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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 —
PARTICIPATION IN THE RIGHTS ISSUE OF
NEW RAY MEDICINE INTERNATIONAL HOLDING LIMITED**

THE NEW RAY MEDICINE RIGHTS ISSUE

The Company announces that on 22 February 2017, the Group has accepted its entitlement under the New Ray Medicine Rights Issue and lodged the relevant provisional allotment letter for the subscription of 103,070,880 New Ray Medicine Rights Shares under its full entitlement. Upon completion of the New Ray Medicine Rights Issue, the Group will remain interested in 8.25% of the issued shares of New Ray Medicine.

Since a relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the New Ray Medicine Rights Issue on part of the Company is greater than 5% but less than 25%, the New Ray Medicine Rights Issue Subscription will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

THE NEW RAY MEDICINE RIGHTS ISSUE

New Ray Medicine proposes to raise fund by way of rights issue on the basis of three New Ray Medicine Rights Shares for every one share of New Ray Medicine at the subscription price of HK\$0.275 per New Ray Medicine Rights Share. Details of the New Ray Medicine Rights Issue are disclosed in the prospectus (the “Prospectus”) of New Ray Medicine dated 10 February 2017.

The Group held 34,356,960 shares of New Ray Medicine (representing 8.25% of the total number of shares of New Ray Medicine in issue) as at the record date of the New Ray Medicine Rights Issue and is entitled to 103,070,880 New Ray Medicine Rights Shares. Given the recent business development of New Ray Medicine and the strategic relationship with New Ray Medicine as described below, the Group considers it beneficial to maintain its shareholding in New Ray Medicine. On 22 February 2017, the Group lodged the relevant provisional allotment letter for the subscription of 103,070,880 New Ray Medicine Rights

Shares under its full entitlement for the amount of HK\$28,344,492. The subscription price of HK\$0.275 per New Ray Medicine Rights Share represents discount of approximately 4.0% to the average closing price of HK\$0.286 per share of New Ray Medicine for the ten consecutive trading days prior to the date of this announcement.

REASONS FOR AND BENEFITS OF PARTICIPATING IN THE NEW RAY MEDICINE RIGHTS ISSUE

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 New Ray Medicine Group is principally engaged in pharmaceutical distribution business in the PRC. The Group's investment in New Ray Medicine is of long term strategic nature and, as at the date of this announcement, the Group is a major shareholder of New Ray Medicine. It is the intention of the Group to maintain its shareholding in New Ray Medicine and to continue exploring synergies with the businesses of the New Ray Medicine Group. As disclosed in the circular of the Company dated 26 January 2017 (the "Circular"), in December 2016, the Company and the New Ray Medicine Group entered into a sale and purchase agreement to introduce the New Ray Medicine Group as a strategic shareholder to Rui Kang Pharmaceutical, pursuant to which the Company will dispose of, and the New Ray Medicine Group will acquire, a total of 29% equity interest in Rui Kang Pharmaceutical from the Group in two tranches. As at the date of this announcement, the disposal of the first 11% equity interest of Rui Kang Pharmaceutical has been completed and the transfer of the remaining 18% equity interest is subject to further negotiation of both parties following the resolution on disposal of 18% equity interest of Rui Kang Pharmaceutical to the New Ray Medicine Group was voted down by the shareholders of the Company at the extraordinary general meeting held on 15 February 2017. Furthermore, as described in the Prospectus, the New Ray Medicine Group has recently entered into agreements to enhance its investments portfolio including (i) the acquisition of 26% equity interest in a group (the "Contracted Medical Scheme Group") principally engaged in the provision of contracted medical schemes for integrated and medical and healthcare check-up services; and (ii) the acquisition of 12% equity interest in a group (the "Pharmaceutical Distribution Group") principally engaged in the distribution of pharmaceutical products in the PRC. As described in the Prospectus, it is expected that these investments will diversify the New Ray Medicine Group's investment portfolio and expand its income sources.

