million as compared with that for 2014FY. The significant decrease was due to the Deconsolidation, which led to a decrease in the contribution from the sale of medicated oil products by Shimalong, despite the fact that such decrease was partially offset by the contribution of Jianghuang Xiaocuo Chaiji. As Shimalong had become an associate from a subsidiary since 30 January 2015, only one month of revenue of Shimalong was recognized by Rui Kang Pharmaceutical as its revenue in 2015FY. Shuang Sheung was acquired by the Rui Kang Pharmaceutical Group in 2014FY, all its revenue for 2015FY was recognized by Rui Kang Pharmaceutical in its account in 2015FY.

### *Medical Laboratory Testing Business*

The Rui Kang Pharmaceutical Group acquired this business in December 2015. Revenue derived from the Medical Laboratory Testing Business accounted for approximately 6.38% and 42.18% of the total revenue of the Rui Kang Pharmaceutical Group for, 2015FY and 2016FY, respectively.

The Rui Kang Pharmaceutical Group has established a foothold in the provision of medical laboratory testing services and health check services industry since the fourth quarter of 2015FY. The Medical Laboratory Testing Business recorded a revenue of approximately HK\$57.05 million for 2016FY as compared with that of HK\$7.38 million for 2015FY, the increase of which was mainly due to the contribution made by the DVF Group, which was acquired by the Rui Kang Pharmaceutical Group in December 2015, the first financial year when its full year's revenue was recognized by Rui Kang Pharmaceutical in its account in 2016FY.

### *Trading of financial assets at fair value through profit or loss ("FVTPL")*

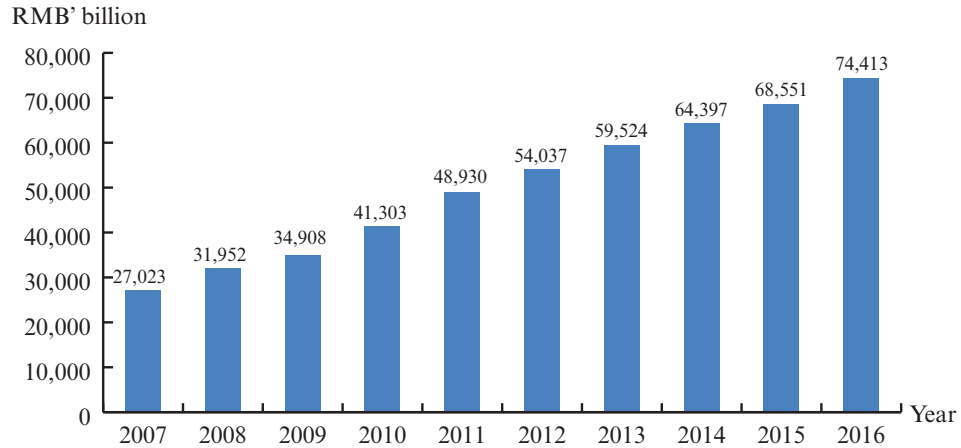
The Rui Kang Group's investment portfolio comprised investments in listed securities in Hong Kong and Australia during 2016FY. This business segment recorded a net loss on financial assets at FVTPL of approximately HK\$25.68 million for 2016FY.

**A general overview of the medical, healthcare and pharmaceutical industry**

*China*

*General economy of China*

**China's GDP from 2007 to 2016**



*Source: The 2016 China Statistical Yearbook, published by the National Bureau of Statistics of China and National Bureau of Statistics of China*

China's gross domestic product has been growing. According to the website of Trading Economics (a service provider that provides its users with information for 196 countries including historical data for economic indicators, exchange rates, stock market indexes, government bond yields and commodity prices which are based on official sources, not third party data providers), on 10 July 2017, the China GDP annual growth rate is projected to be around 5.8% up to 2020.

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### *Life expectancy at birth in China*

We set out below the life expectancy at birth in China from 1981 to 2015:

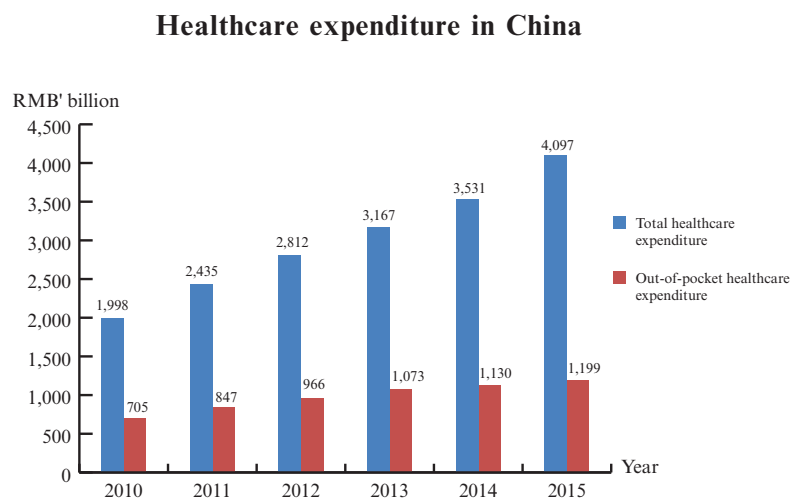
Year	Average life expectancy at birth
1981	67.77
1990	68.55
1995	70.8
2000	71.4
2005	72.95
2010	74.83
2015	76.34

*Source: The 2016 China Statistical Yearbook, published by the National Bureau of Statistics of China*

In China, the life expectancy at birth in 1981 was about 67.77 years old and the life expectancy increased to about 76.34 years old in 2015.

### *Health expenditure in China*

We set out below the total healthcare expenditure and out-of-pocket expenditure in China during 2010 to 2015:



*Source: National Bureau of Statistics of China*

The total healthcare expenditure in China increased from approximately RMB1,988 billion in 2010 to approximately RMB4,097 billion in 2015, representing a compound average annual growth rate (“CAGR”) of approximately 15.45%. For out-of-pocket healthcare expenditure in China, it increased from approximately RMB705 billion in 2010 to approximately RMB1,199 billion in 2015, representing a CAGR of approximately 11.21%.

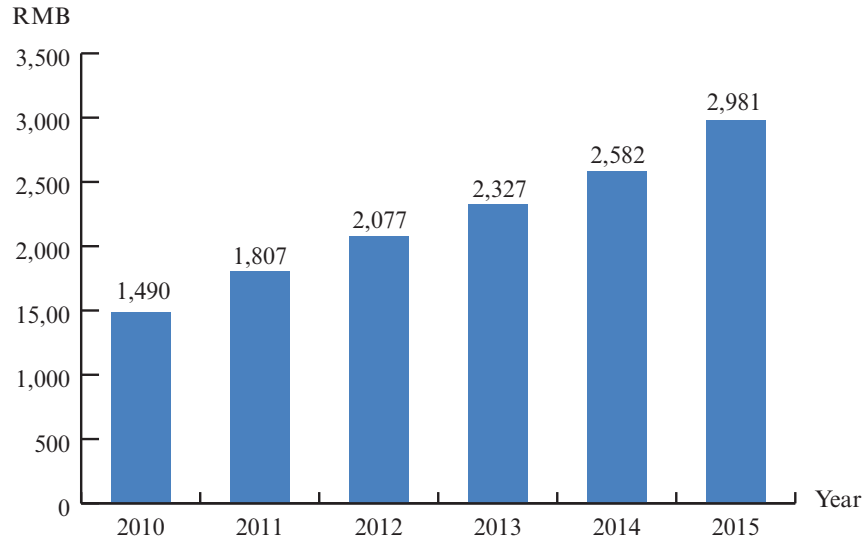
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We set out below the per capita healthcare expenditure in China during 2010 to 2015.

### Per capita healthcare expenditure in China



*Source: National Bureau of Statistics of China*

The per capita healthcare expenditure increased from RMB1,490 in 2010 to RMB2,981 in 2015, representing a CAGR of approximately 14.88%. The per capita healthcare expenditure in 2015 has doubled that in 2010.

