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## **China Wah Yan Healthcare Limited**

**中國華仁醫療有限公司**

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

**(Stock Code: 648)**

### **DISCLOSEABLE TRANSACTION INTRODUCTION OF A STRATEGIC INVESTOR TO THE GROUP'S SPORTS AND HEALTHCARE BUSINESS**

#### **THE DISPOSAL**

The Company is pleased to announce that on 16 February 2016, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agreed to dispose of and assign and the Purchaser agreed to acquire and accept the Sale Shares and the Sale Loan for a cash consideration of HK\$6.65 million. The Target Group is principally engaged in the management and operation of a chain of sports and healthcare clubhouses under the brand name of “Megafit” in the PRC. Following completion of the Disposal Agreement, the Target Company will remain as a non wholly-owned subsidiary of the Company.

#### **IMPLICATION OF THE LISTING RULES**

As the applicable ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

#### **THE DISPOSAL AGREEMENT**

##### **Date**

16 February 2016

##### **Parties**

- (i) the Vendor as the vendor; and
- (ii) the Purchaser as the purchaser.

The Purchaser is an investment holding company. To the best knowledge, information and belief of the directors of the Company, having made all reasonable enquires, as at the date of this announcement, the Purchaser and its beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### **Assets to be disposed of**

The Vendor conditionally agreed to dispose of and assign, and the Purchaser conditionally agreed to acquire and accept the Sales Shares and the Sale Loan. The Target Company is an investment company and acquired 55% equity interest in the Megafit Group in April 2015. The principal asset of the Target Company is its investment in the Megafit Group, which is engaged in the management and operations of a chain of sports and healthcare clubhouses under the brand name of “Megafit” in the PRC and recorded (i) loss before and after taxation of HK\$7.0 million for the year ended 31 March 2014, respectively; and (ii) loss before and after taxation of HK\$6.4 million for the year ended 31 March 2015, respectively. As at 30 June 2015, the Target Group had unaudited consolidated net liabilities of HK\$25.9 million.

### **Consideration**

The consideration (the “Consideration”) of the Disposal amounted to HK\$6,650,000 and is payable by the Purchaser in cash on the following terms:

- (i) HK\$1,662,500 upon the signing of the Disposal Agreement; and
- (ii) the remaining balance upon completion of the Disposal Agreement.

The Consideration, comprising (i) HK\$148 (representing the par value of the Sale Shares) as consideration for the Sale Shares and (ii) the remaining amount as consideration for the assignment of the Sale Loan on a dollar-to-dollar basis, was determined after arm’s length negotiation between the Group and the Purchaser and is based on the proportionate amount in respect of the Target Company’s cost (including the consideration of the acquisition and shareholders’ loan) of HK\$35 million for acquisition of the Megafit Group. If prior to completion of the Disposal Agreement, there is any increase/decrease in the assets (other than the Target Company’s investment in and shareholder’s loan to the Megafit Group) or liabilities (other than the shareholders’ loans due to its shareholders) of the Target Company, the Consideration will be adjusted accordingly.

### **Conditions precedent**

Completion of the Disposal is subject to the following conditions precedent being fulfilled or waived (as the case may be):

- (a) the Purchaser being satisfied with the results of the due diligence on the Target Company;
- (b) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained;
- (c) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained;

- (d) the warranties under the Disposal Agreement given by the Vendor remaining true, accurate and complete in all material respects; and
- (e) the warranties under the Disposal Agreement given by the Purchaser remaining true, accurate and complete in all material respects.

If the conditions set out above are not fulfilled or, as the case may be, waived by the Purchaser (in respect of conditions numbered (a), (b) and (d)) or by the Vendor (in respect of conditions numbered (c) and (e)) on or before 31 March 2016, or such later date as the Vendor and the Purchaser may agree in writing (the “Long Stop Date”), the Disposal Agreement shall cease and terminate and save for any antecedent breach, neither party shall have any obligations and liabilities towards each other.

### **Completion**

Completion of the Disposal Agreement shall take place within three business days following the above-mentioned conditions precedent of the Disposal Agreement having been fulfilled or waived (as the case may be) or such later date as may be agreed between the parties to the Disposal Agreement.

The Target Company will remain as a non wholly-owned company of the Company following completion of the Disposal Agreement.

Based on the Consideration as well as the unaudited consolidated net liability of the Target Group as at 30 June 2015 of HK\$25.9 million and the face value of the Sale Loan, it is estimated that the Group will record a gain on disposal of HK\$4.9 million.

The proceeds from the Disposal will be used as general working capital of the Group.

### **REASONS FOR AND BENEFIT OF THE DISPOSAL**

The Group is principally engaged in the (i) healthcare and well-being business, including the Megafit Group, 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 principal shareholder of the Purchaser has many years of experience in hotel management, property development as well as construction, electrical and mechanical engineering in the PRC and Hong Kong. It is expected that by introducing the Purchaser as a strategic investor of the Target Company, the Group will be able to leverage on his expertise and network to formulate plans to improve the sports and healthcare business of the Megafit Group including selection of locations and liaison with property owners for establishment of new clubhouses, devising plans to enhance the overall setting and design of the clubhouses, formulation of programs for chain management of the clubhouses and improving the maintenance quality of the sports facilities (e.g. swimming pools, tennis, basketball and badminton courts, etc.), all of which are key to the success of the clubhouses of the Target Group. Having considered the above, together with the proceeds and the positive financial impact resulted from the Disposal, the directors of the Company are of the view that the terms (including the Consideration) of

the Disposal Agreement are on normal commercial terms and are fair and reasonable and the entering into of the Disposal Agreement is in the interest of the Company and its shareholders as a whole.

## **IMPLICATION UNDER THE LISTING RULES**

As the applicable ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **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
“Disposal”	the disposal of the Sale Shares and the assignment of the Sale Loan by the Vendor pursuant to the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 16 February 2016 entered into between the Vendor and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Megafit Group”	Mega Fitness (Shanghai) Investments Limited (a company incorporated in the British Virgin Islands with limited liabilities) and its subsidiaries
“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
“Purchaser”	a company incorporated in Hong Kong with limited liabilities
“Sale Loan”	the loan owed by the Target Company to the Vendor based on the equity interest in the Target Company disposed of by the Vendor (which amounted to HK\$6.65 million as at the date of this announcement)
“Sale Shares”	the 19 shares of the Target Company, representing 19% equity interest of the Target Company

“Target Company”	Golden Oasis Health Limited, a company incorporated in the British Virgin Island with limited liabilities and a non wholly-owned subsidiary of the Company
“Target Group”	the Target Company and its subsidiaries
“Vendor”	a company incorporated in the British Virgin Islands with limited liabilities and an wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

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

Hong Kong, 16 February 2016

*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.*