The net proceeds from the New Ray Medicine Rights Issue is estimated to be approximately HK\$330 million, of which (i) HK\$215 million in aggregate will be used for funding the consideration payable in respect of the New Ray Medicine Group's investments in Rui Kang Pharmaceutical, the Contracted Medical Scheme Group and the Pharmaceutical Distribution Group; (ii) HK\$98 million will be used for funding of the Group's business of distribution of imported prescription drugs in the PRC (such as expanding the product range of imported prescription drugs, improving marketing, sales and promotional capabilities and acquisition of pharmaceutical companies which are principal engaged in overseas pharmaceutical business in the PRC); and (iii) the remaining HK\$17 million for repayment of bank borrowings. After taking into account the above, together with the fact that of the Group's interest in New Ray Medicine will be decreased from 8.25% to approximately 2.06% if it does not participate in the New Ray Medicine Rights Issue (and therefore will only be able to benefit from the future growth of the New Ray Medicine Group to a much lesser extent), the Directors (including the independent non-executive Directors) considers that the Group's full participation in the New

Ray Medicine Rights Issue to maintain its shareholding in New Ray Medicine is on normal commercial terms, fair and reasonable and is in the interests of the Company and its shareholders as a whole.

As no Director has material interest in the New Ray Medicine Rights Issue Subscription, none of the Directors has abstained from voting on the resolutions regarding the New Ray Medicine Rights Issue Subscription.

IMPLICATION OF THE LISTING RULES

Since a relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the New Ray Medicine Rights Issue on part of the Company is greater than 5% but less than 25%, the New Ray Resources Rights Issue Subscription will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

New Ray Medicine is a connected person of the Company as it is a substantial shareholder of Rui Kang Pharmaceutical, a non-wholly owned subsidiary of the Company. As New Ray Medicine Rights Issue Subscription is conducted on normal commercial terms and in proportion to the equity interest held by the Group in New Ray Medicine, the New Ray Medicine Rights Issue Subscription constitutes an exempted connected transaction of the Company under Rule 14A.89 of the Listing Rules.

GENERAL

The New Ray Medicine Group recorded audited consolidated profit before and after tax of (i) HK\$43.86 million and HK\$29.68 million for the year ended 31 December 2014 respectively; and (ii) HK\$30.06 million and HK\$14.80 million for the year ended 31 December 2015 respectively. As at 30 June 2016, the unaudited consolidated net asset value of New Ray Medicine attributable to its shareholders amounted to HK\$510.17 million. The Group's investment in New Ray Medicine is accounted for as its available-for-sale financial assets before and after the Group's participation in the New Ray Medicine Rights Issue.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

“Company”	China Wah Yan Healthcare Limited, a company incorporated in Hong Kong with limited liability and whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 648)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Ray Medicine”	New Ray Medicine International Holding Limited, a company incorporated in Bermuda with limited liability and whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 6108)
“New Ray Medicine Group”	New Ray Medicine and its subsidiaries
“New Ray Medicine Rights Issue”	the issue of the New Ray Medicine Rights Shares on the basis of three New Ray Medicine Rights Shares for every one share of New Ray Medicine in issue held on the record date at the subscription price of HK\$0.275 per New Ray Medicine Rights Share (as detailed in the prospectus of New Ray Medicine dated 10 February 2017)
“New Ray Medicine Rights Issue Subscription”	the subscription of 103,070,880 New Ray Medicine Rights Shares by the Group pursuant to the New Ray Medicine Rights Issue
“New Ray Medicine Rights Shares”	the new shares of New Ray Medicine to be offered to the qualifying shareholders of New Ray Medicine pursuant to the New Ray Medicine Rights Issue
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Rui Kang Pharmaceutical”	Rui Kang Pharmaceutical Group Investments Limited, a non wholly-owned subsidiary of the Company and whose issued shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8037)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 22 February 2017

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, Ms. Hu Xuezheng and Mr. Lam Chun Ho.