We believe that the increasing life expectancy and increasing GDP has a positive correlation with the increasing healthcare expenditure in China (both national and public). Thus the expected continuing economic development of China may indicate a potential higher demand for medical and pharmaceutical products.

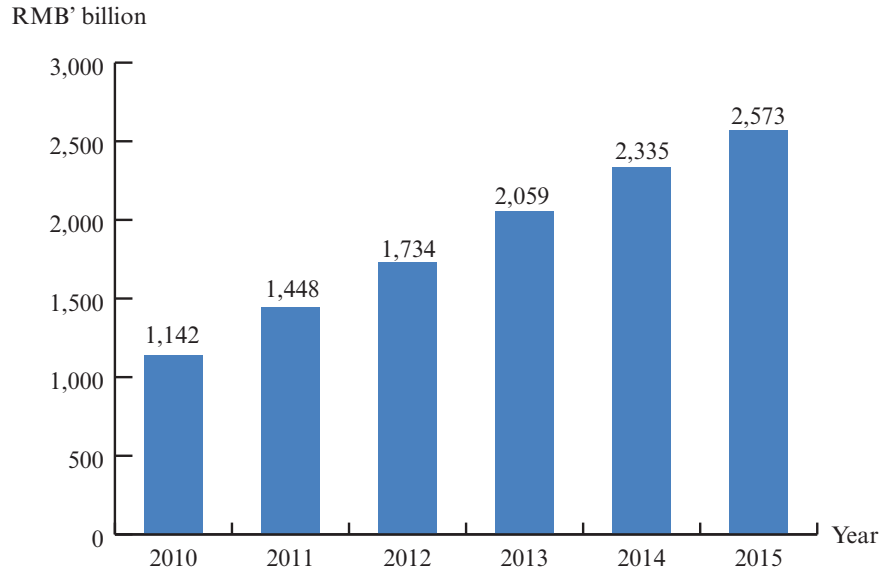
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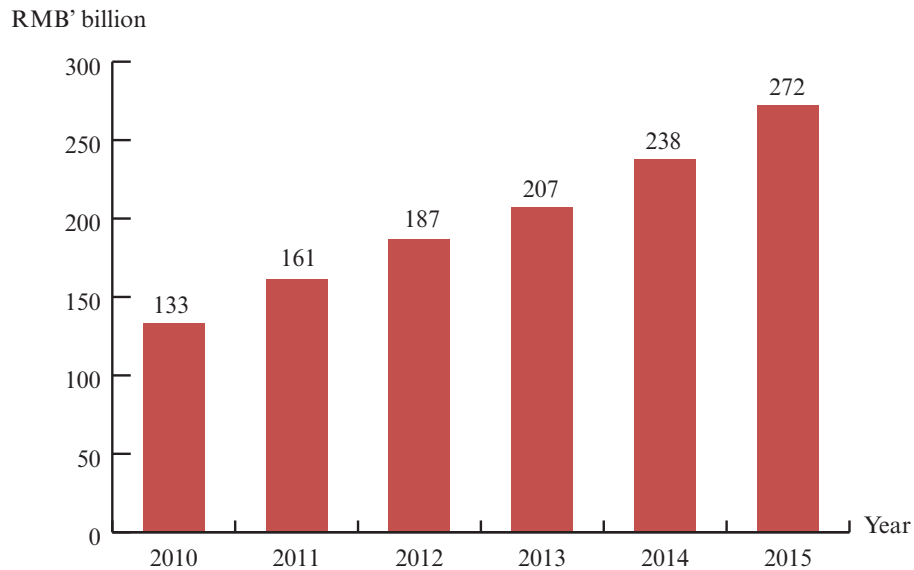
We set out below the total revenue and profits from enterprises principally engaged in manufacturing of medicines in China during 2010 to 2015:

### Revenue from enterprises principally engaged in manufacturing of medicines in China



Source: National Bureau of Statistics of China

### Total profits from enterprises principally engaged in manufacturing of medicines in China



Source: National Bureau of Statistics of China



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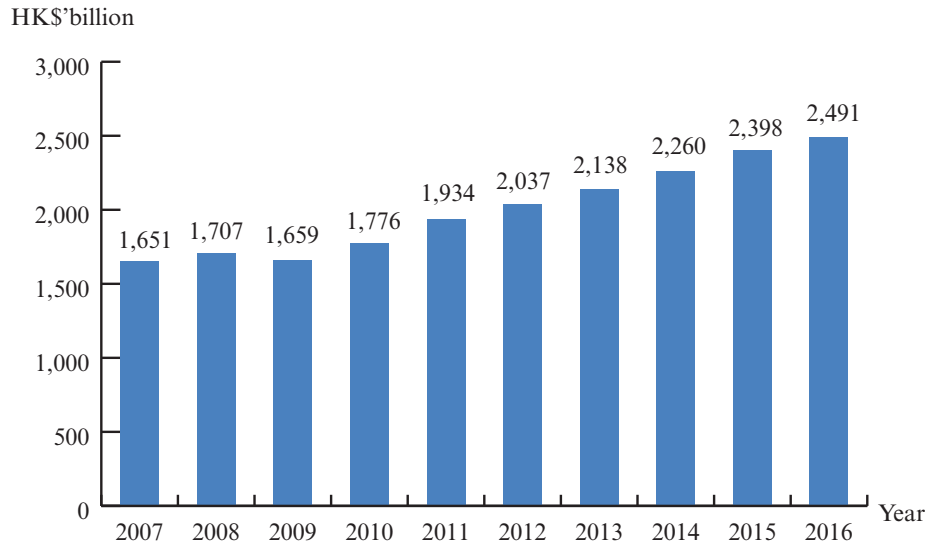
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Total revenue and profits increased from approximately RMB1,142 billion and RMB133 billion in 2010 to approximately RMB2,573 billion and approximately RMB272 billion in 2015, representing a CAGR of approximately 17.65% and 15.34% respectively.

### *Hong Kong*

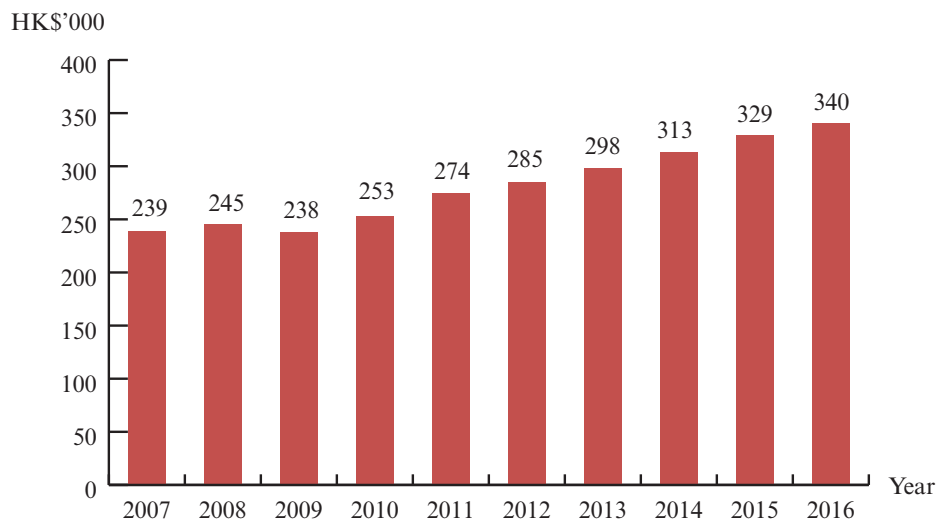
*Hong Kong GDP and GPD per capita from 2007 to 2016*

