

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



China Wah Yan Healthcare Limited

中國華仁醫療有限公司

(Incorporated in the Hong Kong with limited liability)

(Stock Code: 648)

**CONNECTED TRANSACTION
GRANTING OF EQUITY CREDIT FACILITY**

THE EQUITY CREDIT FACILITY AGREEMENT

The Company is pleased to announce that on 9 September 2015, the Company entered into the Equity Credit Facility Agreement with the Credit Facility Provider for the granting of the Credit Facility. Under the Equity Credit Facility Agreement, the Credit Facility Provider has agreed to grant to the Company the Put Option which entitles the Company the right to drawdown the Credit Facility during the Put Option Exercise Period and the Company has agreed to grant to the Credit Facility Provider the Call Option which entitles the Credit Facility Provider to require the Company to drawdown the Credit Facility during the Call Option Exercise Period. The Company shall obtain the Credit Facility through the issuance of (i) the Option Shares or (ii) the Convertible Bonds or (iii) a combination of the above, at the sole discretion of the Company (when the Put Option is exercised) or the Credit Facility Provider (when the Call Option is exercised).

Based on 2,177,122,772 Shares in issue as at the date of this announcement and assuming that there will be no change in the number of issued Shares from the date of this announcement till the issue of the Option Shares (if any) and/or the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Bonds (if any), 304,797,188 Shares (i.e. 14% of the existing issued Shares as at the Completion Date) can be issued under the Equity Credit Facility Agreement, which represent 12.3% of the issued Shares as enlarged by the allotment and issue of such Shares. As such, the amount of the Credit Facility will be HK\$43.6 million and the Credit Facility will be applied principally for repayment of the Yen-denominated Loans.

IMPLICATION UNDER THE LISTING RULES

Pursuant to Rule 15.02(1) of the Listing Rules, the Option Shares and/or the Conversion Shares which may be issued pursuant to the exercise of the Call Option must not, when aggregated with all other equity securities remain to be issued upon exercise of any other subscription rights of the Company and assuming that such rights were immediately exercised (whether or not such exercise is permissible), exceed 20% of the issued Shares (options granted under the employee or executive share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of this limit) as at the Completion Date when the Call Option is granted. As at the date of this announcement, the Company has (i) 2,177,122,772 Shares in issue; and (ii) unlisted warrants which entitle the holder thereof to subscribe for a total 113,866,396 new Shares, representing 5.2% of the issued Shares as at the date of this announcement. As such, the maximum number of the Option Shares and/or the Conversion Shares issuable under the Call Option which represents 14% of the total Shares as at the Completion Date is in compliance with Rule 15.02(1) of the Listing Rules.

Since the Credit Facility Provider is a company wholly-owned by Mr. Chan, an executive Director, the entering into of the Equity Credit Facility Agreement and the transactions contemplated under the Equity Credit Facility Agreement will constitute connected transactions on part of the Company under Chapter 14A of the Listing Rules and will be subject to reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, the Equity Credit Facility Agreement and the transactions contemplated thereunder including the issue of the Option Shares and/or the Convertible Bonds (as the case may be) pursuant to the exercise of the Call Option or the Put Option, as well as the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds, will be subject to the specific mandate to be approved by the independent Shareholders at the EGM.

GENERAL

An independent board committee of the Company comprising the independent non-executive Directors will be formed to advise the independent shareholders of the Company as to the fairness and reasonableness of the transactions contemplated under the Equity Credit Facility Agreement. An independent financial adviser will be appointed to advise the independent board committee and the independent shareholders of the Company in this regard. Since Mr. Chan holds 101,250,000 Shares as at the date of this announcement, Mr. Chan, the Credit Facility Provider and their respective associates that hold any Shares are required to abstain from voting on the resolution(s) at the EGM to approve the Equity Credit Facility Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the Equity Credit Facility Agreement, a letter from the independent financial adviser to the independent board committee and the independent shareholders of the Company, a letter from the Independent Board Committee to the independent shareholders, a notice of the EGM and the corresponding proxy form will be despatched to the shareholders of the Company on or before 15 October 2015.

Completion of the Equity Credit Facility Agreement is subject to satisfaction of the conditions precedent contained thereunder, and therefore the Equity Credit Facility Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE EQUITY CREDIT FACILITY AGREEMENT

Date

9 September 2015 (after trading hours)

Parties

- (1) the Company as the borrower; and
- (2) the Credit Facility Provider, as the provider of the Credit Facility.

