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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 TRANSACTIONS AND
ADJUSTMENT TO CONVERTIBLE SECURITIES OF THE COMPANY**

THE ACQUISITION AGREEMENT AND THE DISPOSAL AGREEMENT

The Company is pleased to announce that on 26 May 2016, the SPV and the Group SPV entered into the Acquisition Agreement and the Group SPV, the Purchaser and the Guarantor entered into the Disposal Agreement for the purpose of restructuring the Group's medical/healthcare related investments such that (i) the Group's effective interests in the Hospital Project Company will be increased from 8.1% to 18% and (ii) the Group will no longer hold any equity interest in the SPV. Following completion of the Acquisition Agreement and the Disposal Agreement, the Group's interest in the Hospital Project Company will remain to be accounted for as an available-for-sale financial asset and the SPV will cease to be a subsidiary of the Group.

THE LISTING RULES IMPLICATION

Since the transactions contemplated under the Acquisition Agreement and the Disposal Agreement will respectively constitute an acquisition and disposal of the Group's assets and the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Acquisition Agreement and Disposal Agreement are greater than 5% but less than 25%, respectively, the transactions contemplated under both the Acquisition Agreement and the Disposal Agreement will constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION AGREEMENT

Date

26 May 2016

Parties to the Acquisition Agreement

- (i) the Group SPV, as the purchaser; and
- (ii) the SPV, as the vendor.

Both the Group SPV and the SPV are principally engaged in investment holding.

Background of assets under the Acquisition Agreement

The SPV is a 45%-owned subsidiary of the Group and is interested in 18% equity interest of the Hospital Project Company and other assets. Pursuant to the Acquisition Agreement, the SPV's attributable interest in the Hospital Project Company (comprising the SPV's 18% equity interest in the Hospital Project Company and the receivable of the SPV from the Hospital Project Company amounting to HK\$61.7 million) will be disposed to the Group SPV such that the Group's effective interest in the Hospital Project Company will be increased from 8.1% to 18% upon completion of the Acquisition Agreement. The Hospital Project Company is currently involved in the development of a tumour-specialised hospital in the PRC which is at its initial stage of development and the Group's interest in the Hospital Project Company is accounted for as an available-for-sale financial asset. As at 31 December 2015, the Group's attributable interest in the Hospital Project Company amounted to HK\$88.8 million and no profit or loss attributable from the Hospital Project Company had been recorded by the Group for each of the years ended 31 December 2014 and 2015.

Consideration

The cash consideration (the "Hospital Project Consideration") for acquisition of the SPV's attributable interest in the Hospital Project Company by the Group SPV is HK\$88,800,000, of which:

- (i) 50% of the Hospital Project Consideration is payable by the SPV to the Group SPV within three months from the date of the Acquisition Agreement; and
- (ii) the remaining 50% of the Hospital Project Consideration is payable by the SPV to the Group SPV is payable on or before 31 December 2016.

The Hospital Project Consideration was determined based on the amount of the SPV's attributable interest in the Hospital Project Company as at 31 December 2015 and will be financed by the Group's internal resources and/or external borrowings.

Completion

Completion of the Acquisition Agreement has taken place on the same day as the signing of the Acquisition Agreement. Following completion of the Acquisition Agreement, the Group's effective interest in the Hospital Project Company will be increased from 8.1% to 18% and the Group's attributable interest in the Hospital Project Company will remain to be accounted for as an available-for-sale financial asset.

THE DISPOSAL AGREEMENT

Date

26 May 2016

Parties to the Disposal Agreement

- (i) the Purchaser, as the purchaser;
- (ii) the Group SPV, as the vendor; and
- (iii) the Guarantor, as the guarantor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Purchaser is an investment holding company and (ii) the Purchaser and its ultimate beneficial owner and the Guarantor are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Background of the assets under the Disposal Agreement

Pursuant to the Disposal Agreement, the Group SPV will dispose of its 45% equity interest in the SPV to the Purchaser. The SPV, other than its 18% equity interest in the Hospital Project Company, is also interested in a number of medical/healthcare related investments including (i) 20% equity interest in an elderly nursing home in the PRC; (ii) a medical project involving the upgrading of a hospital in the PRC; and (iii) a development project comprising tourist, health preservation and elderly care zone in the PRC (the "Remaining Healthcare Projects"). As at 31 December 2015, the SPV's net asset value amounted to HK\$200.9 million (or HK\$112.1 million if the SPV's attributable interest in the Hospital Project Company is excluded). The SPV was established in 2015 and recorded profit before and after tax of HK\$200.9 million (resulting from waiver of intra-group balances) for the period ended 31 December 2015.

Consideration

The cash consideration (the "SPV Consideration") for the disposal of the Group SPV's 45% equity interest in SPV is HK\$89,500,000, payable by the Purchaser to the Group SPV within 30 days after the date of the Disposal Agreement. The SPV Consideration was determined after arm's length negotiation between the Group SPV and the Purchaser and represents approximately 45% of the SPV's net asset value as at 31 December 2015. Performance of the Purchaser's obligations under the Disposal Agreement is guaranteed by the Guarantor to the Group SPV and a share charge in favour of the Group SPV is also executed as a security for the Purchaser's performance of its payment obligation.