#### **GDP at current market prices**

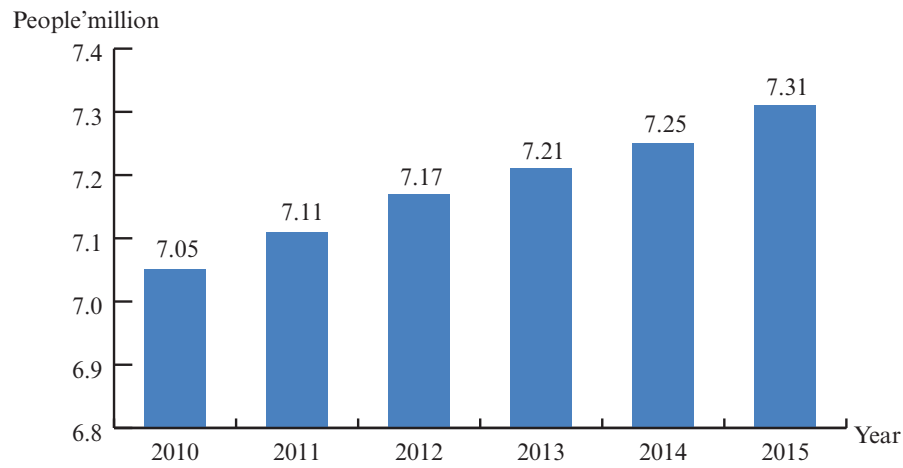


Source: *Hong Kong Census and Statistics Department*

#### **Per capita GDP at current market prices**



Source: *Hong Kong Census and Statistics Department*

*Hong Kong Population***Population of Hong Kong**

*Source: Hong Kong Census and Statistics Department*

The population of Hong Kong increased from approximately 7.05 million people in 2010 to approximately 7.31 million people in 2015, representing a CAGR of approximately 1%.

*Life expectancy at birth*

We set out below the life expectancy at birth in Hong Kong from 2010 to 2015:

<b>Life expectancy at birth</b>	<b>Male</b> years	<b>Female</b> years
2010	80.1	86.0
2011	80.3	86.7
2012	80.7	86.4
2013	81.1	86.7
2014	81.2	86.9
2015	81.4	87.3

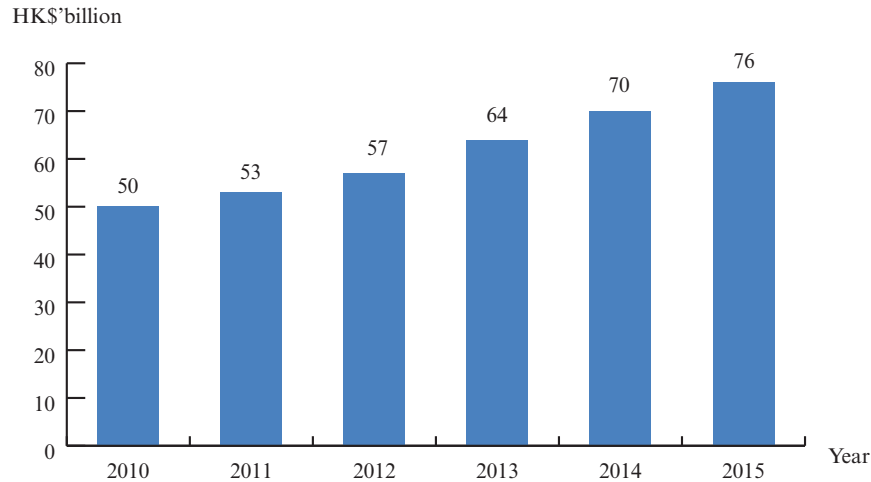
*Source: The World Bank*

Hong Kong is one of the areas generally known to have highest life expectancy. In Hong Kong, the life expectancy at birth in 2010 for male and female were 80.1 and 86.0 years old and it increased to 81.4 for male and 87.3 for female in 2015.

*Private consumption expenditure on medical and healthcare expenses in Hong Kong*

Set out below the private consumption expenditure on medical and healthcare expenses in Hong Kong from 2010 to 2015 (at current market prices):

**Private consumption expenditure on medical and healthcare in Hong Kong**



*Source:* Census and Statistics Department of Hong Kong

*Note:* The above figures were updated to the latest available information available.

Private consumption expenditure on medical and healthcare in Hong Kong has been growing steadily and increased from approximately HK\$50 billion in 2010 to approximately HK\$76 billion in 2015, representing a CAGR of approximately 8.82%.

Based on the above, we believe that the increasing GDP, increasing population, increasing life expectancy and the increasing private consumption expenditure on medical and healthcare in Hong Kong may link to a higher expenditure in healthcare services and pharmaceutical products.

**PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT**

- Date: 15 June 2017
- Parties: (i) the Company, as vendor; and  
(ii) the Offeror, as purchaser

**The Consideration**

The Consideration for the Sale Shares pursuant to the Sale and Purchase Agreement is HK\$207,072,184.41, equivalent to HK\$0.51 per Sale Share, which was determined after arm's length negotiations between the Offeror and the Company with reference to the prevailing market price of Rui Kang Pharmaceutical Shares.

The Consideration per Sale Share of HK\$0.51 represents

- (i) a premium of approximately 4.08% over the closing price of HK\$0.49 per Rui Kang Pharmaceutical Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 2.2% over the average of the closing prices of Rui Kang Pharmaceutical Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$0.499 per Rui Kang Pharmaceutical Shares;
- (iii) a premium of 2% over the average of the closing prices of Rui Kang Pharmaceutical Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of HK\$0.5 per Rui Kang Pharmaceutical Shares;
- (iv) a discount of approximately 1.92% to the closing prices of Rui Kang Pharmaceutical Shares as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day of HK\$0.52 per Rui Kang Pharmaceutical Shares; and
- (v) a premium of approximately 23.15% over the average investment cost of the Company per Sale Share.

The Consideration shall be payable in cash by the Offeror in the following manner: (i) as to HK\$50 million upon the signing of the Sale and Purchase Agreement; and (ii) as to the remaining balance of HK\$157,072,184.41 upon Completion.

**Use of Proceeds**

The Company intends to apply the proceeds from the Disposal for the purposes of general working capital, repayment of debts and potential investment opportunities.

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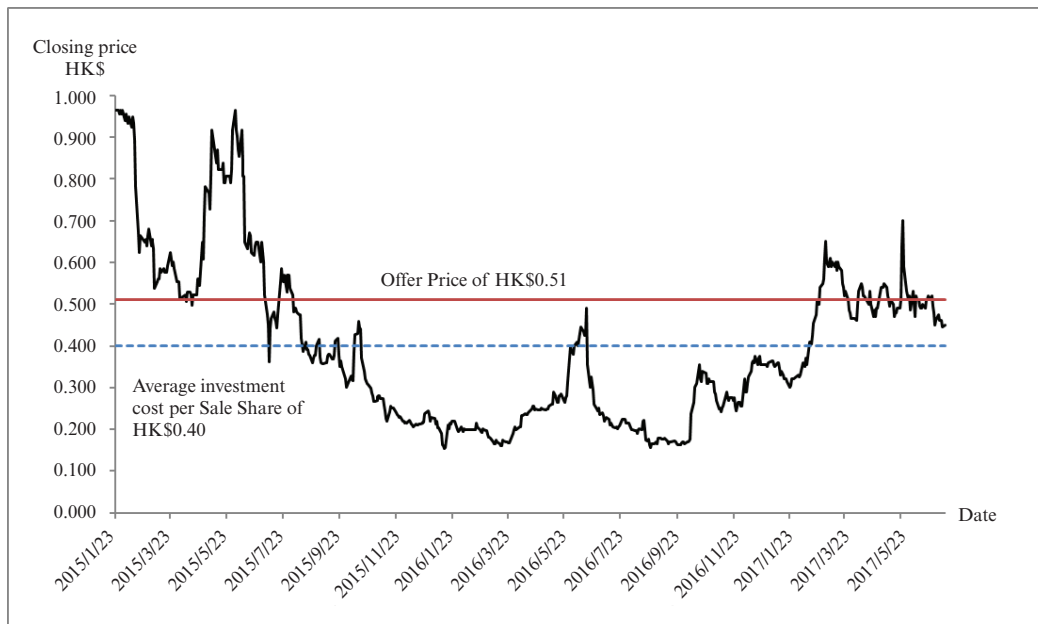
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The gross and net proceeds from the Disposal amount to HK\$207.07 million and HK\$206.3 million respectively. The Company intends to apply the net proceeds from the Disposal as to (i) approximately 10% for general working capital purpose (such as corporate expenses including staff salary, office expenses and professional fees); (ii) approximately 70% for repayment of debts (as at 31 December 2016, the Group (excluding the Rui Kang Pharmaceutical Group) had outstanding borrowings of HK\$212.5 million repayable by end of 2018); and (iii) approximately 20% for potential investment opportunities.