The Credit Facility Provider is an investment company wholly-owned by Mr. Chan.

Conditions

The grant and exercise of the Call Option and the Put Option are conditional upon:

- (i) the Listing Committee having granted (either unconditionally or subject to conditions to which neither the Company nor the Credit Facility Provider shall reasonably object) the listing of, and the permission to deal in, the Option Shares and any new Shares to be issued upon the exercise of the conversion rights attached to the Convertible Bonds;
- (ii) the Company having obtained all necessary consent and approval in respect of the Equity Credit Facility Agreement and the transactions contemplated thereunder; and
- (iii) the passing of the necessary resolution(s) by the independent shareholders of the Company who are entitled to vote and not required to be abstained from voting under the Listing Rules at the EGM.

None of the above conditions precedent are waivable by the Company and the Credit Facility Provider. If any of the above conditions is not fulfilled on or before 30 November 2015 (the “**Long Stop Date**”), or such other date as may be agreed between the Company and the Credit Facility Provider, the Equity Credit Facility Agreement shall lapse and become null and void and the parties to the agreement shall be released from obligation thereunder, save for any liabilities for any antecedent breaches thereof.

PRINCIPAL TERMS OF THE EQUITY CREDIT FACILITY AGREEMENT

The Put Option and the Call Option

The amount of the Credit Facility will be equivalent to the number of Shares representing 14% of the total Shares in issue as at the Completion Date multiplied by the Exercise Price.

Under the Equity Credit Facility Agreement, the Company is entitled to exercise the Put Option to drawdown the Credit Facility during the 42-month period commencing from the date of the issue of the Put Option (the “**Put Option Exercise Period**”) and the Credit Facility Provider is entitled to exercise the Call Option to require the Company to drawdown the Credit Facility during the 36-month period commencing from the date of the issue of the Call Option (the “**Call Option Exercise Period**”). The Company shall obtain the Credit Facility through the issuance of (i) the Option Shares or (ii) the Convertible Bonds or (iii) a combination of the above. The number of Option Shares (if any) and/or the principal amount of the Convertible Bonds (if any) to be issued by the Company shall be determined at the sole discretion of the Company (when the Put Option is exercised) or the Credit Facility Provider (when the Call Option is exercised) in accordance with the following:

$$\text{Credit Facility} = \text{Number of Option Shares to be issued (if any)} \times \text{Exercise Price} + \text{Principal amount of the Convertible Bonds (if any)}$$

The Put Option and the Call Option may be exercised by the Company and the Credit Facility Provider, respectively, (i) in whole or (ii) in more than one tranches with a minimum drawdown amount at each tranche of not less than one-third of the maximum amount of the Credit Facility.

Number of new Shares to be issued

The aggregate number of the Option Shares (if any) and the Conversion Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds (if any) that can be issued under the Equity Credit Facility Agreement will be 14% of the existing issued Shares as at the date of the Completion Date. Based on 2,177,122,772 Shares in issue as at the date of this announcement and assuming that there will be no change in the number of issued Shares from the date of this announcement till the issue of the Option Shares (if any) and/or the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Bonds (if any), 304,797,188 Shares (i.e 14% of the existing issued Shares as at the Completion Date) can be issued under the Equity Credit Facility Agreement which represents 12.3% of the issued Share as enlarged by the issue of such Shares.

The Exercise Price

The Exercise Price of HK\$0.143 shall be (i) the subscription price per Option Share to be subscribed by the Credit Facility Provider pursuant to the exercise of the Put Option or the Call Option (as the case may be); and (ii) the conversion price at which the Convertible Bonds can be converted into the Conversion Shares. The Exercise Price is arrived at after arm’s length negotiations between the Company and the Credit Facility Provider with reference to the recent trading prices of the Shares and represent:

- (i) a premium of 5.1% over the closing price of HK\$0.136 per Share as quoted on the Stock Exchange on the date of this announcement;
- (ii) a premium of 9.8% over the average closing prices of approximately HK\$0.130 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the date of this announcement.

The Exercise Price is subject to adjustment for, amongst others, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distribution, rights issue of Shares or options over Shares, rights issues of other securities, issues at less than the then market price or the Exercise Price, other usual adjustment events and events in which the Company considers appropriate for making an adjustment following the date of the Equity Credit Facility Agreement.