Completion

Completion of the Disposal Agreement has taken place on the same day as the signing of the Disposal Agreement after completion of the Acquisition Agreement. Following completion of the Disposal Agreement, the Group will no longer hold any interest in the SPV and the SPV will cease to be a subsidiary of the Company.

It is intended that the proceeds from the Disposal Agreement will be applied to settle part of the Hospital Project Consideration.

Financial impact of the transaction contemplated under the Disposal Agreement

Based on (i) the net asset value of the SPV as at 31 December 2015; (ii) the Group SPV's 45% equity interest in the SPV; and (iii) the SPV Consideration, it is estimated that a loss of HK\$0.9 million will be recorded by the Group under the Disposal Agreement. However, the actual gain or loss to be recorded by the Group pursuant to the Disposal Agreement will be subject to the financial position of the SPV following completion of the Disposal Agreement.

REASONS FOR AND BENEFITS OF THE ACQUISITION AGREEMENT AND THE DISPOSAL AGREEMENT

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

It is the business goal of the Group to establish a healthcare and well-being platform which offers healthcare services and products and the Group will from time to time reviewed its investment/business portfolio to seek suitable investment/divestment opportunities to optimize its financial and managerial resources. The transactions contemplated under the Acquisition Agreement and the Disposal Agreement as a whole represent a restructuring of the Group's medical/healthcare related investments such that the Group will be able to divest its interests in the Remaining Healthcare Projects and increase its stake in the Hospital Project Company, on which the Group can leverage its experience in the management and operation of medical/hospital related projects gained and the business network established through the operation of a chain of medical centres specialising in the diagnosis and treatment of tumours in the PRC in the past years. Having considered the above, the Directors are of the view that the terms of the Acquisition Agreement (including the Hospital Project Consideration) and the Disposal Agreement (including the SPV Consideration) are fair and reasonable, on normal commercial terms and the entering into of the Acquisition Agreement and the Disposal Agreement are in the interest of the Company and its shareholders as a whole.

THE LISTING RULES IMPLICATION

Since the transactions contemplated under the Acquisition Agreement and the Disposal Agreement will respectively constitute an acquisition and disposal of the Group's assets and the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions under the Acquisition Agreement and Disposal Agreement are greater than 5% but less than 25%, respectively, the transactions contemplated under both the Acquisition Agreement and the Disposal Agreement will constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

ADJUSTMENT TO CONVERTIBLE SECURITIES OF THE COMPANY

As at the date of this announcement, there were (i) 117,065,556 unlisted warrants of the Company (the “Warrants”) entitling the holders thereof to subscribe for up to 117,065,556 new shares of the Company; and (ii) outstanding convertible notes (the “Convertible Notes”) in the aggregate principal amount of HK\$2 million entitling the holders thereof to convert into a maximum of 4,418,913 new Shares. As a result of the close of the voluntary conditional securities exchange offers involving the issue of new shares of the Company on 25 May 2016 (as detailed in the announcement of the Company dated 25 May 2016), adjustments shall be made such that (i) the subscription price of the outstanding Warrants will be adjusted to HK\$0.499 and the number of new shares of the Company that can be subscribed for under the outstanding Warrants will be adjusted to 135,270,541 shares of the Company; and (ii) the conversion price of the outstanding Convertible Notes will be adjusted to HK\$0.39 and the number of shares of the Company that can be converted into by the Convertible Notes will be adjusted to 5,128,205 shares of the Company.

DEFINITION

Unless the context otherwise requires, the following terms used in this announcement shall have the following meanings when used herein:

“Acquisition Agreement”	the sale and purchase agreement dated 26 May 2016 and entered into between the SPV and the Group SPV in respect of the transfer of the SPV’s 18% equity interest in the Hospital Project Company
“Company”	China Wah Yan Healthcare Limited, a company incorporated in Hong Kong and the issued shares of which are listed on The Stock Exchange of Hong Kong Limited
“Director(s)”	the director(s) of the Company
“Disposal Agreement”	the sale and purchase agreement dated 26 May 2016 and entered into between the Purchaser and the Group SPV in respect of the transfer of the Group’s 45% equity interest in the SPV
“Group”	the Company and its subsidiaries
“Group SPV”	a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability and holding 45% equity interest in the SPV
“Guarantor”	the beneficial owner of the Purchaser
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hospital Project Company”	a company established in the PRC with its 18% equity interest being beneficially owned by the SPV prior to the entering into of the Acquisition Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, The Macau Special Administrative Region and Taiwan)
“Purchaser”	a company incorporated in the British Virgin Islands with limited liability
“SPV”	a non wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability with its equity interest being owned as to 45% by the Group SPV prior to the entering into of the Disposal Agreement
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC

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

Hong Kong, 26 May 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 three independent non-executive Directors, namely, Mr. Chan Yee Ping, Michael, Mr. Lam Chun Ho and Ms. Hu Xuezhen.