The Disposal is conditional upon satisfaction of the conditions precedent in the Sale and Purchase Agreement, and therefore may or may not proceed.

We also set out below a chart showing the daily closing price of the Rui Kang Pharmaceutical Shares as quoted on the Stock Exchange since the completion date of the Company's first acquisition of the Rui Kang Pharmaceutical Shares on 23 January 2015 and including the Latest Practicable Date (the "Review Period"):



Source: Bloomberg

Note: The closing prices of the Rui Kang Pharmaceutical Shares prior to 23 February 2016 were adjusted based on the share consolidation of every 5 Rui Kang Pharmaceutical Shares consolidated into 1 Rui Kang Pharmaceutical Share with effective on 1 April 2015 and every 2 Rui Kang Pharmaceutical Shares consolidated into 1 Rui Kang Pharmaceutical Share on 23 February 2016.

During the Review Period, the closing price of the Rui Kang Pharmaceutical Shares fluctuated within the range between HK\$0.154 on 14 January 2016 and HK\$0.964 on 23 January 2015, 26 January 2015, 28 January 2015, 30 January 2015 and 1 June 2015, with an average of approximately HK\$0.398 per Rui Kang Pharmaceutical Share. During the Review Period, most of the time the closing prices of the Rui Kang Pharmaceutical Shares

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were traded below the Offer Price. Out of the 604 trading days during the Review Period, the Rui Kang Pharmaceutical Shares were traded above the Offer Price for 158 trading days, at the Offer Price for 11 trading days and below the Offer Price for 435 trading days.

**Historical trading volume and liquidity of the Rui Kang Pharmaceutical Shares**

Below are the average daily turnover of the Rui Kang Pharmaceutical Shares in each month and the respective percentages of the Rui Kang Pharmaceutical Shares' average daily turnover as compared to the total number of issued Rui Kang Pharmaceutical Shares as at the Latest Practicable Date and the total number of issued Rui Kang Pharmaceutical Shares held by the public shareholders of Rui Kang Pharmaceutical as at the Latest Practicable Date during the Review Period:

	Number of trading days	Average daily turnover Shares	% of the average daily turnover to total number of issued shares held by the public shareholders of Rui Kang Pharmaceutical as at Latest Practicable Date (Note 1)	% of the average daily turnover to total number of issued shares of Rui Kang Pharmaceutical as at Latest Practicable Date (Note 2)
2016				
June (from 16 June)	11	22,477,155	11.14%	2.85%
July	20	7,569,244	3.75%	0.96%
August	22	3,795,621	1.88%	0.48%
September	21	1,085,243	0.54%	0.14%
October	19	12,935,183	6.41%	1.64%
November	22	6,893,500	3.42%	0.87%
December	20	8,437,030	4.18%	1.07%
2017				
January	19	3,815,868	1.89%	0.48%
February	20	9,326,718	4.62%	1.18%
March	23	2,458,030	1.22%	0.31%
April	17	594,710	0.29%	0.08%
May	20	2,785,967	1.38%	0.35%
June	22	3,449,930	1.71%	0.44%
July (up to and including 10 July)	6	375,267	0.19%	0.05%
		Average	3.04%	
		Maximum	11.14%	
		Minimum	0.19%	

Source: the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk))

Note:

1. Based on 201,822,859 Rui Kang Pharmaceutical Shares held by public shareholders of Rui Kang Pharmaceutical as at the Latest Practicable Date.
2. Based on 788,366,750 Rui Kang Pharmaceutical Shares in issue as at the Latest Practicable Date.

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During the Review Period, the trading volume of the Rui Kang Pharmaceutical Shares has been low until the announcement of the Disposal. The percentage of the average daily turnover to the total number of issued Rui Kang Pharmaceutical Shares held by the public ranged from 0.19% to 11.14% during the period from June 2016 to July 2017, with an average of only 3.04%.

### Comparison of historical price to book ratios of Rui Kang Pharmaceutical

As at 31 December 2014, 31 December 2015 and 31 December 2016, the consolidated net asset value attributable to the owners of Rui Kang Pharmaceutical amounted to approximately HK\$169.27 million, HK\$321.06 million and HK\$265.51 million. Based on their respective market capitalization as at 31 December 2014, 31 December 2015 and 31 December 2016, the respective price to book ratio (“PB Ratio”) amounted to approximately 0.78, 0.45 and 1.07.

Based on the consideration of HK\$0.51 per Sale Share and the consolidated net asset value attributable to the owners of Rui Kang Pharmaceutical as at 31 December 2016 of approximately HK\$265.51 million and the closing price of the Rui Kang Pharmaceutical Shares as at the Latest Practicable Date, the PB Ratio for the Disposal is approximately 1.51 times.

As a general reference, we set out below the PB Ratios of the companies listed on the Stock Exchange that are engaged in one of the major business lines as the Rui Kang Pharmaceutical Group that includes one or more of the following business activities: research and development, manufacturing, sales, trading of pharmaceutical and/or healthcare products (the “HK Listed Pharmaceutical Companies PB Ratios”) based on their market capitalization as at the Latest Practicable Date:

	Stock Code	Name	Principal business	PB Ratio
1.	1177	Sino Biopharmaceutical Ltd	Research and development, production and sale of a series of modernised Chinese medicines and chemical medicines.	5.62
2.	2005	SSY Group Ltd	Research, development, manufacturing and selling of a wide range of finished medicines, bulk pharmaceutical products and medical materials.	3.38
3.	3320	China Resources Pharmaceutical Group Ltd	Research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products in China.	1.66
4.	775	CK Life Sciences Int'l Holdings Inc	Research and development, manufacturing, commercialisation, marketing, sale of, & investment in, nutraceuticals, pharmaceuticals and agriculture-related products and assets as well as investment in various financial and investment products.	1.47
5.	950	Lee's Pharmaceutical Holdings Ltd	Development of, manufacturing of and sale and marketing of pharmaceutical products.	2.40
6.	1011	China NT Pharma Group Co Ltd	Research and development, manufacturing, sale and distribution of pharmaceutical and vaccine products and the provision of marketing and promotion services to suppliers in PRC.	2.39