Principal Terms of the Convertible Bonds

Issuer:	the Company
Total principal amount:	up to the maximum amount of the Credit Facility
Interest:	Nil
Maturity Date:	third anniversary from the date of issue of the Convertible Bonds or if such date is not a business day, the next business day (the “ Maturity Date ”)
Conversion Period:	any time after the date falling the first anniversary from the date of the issue of the Convertible Bonds and up to and including 7 days before (and excluding) the Maturity Date (the “ Conversion Period ”)
Early Redemption:	the Convertible Bonds may not be repaid or redeemed before the Maturity Date otherwise than in accordance with the terms and conditions of the Convertible Bonds
Transferability:	the Convertible Bonds may be freely transferred by the Credit Facility Provider in whole amount or multiples of units of principal amount of the Convertible Bonds of HK\$1,000,000 to transferee. However, any transfer of the Convertible Bonds to any connected person of the Company shall be subject to prior written consent of the Company
Voting:	holders of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of its being a holder of the Convertible Bonds
Listing:	no application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange

Listing

An application will be made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Option Shares and the Conversion Shares on the Stock Exchange.

Ranking of the Option Shares and the Conversion Shares

The Option Shares and the Conversion Shares, when issued, will rank pari passu in all respects with the existing issued Shares as at the date of allotment.

SPECIFIC MANDATE TO ISSUE THE SUBSCRIPTION SHARES AND THE CONVERSION SHARES

Since the transactions contemplated under the Equity Credit Facility Agreement constitute connected transactions of the Company, the granting of the Put Option and the Call Option and the subsequent issue of the Option Shares and/or the Convertible Bonds pursuant to the exercise of the Put Option or the Call Option, as well as the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds, will be subject to the specific mandate to be approved by the independent shareholders of the Company at the EGM.

REASONS FOR AND BENEFIT OF THE EQUITY CREDIT FACILITY AGREEMENT AND USE OF PROCEEDS

The Group is principally engaged in the (i) healthcare and well-being business, including the operation of a chain of sports and healthcare clubhouses under the brand name of “Megafit” in the PRC, a chain of medical centres specialising in the diagnosis and treatment of tumours in the PRC and a chain of optical products and eye-care services retail shops under the brand name of “Hong Kong Optical” in Hong Kong, as well as (ii) asset management business (including investment in financial/fixed/distressed assets and loan financing). The Group is also the single largest shareholder of Rui Kang Pharmaceutical Group Investments Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and engaged in the manufacture, research and development, and distribution of consumer cosmetic, health related and pharmaceutical products in the PRC and Hong Kong.

The Put Option and the Call Option are inseparable components under the Equity Credit Facility Agreement which are principally intended to provide a credit facility to the Group to repay the Yen-denominated Loans. As disclosed in the Company’s interim results announcement for the six months ended 30 June 2015, the Group’s cash and bank balances as at 30 June 2015 amounted to HK\$79.1 million and its borrowings amounted to HK\$129.7 million (including the Yen-denominated Loans). Between 2007 and 2011, the Hong Kong dollars equivalent amount of the Yen-denominated Loans increased by 53.1% from HK\$68.6 million to HK\$105.0 million due to appreciation of the Japanese Yen. During 2013 and 2014, the trend of the exchange rate of Hong Kong dollars against Japanese Yen reversed and the Hong Kong dollars equivalent amount of the Yen-denominated Loans substantially reduced by 27.5% from HK\$93.7 million to HK\$68.0 million. However, such depreciation trend of the Japanese Yen has been reversed again in recent months and the exchange rate of the Hong Kong dollars against Japanese Yen decreased by 2.8% between 30 June 2015 and the date of the Equity Credit Facility Agreement. As mentioned in the Company’s annual reports and interim reports in prior years, the Group is exposed to fluctuation in exchange rates in respect of the Yen-denominated Loans due to the fact that the Group’s cash flow from operations and assets are mostly denominated in Renminbi and Hong Kong dollars whilst the Yen-denominated Loans is denominated in Yen. Therefore, as also stated in the Company’s annual report for the year ended 31 December 2014 and interim results announcement for the six months ended 30 June 2015, the recent depreciation of Renminbi and appreciation of Japanese Yen have a mixed impact on the Group’s costs for repayment of the principal and interest of the Yen-dominated Loan and it has been the Group’s strategy to continue to monitor the situation and consider to reduce its debt exposure to Japanese Yen under the Yen-denominated Loans as and when appropriate as such exchange exposure and risk are unnecessary for the Group. The Credit Facility will provide the Company with the necessary

