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 TRANSACTIONS

THE DISPOSAL

The Company is pleased to announce that on 12 May 2017, the Vendors entered into the respective Disposal Agreements with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares (representing the Group's entire interest in the Target Company) from the Vendors and the Sale Loan from the Tranche Two Vendor at the aggregate Consideration of HK$21,350,000. The Target Group is principally engaged in the operation of a chain of sports and healthcare clubhouses in the PRC. Following completion of the Disposal Agreements, the Group will cease to have any interest in the Target Group.

IMPLICATION OF THE LISTING RULES

Since the Purchaser is a substantial shareholder of a subsidiary of the Target Company, the Tranche One Disposal and the Tranche Two Disposal constitute connected transactions for the Company under Chapter 14A of the Listing Rules for the Company. As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the Tranche One Disposal is greater than 5% but less than 25% and the Tranche One Consideration is less than HK$10 million, the Tranche One Disposal constitutes a discloseable transaction for the Company and is subject only to the reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the Tranche Two Disposal (when aggregated with the Tranche One Disposal) is greater than 25% but less than 75%, the Tranche Two Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

GENERAL

An independent board committee of the Company comprising the independent non-executive Directors will be formed to advise the independent Shareholders as to the fairness and reasonableness of the Tranche Two Disposal. An independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders in this regard.

The EGM will be convened at which resolution(s) will be proposed to seek the approval of the independent Shareholders for the Tranche Two Disposal by way of poll. A circular containing, among other things, details regarding (i) the Tranche Two Disposal Agreement; (ii) a letter from the independent board committee of the Company containing its recommendation on the Tranche Two Disposal; (iii) a letter from the independent financial adviser to the independent board committee and the independent shareholders of the Company regarding the Tranche Two Disposal; (iv) other information as required to be contained in the circular under the Listing Rules; and (v) a notice of the EGM and the corresponding proxy form will be despatched to the Shareholders on or before 30 June 2017.

THE DISPOSAL AGREEMENTS

Background, date and parties to the Disposal Agreements

On 12 May 2017, the Tranche One Vendor and the Tranche Two Vendor as the vendors, entered into the Tranche One Disposal Agreement and the Tranche Two Disposal Agreement respectively with the Purchaser as the purchaser, details of which are set out as below. The Purchaser is an investment holding company and a substantial shareholder of the Operating Subsidiary (as defined below). The Purchaser is therefore a connected person of the Company.

Assets to be disposed

The Disposal comprises (i) the Tranche One Disposal involving the disposal of the Tranche One Sale Shares (representing 22.6% equity interest of the Target Company) by the Tranche One Vendor to the Purchaser; and (ii) the Tranche Two Disposal involving the disposal of the Tranche Two Sale Shares (representing 77.4% equity interest of the Target Company) and the assignment of the Sale Loan by the Tranche Two Vendor to the Purchaser.

The Target Company is an investment holding company and, through its non wholly-owned subsidiary, holds 55% equity interest of an operating subsidiary (the "Operating Subsidiary"). The Operating Subsidiary is principally engaged in the operation of a chain of sports and healthcare clubhouses under the brand name of "Megafit" in the PRC (the "Health Management Business"). The audited loss before and after taxation of the Target Group for the year ended 31 December 2015 are HK$3.8 million and HK$3.8 million respectively. The audited profit before and after taxation of the Target Group for the year ended 31 December 2016 are HK$3.5 million and HK$3.6 million respectively (including an audited one-off compensation income of HK$9.9 million relating to the closing down of certain non-performing clubhouses as described in the annual report of the Company for the year ended 31 December 2016, without which the loss before and after taxation would have been widen to HK$6.4 million and HK$6.3 million respectively). The audited net asset value of the Target Group attributable to the Group amounted to HK$7.3 million as at 31 December 2016 (the "Attributable NAV").

Consideration

The Consideration of HK$21,350,000 was determined after arm's length negotiation between the Group and the Purchaser with reference to the Company's investment cost of the Sale Shares (which includes the shareholder's loan of HK$18.2 million provided to the Target Group as at the date of the Disposal Agreements) of HK$21.35 million and taking into account the continuous operating loss situation of the Target Group.

The Tranche One Consideration is HK$4,830,000 and is payable by the Purchaser to the Tranche One Vendor in cash upon completion of the Tranche One Disposal Agreement.

The Tranche Two Consideration is HK$16,520,000 and is payable by the Purchaser to the Tranche Two Vendor in cash upon completion of the Tranche Two Disposal Agreement.

The Group intends to apply the proceeds from the Disposal for general working capital purpose.

Conditions Precedent

Completion of the Tranche One Disposal is subject to the Purchaser being satisfied with the due diligence review on the Target Group.