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	<b>Stock Code</b>	<b>Name</b>	<b>Principal business</b>	<b>PB Ratio</b>
7.	1099	Sinopharm Group Co Ltd	Distribution of medicines, medical device & pharmaceutical products; operation of pharmaceutical chain stores, distribution of laboratory supplies; manufacture & distribution of chemical reagents; production & sale of related products.	2.62
8.	1349	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co Ltd	Research, development and selling of self-developed bio-pharmaceutical know-how, carrying out contracted research for customers, manufacturing and selling of medical products and providing other medical services in the PRC.	4.55
9.	1498	PuraPharm Corp Ltd	Research and development, production and sale of concentrated Chinese medicine granule products and Chinese healthcare products, as well as rendering of Chinese medical diagnostic services.	1.96
10.	1513	Livzon Pharmaceutical Group Inc	Research and development, production and sale of pharmaceutical products.	3.88
11.	1530	3SBio Inc	Development, production, marketing and sale of pharmaceutical products in the PRC.	3.53
12.	1558	YiChang HEC ChangJiang Pharmaceutical Co Ltd	Pharmaceutical manufacturing company that focuses on the development, manufacturing and sale of pharmaceutical products in the therapeutic areas of anti-virus, endocrine and metabolic diseases and cardiovascular diseases in PRC.	2.95
13.	1666	Tong Ren Tang Technologies Co Ltd	Production and distribution of Chinese medicine and primarily operates in Mainland China and Hong Kong.	3.03
14.	1889	Wuyi International Pharmaceutical Co Ltd	Development, manufacturing, marketing and sale of pharmaceutical products.	0.63
15.	2186	Luye Pharma Group Ltd	Developing, producing, marketing and selling innovative pharmaceutical products in three therapeutic areas in the PRC — oncology, cardiovascular system and alimentary tract and metabolism.	1.93
16.	2196	Shanghai Fosun Pharmaceutical Group Co Ltd	Development, manufacture and sale of pharmaceutical products and medical equipment, import and export of medical equipment, healthcare services and the provision of related and other consulting services and investment management.	3.23
17.	2348	Dawnrays Pharmaceutical Holdings Ltd	Development, manufacture and sale of non-patented pharmaceutical medicines including intermediate pharmaceutical, bulk medicines and finished drugs.	2.27
18.	2607	Shanghai Pharmaceuticals Holding Co Ltd	Research and development, manufacture and sale of pharmaceutical and healthcare products; provide distribution, warehousing, logistics and supply chain solutions and related services; operate and franchise a network of retail pharmacies.	2.18
19.	2877	China Shineway Pharmaceutical Group Ltd	Research and development, manufacture and trading of Chinese pharmaceutical products.	1.00
20.	460	Sihuan Pharmaceutical Holdings Group Ltd	Research and development, manufacturing and sale of pharmaceutical products in the PRC.	2.46
21.	570	China Traditional Chinese Medicine Holdings Co Ltd	Research and development, production and sale of Chinese medicine and pharmaceutical products in the PRC.	1.44
22.	8049	Jilin Province Huinan Changlong Bio-pharmacy Co Ltd	Manufacture and distribution of Chinese medicines and pharmaceutical products in the PRC.	0.94
23.	8197	Baytacre Pharmaceutical Co Ltd	Development, manufacture and sale of medicines, development of health-related big data and investment holdings in the PRC.	4.21



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	<b>Stock Code</b>	<b>Name</b>	<b>Principal business</b>	<b>PB Ratio</b>
24.	8225	China Health Group Inc	Provision of fully integrated pharmaceutical services including clinical research services, pharmaceutical research and development and technology transfer.	(3.91)
25.	8329	Shenzhen Neptunus Interlong Bio-Technique Co Ltd	Development, production and sale of medicines, research and development of modern biological technology, purchase and sale of medicines and healthcare food products, R&D and the industrialization of invitro diagnostic reagents.	1.06
26.	874	Guangzhou Baiyunshan Pharmaceutical Holdings Co Ltd	Research & development, manufacturing & sale of medicine, API intermediates; wholesale, retail, import & export of pharmaceutical products, CPM & medical apparatus; and investment of medical, health management & youth preservation.	2.56
27.	399	Innovative Pharmaceutical Biotech Ltd	Provision of genetic testing services, distribution of bio-industrial products, trading of beauty equipment and products, securities investment, and research, development and commercialisation of the oral insulin product.	1.64
28.	455	Tianda Pharmaceuticals Ltd	Research and development, production and sale of pharmaceutical, biotechnology and healthcare products.	0.98
29.	858	Extrawell Pharmaceutical Holdings Ltd	Development, manufacture and sale of pharmaceutical products; marketing and distribution of imported pharmaceutical products; commercial exploitation and development of genome-related technology.	0.37
30.	8158	China Regenerative Medicine International Ltd	Research and development of bio-medical and healthcare products, medical techniques; provision of the production and sales of tissue engineering products and its related by-products; sales and distribution of medical products and equipment.	2.13
31.	3933	United Laboratories International Holdings Ltd	Sale of intermediate products, sale of bulk medicine and sale of antibiotics finished products, non-antibiotics finished products and capsule casings.	1.40
32.	6108	New Ray Medicine International Holdings Ltd	Trading of pharmaceutical products in the PRC.	2.33
33.	8138	Beijing Tong Ren Tang Chinese Medicine Co Ltd	Manufacturing, retail and wholesale of Chinese medicine products and healthcare products; and provision of Chinese medical consultation and treatments.	4.22
34.	1093	CSPC Pharmaceutical Group Ltd	Manufacture and sale of pharmaceutical products.	6.94
35.	239	Pak Fah Yeow International Ltd	Manufacture and sale of healthcare products, treasury and property investments.	1.71
36.	329	Dragonite International Ltd	Production and sale of a series of health care products, pharmaceutical products, securities trading and investments, money lending and trading of wines in Hong Kong.	4.31
37.	3332	Nanjing Sinolife United Co Ltd	Manufacture and sale of nutritional supplements and health food products in the PRC.	1.52
38.	3737	Zhongzhi Pharmaceutical Holdings Ltd	Pharmaceutical manufacturing and operation of chain pharmacies in the PRC.	1.79
39.	574	Pa Shun Pharmaceutical International Holdings Ltd	Pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing.	0.51
40.	867	China Medical System Holdings Ltd	Marketing, promotion, sale and manufacturing of pharmaceutical products.	4.44
41.	1110	Kingworld Medicines Group Ltd	Distribution sale of branded imported pharmaceutical and healthcare products, manufacturing and sales of electrotherapeutic and physiotherapeutic devices and general medical examination devices in the PRC and Hong Kong.	1.30

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	<b>Stock Code</b>	<b>Name</b>	<b>Principal business</b>	<b>PB Ratio</b>
42.	1681	Consun Pharmaceutical Group Ltd	Manufacturing and sale of pharmaceuticals.	2.55
43.	2010	Real Nutraceutical Group Ltd	Manufacture and sales of health and nutritional supplements and pharmaceutical products.	0.09
44.	2211	Universal Health International Group Holding Ltd	Distribution and retail of drugs and other pharmaceutical products in the northeastern region of the PRC.	0.17
45.	2289	Charmacy Pharmaceutical Co Ltd	Trading of pharmaceutical products and provision of related services.	1.67
46.	503	Lansen Pharmaceutical Holdings Ltd	Manufacturing and trading of pharmaceutical products.	0.95
47.	401	Wanjia Group Holdings Ltd	Pharmaceutical wholesales and distribution and pharmaceutical retail chain business in the PRC.	1.05
48.	6893	HIN Sang Group International Holding Co Ltd	Developing, marketing, selling and distributing a wide variety of personal care products, healthcare products and household products.	1.76
49.	897	Wai Yuen Tong Medicine Holdings Ltd	Production and sales of traditional Chinese and Western pharmaceutical products, health food and personal care products and property investment.	0.18
50.	932	RM Group Holdings Ltd	Sale, marketing and distribution of health and beauty supplements and products in Hong Kong, Taiwan and the PRC.	17.30
51.	2031	Ausupreme International Holdings Ltd	Developing, marketing, selling and distributing of health and personal care products, classified by health supplement products; honey and pollen products; and personal care products.	1.90
52.	2633	Jacobson Pharma Corp Ltd	Manufacturing and trading of generic drugs and proprietary Chinese medicines.	2.01
53.	512	China Grand Pharmaceutical and Healthcare Holdings Ltd.	Manufacture and sales of pharmaceutical preparations and medical devices, bio-technology products and nutrition products, specialized pharmaceutical raw materials and other products in the PRC.	2.69
54.	690	Uni-Bio Science Group Ltd.	Manufacture and sale of in-house chemical pharmaceutical products, manufacture and sale of in-house biological pharmaceutical products, industrialization of in-house biological pipeline and third party pharmaceutical products.	1.73
55.	2327	Meilleure Health International Industry Group Ltd.	Trade health care products; chemical materials & building materials; R&D chemical & biological products; investment & treasury; provide anti-aging & health management services, consultancy & agency services; leasing & property development.	3.46
56.	719	Shandong Xinhua Pharmaceutical Co. Ltd.	Development, production and sale of pharmaceutical raw materials, preparations, medical intermediates and other products.	2.86
57.	1061	Essex Bio-Technology Ltd.	Investment holding, development, manufacture and selling of biopharmaceutical products in the PRC.	4.32
58.	6896	Golden Throat Holdings Group Co. Ltd.	Manufacturing of lozenges in China.	3.82
			<b>Maximum</b>	<b>17.30</b>
			<b>Minimum</b>	<b>(3.91)</b>
			<b>Median</b>	<b>2.07</b>
			<b>Average</b>	<b>2.48</b>
			<b>Average (if China Health Group Inc. (as an outlier) is excluded)</b>	<b>2.59</b>
			<b>The Disposal</b>	<b>1.51</b>