financial backing and flexibility to closely monitor the exchange rate fluctuation between the Hong Kong dollars and the Japanese Yen and to seize the best possible window opportunity to repay it if the Japanese Yen continues to appreciate to a stronger position. In the past 10 years, the exchange rate of Japanese Yen has been significantly fluctuated up and down and, historically, the exchange rate fluctuation between the Hong Kong dollar and the Japanese Yen used to have a substantial and negative impact of exchange loss on the Group's financial performance and, as at 31 December 2010 and 2011, the Hong Kong dollars equivalent amount of the Yen-denominated Loans was as high as HK\$99.7 million and HK\$105.0 million, respectively. The risk of the unpredictable and adverse movement of the exchange rate of Japanese Yen could result in a significant loss of the Group going forward. Following completion of the Equity Credit Facility Agreement, the Company will establish a special committee comprising executive Directors and independent non-executive Directors to monitor the exchange rate between the Hong Kong dollars and the Japanese Yen and to decide on the timing of exercising the Put Option for repayment of the Yen-denominated Loans. Nevertheless, the Directors also consider it in the interest of the Company to apply the Credit Facility to repay the Yen-denominated Loans in whole or in part for purpose of exchange rate risk management if the Credit Facility Provider exercises the Call Option.

The Hong Kong dollars equivalent of the Yen-denominated Loans amounted to HK\$66.4 million as at 30 June 2015. The amount of the Credit Facility will be HK\$43.6 million. For the shortfall amount in fully repaying the Yen-denominated Loans, the Company will use internal resources, if any, or seek other financing means, if then available, to repay the shortfall portion of the Yen-denominated Loans.

Given the above, the executive Directors are of the view that the terms of the Equity Credit Facility Agreement are of normal commercial terms and fair and reasonable and the entering into of the Equity Credit Facility Agreement is in the interest of the Company and its shareholders as a whole.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 2,177,122,772 Shares in issue. The shareholding structure of the Company (i) as at the date of announcement; and (ii) immediately after the issue of the Option Shares and/or the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Bonds are as follows.

	As at the date of this announcement		Immediately after the issue of the Option Shares and/or Conversion Shares upon full exercise of the conversion rights attached to the Convertible Bonds	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Mr. Chan	101,250,000	4.65%	406,047,188	16.36%
Public Shareholders	<u>2,075,872,772</u>	<u>953.35%</u>	<u>2,075,872,772</u>	<u>83.64%</u>
	<u>2,177,122,772</u>	<u>100.00%</u>	<u>2,481,919,960</u>	<u>100.00%</u>

IMPLICATION UNDER THE LISTING RULES

Pursuant to Rule 15.02(1) of the Listing Rules, the Option Shares and/or the Conversion Shares which may be issued pursuant to the exercise of the Call Option must not, when aggregated with all other equity securities remain to be issued upon exercise of any other subscription rights of the Company and assuming that such rights were immediately exercised (whether or not such exercise is permissible) exceed 20% of the issued Shares (options granted under the employee or executive share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of this limit) as at the Completion Date when the Call Option is granted. As at the date of this announcement, the Company has (i) 2,177,122,772 Shares in issue; and (ii) unlisted warrants which entitle the holder thereof to subscribe for a total 113,866,396 new Shares, representing 5.2% of the issued Shares as at the date of this announcement. As such, the maximum number of the Option Shares and/or the Conversion Shares issuable under the Call Option which represents 14% of the total Shares as at the Completion Date is in compliance with Rule 15.02(1) of the Listing Rules.

Since the Credit Facility Provider is a company wholly-owned by Mr. Chan, an executive Director, the entering into of the Equity Credit Facility Agreement and the transactions contemplated under the Credit Facility Agreement will constitute a connected transactions on part of the Company under Chapter 14A of the Listing Rules and will be subject to reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, the Equity Credit Facility Agreement and the transactions contemplated thereunder including the issue of the Option Shares and/or the Convertible Bonds (as the case may be) pursuant to the exercise of the Call Option or the Put Option, as well as the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds, will be subject to the specific mandate to be approved by the independent shareholders of the Company at the EGM.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