Completion of the Tranche Two Disposal Agreement is subject to the following conditions precedent:

(i) the Purchaser being satisfied with the due diligence review on the Target Group at its sole and absolute discretion;

(ii) all necessary consents and approvals required to be obtained on the part of the Tranche Two Vendor in respect of the Tranche Two Disposal Agreement and the transactions contemplated having been obtained, including the passing of an ordinary resolution to approve the Tranche Two Disposal Agreement and the transactions contemplated thereunder by the independent Shareholders at the EGM pursuant to the Listing Rule;

(iii) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Tranche Two Disposal Agreement and the transactions contemplated hereby having been obtained;

(iv) the Tranche Two Vendor's warranties under the Tranche Two Disposal Agreement remaining true, accurate and complete in all material respects; and

(v) the Purchaser's warranties under the Tranche Two Disposal Agreement remaining true, accurate and complete in all material respects.

The Purchaser may at its discretion waive any of the conditions numbered (i) and (iv) and the Tranch Two Vendor may at its discretion waive any of the conditions numbered (iii) and (v). Neither party to the Tranche Two Disposal Agreement shall waive condition numbered (ii).

If the conditions precedent in respect of the Tranche One Disposal Agreement and the Tranche Two Disposal Agreement as set out above are not fulfilled or, as the case may be, waived by the Purchaser on or before 25 July 2017 (or such later date as may be agreed between the Vendors and the Purchaser in writing), the Tranche One Disposal Agreement and the Tranche

Two Disposal Agreement shall cease and terminate, and save for any antecedent breach, neither party to the Tranche One Disposal Agreement and the Tranche Two Disposal Agreement shall have any obligation and liabilities towards each other.

Completion

Completion of the Tranche One Disposal shall take place within five business days following the above condition precedent of the Tranche One Disposal Agreement having been fulfilled or waived or such later date as may be agreed between the parties.

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

Immediately following completion of the Tranche One Disposal, the Group will hold approximately 77.6% of the issued share capital of the Target Company and the Target Company will remain as a non wholly-owned subsidiary of the Group.

Immediately following completion of the Tranche One Disposal and the Tranche Two Disposal, the Group will cease to hold any interest in the Target Company and the Target Company will no longer be a subsidiary of the Group.

Based on (i) the Attributable NAV; (ii) the Sale Loan; (iii) the exchange and other reserves to be released as a result of the Disposal; and (iv) the Consideration, it is estimated that the Group will record a gain of approximately HK$0.3 million as a result of the Disposal. However, the actual gain or loss to be recorded by the Group pursuant to the Disposal Agreements will be subject to the then financial position of the Target Group.

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.

As described in the annual report of the Company for the year ended 31 December 2016, given the fierce competition in the sports and fitness business in the PRC, the Health Management Business has continued to incur losses in the past years and the number of its membership has decreased by over 20% from about 31,000 as at 31 December 2015 to 23,000 as at 31 December 2016. According to a report about the sports and fitness market of the General Administration of Sports of China published in August 2016, the PRC's sports and fitness market has been undergoing structural changes including (i) the rising demand for more personalised training programs for more effective training results (as opposed to standardized programs designed for fitness classes); (ii) the growth in the preferred use of light and handy equipment due to the advancement in the theory of physical training (over the large and bulky training machines typically used by traditional health and fitness clubhouses); and (iii) the growing trend for the fitness trainers to open their own fitness workshops to provide more tailor-made training programs with greater varieties to customers. As such, in recent years, there has been an increase in the number of small-size boutique fitness workshops in the PRC (particular in Shanghai and Beijing where the Target Group mainly operates its business) which shear the customer base from the traditional sports and healthcare clubhouses. Given (i) the continuous downward pressure on the number of membership of the Health Management Business (hence its future financial performance) due to the shift in the business trend of the PRC's sports and fitness business and the customers' aptitude; (ii) the continuous losses incurred by the Target Group and its shrinking membership base and number of clubhouses; and (iii) the Consideration approximates the investment cost of Sale Shares, the Directors consider that the Disposal represents an opportunity for the Group to dispose of a loss-making business segment and recoup the Group's investment cost. Accordingly, the Directors (excluding the independent non-executive Directors whose view in respect of the Tranche Two Disposal will be rendered after taking into account the advice from the independent financial adviser) are of the view that the terms of the Disposal Agreements are fair and reasonable and on normal commercial terms and the entering into of the Disposal Agreements is in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES AND THE TAKEOVERS CODE