Source: Bloomberg, the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk))

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As set out above, as at the Latest Practicable Date, the HK Listed Pharmaceutical Companies PB Ratios ranged from (3.91) to 17.30, with a median of 2.07 and (if excluded the outlier of China Health Group Inc.) an average of 2.59. The manufacturing and sale of pharmaceutical products is one of the major lines of business of Rui Kang Pharmaceutical. As illustrated in the table above, there are quite many other companies listed on the Stock Exchange which also engage in the research development, manufacturing, marketing and sale of pharmaceutical and/or healthcare products as well as other business activities. Each of the HK Listed Pharmaceutical Companies has its own detailed business arrangements, product portfolios, performance, business prospect and thus valuation.

Another principal business line of Rui Kang Pharmaceutical is the medical laboratory testing business. We set out below the PB Ratios of the companies listed on the Stock Exchange that are principally engaged in healthcare services including hospitals, clinics, diagnosis laboratory centres, etc. (the “HK Listed Healthcare Services Companies”).

	<b>Stock Code</b>	<b>Name</b>	<b>Principal business</b>	<b>PB Ratio</b>
1.	722	UMP Healthcare Holdings Ltd.	Provision of corporate healthcare solution services to Contract Customers and the provision of clinical healthcare services.	4.45
2.	1419	Human Health Holdings Ltd.	Private integrated healthcare service provider in Hong Kong with comprehensive outpatient capabilities covering general practice services, specialties services and dental services.	3.70
3.	2138	Union Medical Healthcare Ltd.	Provision of medical, quasi-medical and traditional beauty services, the sale of skincare and beauty products and investment holding.	3.29
4.	673	China Health Group Ltd.	Provision of B-to-C consumer services and healthcare services.	5.72
5.	8143	Hua Xia Healthcare Holdings Ltd.	Provision of general hospital services and pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the PRC.	1.35
6.	8307	Medicskin Holdings Ltd.	Provision of medical skin care services.	3.61
7.	8161	MediNet Group Ltd.	Provision of corporate medical and dental solutions/ services as well as the operation of MediNet Centres and dental clinics.	1.93
8.	1515	China Resources Phoenix Healthcare Holdings Co. Ltd.	Provision of general healthcare services, provision of hospital management and consulting services, group purchasing organization business and other hospital-derived services in Mainland China.	2.13
9.	1518	New Century Healthcare Holding Co. Ltd.	Provision of high-quality healthcare services to women and children.	42.44
10.	3689	Guangdong Kanghua Healthcare Co., Ltd.	Provision of hospital services: inpatient healthcare services; outpatient healthcare services and physical examination services.	2.77
11.	3886	Town Health International Medical Group Ltd.	Healthcare business investments; provision and management of medical, dental and other healthcare related services; investments and trading in properties and securities.	1.19
12.	1509	Harmonicare Medical Holdings Ltd.	Provision of specialised hospital services, especially in obstetrics and gynaecology and supply chain business in the PRC.	1.86
13.	1526	Rici Healthcare Holdings Ltd.	Operating general hospital, speciality hospital, medical examination centers and clinic in the PRC.	2.71
14.	2120	Wenzhou Kangning Hospital Co., Ltd.	Operation of psychiatric hospitals in the PRC.	2.31
15.	3869	Hospital Corporation of China Ltd.	Operation and management of hospital; and provision of management and consultation services to a not-for-profit hospital in the PRC.	1.53

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	<b>Stock Code</b>	<b>Name</b>	<b>Principal business</b>	<b>PB Ratio</b>
16.	286	Common Splendor International Health Industry Group Ltd.	Provision of health management services, investing and financing activities, property leasing.	3.36
17.	383	China Medical & HealthCare Group Ltd.	Securities trading and investments; financial services; property investment; property development; healthcare; and eldercare.	2.15
18.	3600	Modern Dental Group Ltd.	Provide dental prosthetic device provider with a focus on providing custom-made prostheses to customers in the growing prosthetics industry.	1.71
			<b>Maximum</b>	<b>42.44</b>
			<b>Minimum</b>	<b>1.19</b>
			<b>Median</b>	<b>2.51</b>
			<b>Average</b>	<b>4.90</b>
			<b>Average (if New Century Healthcare Holding Co. Ltd. (as an obvious outlier) is excluded)</b>	<b>2.69</b>
			<b>The Disposal</b>	<b>1.51</b>

*Source: Bloomberg, the Stock Exchange's website (www.hkex.com.hk)*

*Note: RMB is translated into HK\$ based on the exchange rate of RMB1 = HK\$1.13; USD is translated into HK\$ based on the exchange rate of USD1 = HK\$7.8.*

As set out above, as at the Latest Practicable Date, the HK Listed Healthcare Services Companies PB Ratios ranged from 1.19 to 42.44, with a median of 2.51 and an average of 2.69 (excluding the outlier). Among the HK Listed Healthcare Services Companies, only Rici Healthcare Holdings Limited (stock code: 1526) publishes segment information on revenue generated from its medical examination business segment (which is more directly comparable to the medical and laboratory testing business segment of Rui Kang Pharmaceutical). The PB ratio of Rici Healthcare Holdings Limited as at the Latest Practicable Date was 2.71. The other HK Listed Healthcare Services Companies did not set out the segment information on revenue generated from the medical and laboratory testing business. This makes it more difficult to compare the HK Listed Healthcare Services Companies with Rui Kang Pharmaceutical.

The implied PB Ratio for the Disposal of 1.51 falls within the range of PB Ratios of the HK Listed Pharmaceutical Companies and those of the HK Listed Healthcare Services Companies, but is lower than the median and average PB Ratio of the HK Listed Pharmaceutical Companies and the PB Ratio of Rici Healthcare Holdings Limited. Rui Kang Pharmaceutical is itself a company listed on the Stock Exchange, other than



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in “藥品流通行業運行統計分析報告(2016)” (The 2016 report on statistics and analysis on the pharmaceutical circulation industry) dated June 2017 published by the Ministry of Commerce of the People’s Republic of China, the pharmaceutical wholesale business in the PRC continued to consolidate. In 2016, the top 100 companies that are principally engaged in pharmaceutical wholesale business accounted for approximately 70.9% of the total market share, representing an increase of 2% as compared with that for 2015. Among the top 100 companies, the top 4 companies accounted for approximately 37.4% of the total market share, representing an increase of 1.1% as compared with that for 2015. As such, the smaller companies in this sector are facing more challenging competition.

Rui Kang Pharmaceutical recorded loss for the last 10 financial years. According to the 2016 RK Annual Report, the Rui Kang Pharmaceutical Group considered that given that the medical laboratory testing services and health check service business was still in an early development stage and the competitive market, the performance of these service sectors will remain challenging.