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

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
2014				
16 September	Rights Issue	HK\$96 million	80% of the net proceeds for the Group's investments identified and/or to be identified and the remaining 20% for general working capital purpose	Used as intended
9 October	Issue of Convertible Bonds	HK\$83.7 million	General working capital, reduction of debts and future investment	Used as intended
2015				
29 March	Placing of new Shares	HK\$41 million	General working capital, reduction of debt and future investment	(i) HK\$22 million used as intended; and (ii) HK\$19 million reserved as intended (for the joint venture's development of a chain of healthcare and therapy centres)
1 June	Placing of new Shares	HK\$117 million	General working capital, reduction of debt and future investment	Used as intended

GENERAL

An independent board committee of the Company comprising the independent non-executive Directors will be formed to advise the independent shareholders of the Company as to the fairness and reasonableness of the transactions contemplated under the Equity Credit Facility Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the independent Shareholders in this regard. Since, Mr. Chan holds 101,250,000 Shares as at the date of this announcement, Mr. Chan, the Credit Facility Provider and their respective associates that hold any Shares as at the date of this announcement are required to abstain from voting on the resolution(s) at the EGM to approve the Equity Credit Facility Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the Equity Credit Facility Agreement, a letter from the independent financial adviser to the independent board committee and the independent shareholders of the Company, a letter from the Independent Board Committee to the independent shareholders, a notice of the EGM and the corresponding proxy form will be despatched to the shareholders of the Company on or before 15 October 2015.

Completion of the Equity Credit Facility Agreement is subject to satisfaction of the conditions precedent contained thereunder, and therefore the Equity Credit Facility Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

- “Company” China Wah Yan Healthcare Limited, a company incorporated in Hong Kong with limited liability and whose issued shares are listed on the main board of the Stock Exchange
- “Call Option” the option which entitles the Credit Facility Provider the right to require the Company to drawdown the Credit Facility under the Equity Credit Facility Agreement
- “Completion Date” the date on which all the conditions of the Equity Credit Facility Agreement as set out in the paragraph “The Equity Credit Facility Agreement — Conditions” are satisfied
- “Conversion Shares” the new Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds
- “Convertible Bonds” the convertible bonds, in the aggregate principal amount up to the maximum amount of the Credit Facility, to be issued pursuant to the exercise of the Put Option or the Call Option (as the case may be) under the Equity Credit Facility Agreement for settlement of the Credit Facility
- “Credit Facility” the credit facility to be provided by the Credit Facility Provider under the Equity Credit Facility Agreement, the amount of which shall be equivalent to the number of Shares representing 14% of the total Shares as at the Completion Date multiplied by the Exercise Price
- “Credit Facility Provider” Fine Talent Ventures Limited, a company incorporated in Samoa with limited liability and wholly-owned by Mr. Chan
- “Director(s)” the director(s) of the Company
- “EGM” the extraordinary meeting of the shareholders of the Company to be convened and held to approve the Equity Credit Facility Agreement and the transactions contemplated hereunder

“Equity Credit Facility Agreement”	the credit facility agreement dated 9 September 2015 and entered into between the Company and the Credit Facility Provider
“Exercise Price”	HK\$0.143 (subject to adjustments), being (i) the subscription price per Option Share to be subscribed by the Credit Facility Provider pursuant to the exercise of the Put Option or the Call Option (as the case may be) and (ii) the conversion price per Conversion Share at which the Convertible Bonds can be converted into Conversion Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the listing sub-committee of the main board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Ka Chung, an executive Director
“Option Shares”	the new Shares, which shall represent up to 14% of the total issued Shares as at the Completion Date, to be issued and allotted by the Company pursuant to the exercise of the Put Option or the Call Option (as the case may be) under the Equity Credit Facility Agreement for settlement of the Credit Facility
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Put Option”	the option which entitles the Company the right to drawdown the Credit Facility under the Equity Credit Facility Agreement
“Share(s)”	share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Yen-Denominated Loans” the loan in the aggregate principal amount of Japanese Yen 1,051,000,000 owed by the Company to SBI Incubation Co. Ltd and SoftBank Telecom Corporation, pursuant to the loan agreement dated 26 March 2002 between SBI Incubation Co. Ltd and the Company, the loan agreement dated 28 March 2002 between SoftBank Telecom Corporation and the Company, and all subsequent amended agreements and deed of amendment and restatement

By Order of the Board of
China Wah Yan Healthcare Limited
Cheung Wai Kwan
Executive Director

Hong Kong, 9 September 2015

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