We understand from the Company that it has taken into account the general performance of Rui Kang Pharmaceutical which, among other factors, had been affected by the environment and trend of the medical and pharmaceutical industry in the PRC and Hong Kong when considering the Disposal. We understand from the Company that there is no recent unexpected market development which may materially affect the business prospect of Rui Kang Pharmaceutical. We agree with the Company these market factors may likely have been reflected in the trading market price of Rui Kang Pharmaceutical Shares. As described above, the implied PB Ratio actually falls close to the high end of Rui Kang Pharmaceutical’s valuation since the Company’s first investment in Rui Kang Pharmaceutical in January 2015.

The Company considered the merits of the Disposal based on the major factors discussed below.

As set out above, the Consideration per Sale Share of HK\$0.51 represents a premium of approximately 27.5% over the average investment cost in the Sale Shares by the Company.

Rui Kang Pharmaceutical continued to record loss and negative EBITDA for 2016FY. The Group has not received any dividend income from Rui Kang Pharmaceutical. The Disposal is in line with the investment philosophy of the Company’s management in achieving good long term return to the Shareholders. The Disposal will also result in a gain of approximately HK\$62.9 million for the Company.

As at 31 December 2016, the total borrowings of the Group (excluding the Rui Kang Pharmaceutical Group) amounted to approximately HK\$361.2 million, bearing interest of 2.3% to 9.6%. For FY2016, the Group (excluding the Rui Kang Pharmaceutical Group) recorded interest and finance expenses of approximately HK\$28.8 million. We have reviewed the Company’s proposed repayment schedule of debt as at 31 May 2017 and noted that approximately HK\$212.5 million of the outstanding debts will mature before end of 2018 with the interest rates ranged from 6% to 9.6%. As mentioned in the Letter from the Board, part of the proceeds from the Disposal will be used for repayment of debts.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group recorded net cash outflow from operating and investment activities for the last 2 financial years. This additional funding will help the liquidity position of the Group.

### **Financial effect of the Disposal**

Upon Completion, the Company will cease to have any interest in Rui Kang Pharmaceutical. As set out in the 2016 Annual Report, as at 31 December 2016, the audited consolidated equity attributable to the owners of the Company amounted to approximately HK\$245.88 million. The Group estimates that a gain of approximately HK\$62.9 million would be recorded as a result of the Disposal. However, the actual gain or loss in respect of the Disposal to be recorded by the Group will be subject to the then financial position of the Rui Kang Pharmaceutical Group upon Completion. We understand from the Company, the expected gain on disposal will have a positive impact on the net asset value of the the Group.

The Disposal will lead to deconsolidation of the financial results of the Rui Kang Pharmaceutical Group from the Group's financial statements. Therefore the Disposal will lead to a decrease in total assets and total liabilities of the Group upon the deconsolidation of financial results from Rui Kang Pharmaceutical Group. But given the Consideration representing a premium of 51% over the 2016 RKP NAV, the Disposal will likely to have a positive impact on the net asset value of the Group. Assuming the gain of HK\$62.9 million from the Disposal represents an increase in net asset value of the Company, (i) the net asset value per share on the Shares will increase from HK\$0.038 to HK\$0.047, by approximately 23.68% based on the number of issued Shares as at the Latest Practicable Date; (ii) the gearing ratio of the Group (being the net debt to equity) will be improved from approximately 1.25% to approximately 0.99% as at 31 December 2016; and (iii) the working capital ratio of the Group (being the current assets over the current liabilities) will be improved from approximately 1.1 times to approximately 1.28 times.

As set out in the Letter from the Board, the Company intends to apply the proceeds from the Disposal for the purposes of general working capital, repayment of debts and potential investment opportunities. As at 31 December 2016, the Company had accumulated losses of approximately HK\$2,840.20 million. We understand from the Company that the Shareholders will not receive any distribution from the Company from the proceeds from the Disposal.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and its Shareholders as a whole. The Disposal is on normal commercial terms and is in line with the development strategy (though not in the ordinary and usual course of business of the Company). Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Disposal.

Yours faithfully,  
For and on behalf of  
**REORIENT Financial Markets Limited**  
**Allen Tze**  
*Managing Director*

*Mr. Allen Tze is a licensed person registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and has over 18 years of experience in corporate finance industry.*



**1. FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 were disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.chinawahyan.com](http://www.chinawahyan.com)):

- Annual report of the Group for the year ended 31 December 2016 published on 19 April 2017 (pages 34 to 163); (<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0419/LTN201704191128.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>)

**2. STATEMENT OF INDEBTEDNESS**

As at 31 May 2017, 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:

1. Unsecured loan from a third party with principal amount of HK\$10.6 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\$63.3 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 2018; (ii) HK\$60 million which bears an interest rate of 8.5% per annum and is repayable in 2018; (iii) HK\$35 million which bears an interest rate of 8% per annum and is repayable in 2019; (iv) HK\$21 million which bears an interest rate of 8.5% per annum and is repayable in 2019; (v) RMB12.9 million (approximately HK\$14.7 million) which bears an interest of 1% per month and is repayable in 2017; (vi) RMB1.1 million (approximately HK\$1.3 million) which bears an interest of 12% per annum and is repayable in 2018; and (vii) approximately RMB0.9 million (equivalent to approximately HK\$1.0 million) which bears an interest of 1% per month and is repayable in 2018.

4. Unsecured bonds with principal amount of HK\$136.5 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\$68.5 million which bears an interest rate of 9.6% per annum and matures in 2017; (iv) HK\$9 million which bears an interest rate of 6% per annum and matures 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 notes with principal amount of HK\$67 million comprising (i) HK\$2 million which bears an interest rate at 5% per annum and matures in 2017; and (ii) HK\$65 million which bears an interest rate at 5% per annum and matures in 2018.
6. Secured bank loans comprising (i) HK\$47.5 million which bears an interest rate of one-month HIBOR plus 2.5% per annum, matures in 2025 and is secured by properties in Hong Kong; (ii) HK\$4.6 million which bears an interest of HK\$ best lending rate minus 2.7% per annum, matures in 2021 and is secured by properties in Hong Kong and a corporate guarantee; and (iii) HK\$6.5 million which bears an interest rate of 8.5% per annum and is repayable in 2018 and secured by a corporate guarantee.
7. Margin payables of HK\$36.9 million which is secured by the Group's listed securities.

Save as disclosed above and apart from intra-group liabilities, as at 31 May 2017, 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 effect of the Disposal and the present financial resources available to the Group, the Company believes that the Group shall have sufficient working capital to meet its requirements for at least 12 months from the Latest Practicable Date in the absence of any unforeseen circumstance.

### **4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

Following Completion which may or may not take place subject to the conditions of the Disposal being fulfilled or waived as applicable, the medical and well-being business segment of the Group will comprise the operation of a chain of optical products and eye-care services retail shops under the brand name of "Hong Kong Optical" and the provision of obstetric and gynaecological services while the loss-making pharmaceutical manufacturing business and medical laboratory testing business of the Rui Kang Pharmaceutical Group will cease to be part of such business segment. The Group is considering different restructuring plans to capture the market trend and improve the profitability of the health management business (including but not limited to upgrading

facilities of the existing clubhouses, establishment of new clubhouses, closing down clubhouses without growth potential and engaging experienced operators to manage the health and fitness clubhouses). As described in the Company's annual report for the year ended 31 December 2016, the obstetric and gynaecological business of the Group is in the course of expansion including the establishment of an in-vitro fertilisation centre in the Republic of Philippines and expansion of its clinic in Hong Kong to provide multi-specialist clinical services (including day surgery operations). In addition, the Group is also expanding its eye-care business including opening new shops and enhancing collaboration with ophthalmology medical centre(s). The Group will continue to identify business partners/opportunities to broaden the income base of its obstetric and gynaecological business and eye-care business. Furthermore, following completion of the Xinhua News Media Offers, the business scope of the Group will extend to the business of broadcasting information and advertisement on television screen as well as the medical waste and cleaning business (details of which were disclosed in the circulars of the Company dated 22 May and 4 July 2017). The Group will continue to review the performance and development strategies of its businesses, streamline its business portfolio and seek appropriate merger, acquisition, divestment and integration opportunities to enhance return to the Shareholders.

Save for the Disposal, the potential restructuring of the businesses of the Group and the Xinhua News Media Offers, as at the Latest Practicable Date, the Group did not have any intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) or concrete plan on any disposal/termination/scaling down of the Company's existing businesses, injection of any new business to the Group and any change in the board composition and shareholding structure of the Group. Although the Company encounters or is presented with potential investment opportunities from time to time, as at the Latest Practicable Date, there was no active on-going negotiation or concrete plan in respect of any of such opportunities at mature stage of which any agreement (including non-legally binding or definitive) has been entered into by the Company.

Given (i) the continuous loss incurred by the Rui Kang Pharmaceutical Group and its key business segments; (ii) the difficulty for the financial performance of Rui Kang Pharmaceutical's medical laboratory testing services and health check services business to turn around (due to the fact that such business segment will remain challenging with great uncertainty and fierce competition as disclosed in the RKP 2016 Annual Report); and (iii) the additional working capital from the net proceeds of the Disposal, the Directors are of the view that the terms of the Disposal are fair and reasonable and on normal commercial terms and the Disposal is in the interests of the Company and the Shareholders as a whole.

**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 Company. 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 the Directors**

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 was taken or 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:

*The Company*

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Number of underlying Shares held (Note 2)</b>	<b>Total</b>	<b>Approx. % of shareholding of the Company</b>
Mr. Chan Ka Chung (“Mr. Chan”)	Corporate interest	101,250,000 (Note)	—	101,250,000	1.55%

*Note: This represents the interest of Mr. Chan in the Company, held through a company wholly-owned by him.*

*Associated corporations*

<b>Name</b>	<b>Associated corporation</b>	<b>Percentage of issued capital</b>
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**

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 2016, being the date to which the latest published audited consolidated financial statements of the Company 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 close associates was 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 Rui Kang Pharmaceutical)**

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Group (excluding Rui Kang Pharmaceutical) 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 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;
- (ii) 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;
- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) the subscription agreement dated 29 January 2016 and entered into by the Company with an independent third party 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;
- (vii) 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;
- (viii) the placing agreement dated 18 February 2016 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\$100 million;



- (ix) the undertaking agreement dated 24 February 2016 and provided by the Company that the Company had irrevocably undertaken that it would subscribe for 7,100,000,000 shares of IR Resources Limited under its rights issue at a consideration of HK\$71 million;
- (x) 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;
- (xi) 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 Company 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;
- (xii) the sale and purchase agreement dated 26 May 2016 and entered into between a wholly-owned subsidiary of the Company and an independent third party relating to the disposal of 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;
- (xiii) the 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;
- (xiv) the sale and purchase agreement dated 7 June 2016 and entered into between a wholly-owned subsidiary of the Company and an independent third party relating to the acquisition of the entire equity interest of a company engaged in the provision of obstetric and gynaecological services in Hong Kong at a consideration of HK\$8.85 million;
- (xv) 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;
- (xvi) 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;
- (xvii) 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;

- (xviii) 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;
- (xix) the share transfer agreement dated 2 December 2016 and entered into between the Company and a wholly-owned subsidiary of New Ray Medicine relating to the transfer of 228,620,000 of Rui Kang Pharmaceutical;
- (xx) the deed of termination dated 27 March 2017 and entered into between the Company and a wholly-owned subsidiary of New Ray Medicine relating to the termination of the transfer of 141,920,000 shares of Rui Kang Pharmaceutical;
- (xxi) the sale and purchase agreement dated 12 May 2017 and entered into by a wholly-owned subsidiary of the Company relating to the disposal of 77.4% equity interest of a non wholly-owned subsidiary engaged in the health management business;
- (xxii) the deed of termination in relation to the termination of the sale and purchase agreement dated 12 May 2017 set out in sub-paragraph (xxi) above; and
- (xxiii) the Sale and Purchase Agreement.

### **Rui Kang Pharmaceutical Group**

Rui Kang Pharmaceutical has become a non wholly-owned subsidiary of the Company since May 2016. The following contracts were entered into by Rui Kang Pharmaceutical after 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 Rui Kang Pharmaceutical Group as a whole:

- (a) the sale and purchase agreement dated 15 July 2016 and entered into between a wholly-owned subsidiary of Rui Kang Pharmaceutical and an independent third party relating to the acquisition of 4% equity interest of the Contracted Medical Scheme Group by 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 Rui Kang Pharmaceutical and Supreme China Securities Limited relating to the placing of up to 131,380,000 new shares of Rui Kang 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 Rui Kang Pharmaceutical and an independent third party relating to the disposal of 6.136% equity interest of a company engaged in money lending business in the PRC by Rui Kang Pharmaceutical Group at a consideration of HK\$10 million;



- (d) the sale and purchase agreement dated 7 April 2017 and entered into between a wholly-owned subsidiary of Rui Kang Pharmaceutical and independent third parties relating to the disposal of 30% equity interest of a subsidiary engaged in the sale of prescription drugs and medical equipment and wholesale of drugs and medicated oil products in the PRC; and
- (e) the sale and purchase agreement dated 12 May 2017 and entered into by an indirectly wholly-owned subsidiary of Rui Kang Pharmaceutical relating to the disposal of 22.6% equity interest of a company engaged in the health management business.

## 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 had 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. EXPERT'S CONSENT AND QUALIFICATIONS

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

<b>Name</b>	<b>Qualifications</b>
REORIENT Financial Markets Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, the above expert did not have:

- (a) any direct or indirect interest in any assets which have been, since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up), 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 up to the Latest Practicable Date; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name included herein in the form and context in which they respectively appear.

**I. 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 2016, being the date to which the latest audited consolidated financial statements of the Group were made up.

**J. 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.

**K. 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 2015 and 2016;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;
- (d) the material contracts as set out in the paragraph "Material Contracts" in this Appendix;
- (e) the consent letter referred to in the paragraph headed "Expert's Consent and Qualifications" in this Appendix;
- (f) the circular and the supplemental circular of the Company respectively dated 22 May and 4 July 2017, and the offer document and the supplemental offer document of the Company respectively dated 22 May and 7 July 2017 relating to the voluntary conditional securities exchange offers to acquire all the issued shares of Xinhua News Media Holding Limited and to cancel all of its outstanding options; and
- (g) this circular.

**L. 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 Room 4608, 46th Floor, The Centre, 99 Queen’s Road Central, Hong Kong on Monday, 31 July 2017, at 9:30 a.m. for the purposes of considering and, if thought fit, passing the following ordinary resolution (with or without modifications):

**ORDINARY RESOLUTION**

**THAT** “the sale and purchase agreement dated 15 June 2017 between the Company and Genius Lead Limited (the “Sale and Purchase Agreement”) and the transactions contemplated thereby be and are hereby approved, confirmed, authorised and ratified, and the directors of the Company, acting collectively and individually, be and are hereby authorised, for and on behalf of the Company, to do all such acts and things and to sign, execute, seal (where required) and deliver all such documents and to take all such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or implement or in connection with or incidental to the Sale and Purchase Agreement and/or any and all of the transactions contemplated thereunder.”

By order of the board of directors of  
**China Wah Yan Healthcare Limited**  
**CHAN Ka Chung**  
*Chairman*

Hong Kong, 14 July 2017

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## NOTICE OF THE EGM

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*Notes:*

- (1) 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, more proxies to attend and vote instead of him/her/it. A proxy needs not be a member of the Company.
- (2) 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 are 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.
- (3) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the registered office of the Company at 36th Floor, Times Tower, 391–407, Jaffe Road, Wanchai, Hong Kong for registration not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the meeting.
- (4) Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person at the meeting or any adjournment thereof if he/she/it so desires. If a member attends the meeting after having deposited the form of proxy, his/her/its form of proxy will be deemed to have been revoked.
- (5) For determining the entitlement of the Shareholders of the Company to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 26 July 2017 to Monday, 31 July 2017 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 25 July 2017.