Since the Purchaser is a substantial shareholder of a subsidiary of the Target Company, the Tranche One Disposal and the Tranche Two Disposal constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the Tranche One Disposal is greater than 5% but less than 25% and the Tranche One Consideration is less than HK$10 million, the Tranche One Disposal therefore constitutes a discloseable transaction for the Company and is subject only to reporting and announcement requirements under Chapters 14 and 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the Tranche Two Disposal (when aggregated with the Tranche One Disposal) is greater than 25% but less than 75%, the Tranche Two Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Reference is made to the announcements issued by the Company dated 8 December 2016 and 16 March 2017 in relation to the voluntary conditional securities exchange offers by Huatai Financial Holdings (Hong Kong) Limited and Nuada Limited on behalf of the Offeror (i) to acquire all of the issued shares of Xinhua News Media, held by the Xinhua News Media Shareholders (including Weluck) (other than those already owned by the Offeror, the Company and parties acting in concert with it (except Weluck)); and (ii) to cancel all of the outstanding Xinhua News Media Options.

With the publication of the abovementioned announcements, the offer period has commenced since 8 December 2016. Pursuant to Rule 10 of the Takeovers Code, the estimated gain from the Disposal as set out in the paragraph headed "Completion" of this announcement, which is required to be disclosed pursuant to Rule 14.60(3)(a) of the Listing Rules ("Required Financial Information"), constitute a profit forecast under Rule 10 of the Takeovers Code and must be reported on by the Company's financial adviser and its auditors or accountants in accordance with the Takeovers Code and such reports must be lodged with the Executive in accordance with Rule 10.4 of the Takeovers Code.

As additional time is required for the Company's financial adviser and the Company's auditors or accountants to report on the Required Financial Information in compliance with the requirements of Rule 10 of the Takeovers Code, the Required Financial Information disclosed in this announcement does not meet the standard, and has not been reported on, as required by Rule 10 of the Takeovers Code. According to Practice Note 2 to the Takeovers Code on issues relating to profit forecasts under Rule 10 of the Takeovers Code dated 31 March 2015, as the only reason for the disclosure of the Required Financial Information is the requirement of the Listing Rules, the Executive is prepared to permit publication of the Required Financial Information in this announcement without full compliance with Rule 10 of the Takeovers Code.

Shareholders and potential investors should, however, exercise caution in placing reliance on the Required Financial Information in assessing the merits and demerits of the Disposal. The Required Financial Information will be reported on as soon as possible and the relevant reports will be contained in the next document to be sent to the Shareholders and in compliance with the requirements of Rule 10 of the Takeovers Code.

GENERAL

An independent board committee of the Company comprising the independent non-executive Directors will be formed to advise the independent Shareholders as to the fairness and reasonableness of the Tranche Two Disposal. An independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders in this regard.

The EGM will be convened at which resolution(s) will be proposed to seek the approval of the independent Shareholders for the Tranche Two Disposal by way of poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its associates are not interested in any Shares, and accordingly, no Shareholders are required to abstain from voting at the EGM to approve the relevant resolution(s) regarding the Tranche Two Disposal.

A circular containing, among other things, details regarding (i) the Tranche Two Disposal Agreement; (ii) a letter from the independent board committee of the Company containing its recommendation on the Tranche Two Disposal; (iii) a letter from the independent financial adviser to the independent board committee and the independent shareholders of the Company regarding the Tranche Two Disposal; (iv) other information as required to be contained in the circular under the Listing Rules; and (v) a notice of the EGM and the corresponding proxy form will be despatched to the Shareholders on or before 30 June 2017.

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 whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 648)
"Consideration"	the Tranche One Consideration and the Tranche Two Consideration
"Director(s)"	the director(s) of the Company
"Disposal"	collectively, the Tranche One Disposal and the Tranche Two Disposal

"Disposal Agreements"	collectively, the Tranche One Disposal Agreement and the Tranche Two Disposal Agreement
"EGM"	the extraordinary meeting of the shareholders of the Company to be convened and held to approve, among other things, the Tranche Two Disposal Agreement and the transactions contemplated thereunder
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"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
"Offeror"	Wisdom Eighteen Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"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
"Purchaser"	Gold Swing Enterprises Ltd., a substantial shareholder of the Operating Subsidiary and its beneficial owner is a director of the Operating Subsidiary
"Rui Kang Pharmaceutical"	Rui Kang Pharmaceutical Group Investments Limited, a non wholly-owned subsidiary of the Company whose issued shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8037)
"Sale Loan"	all sums due by the Target Company to the Tranche Two Vendor as at completion of the Tranche Two Disposal Agreement, which amounted to approximately HK$18.2 million as at the date of the Tranche Two Disposal Agreement
"Sale Shares"	collectively, the Tranche One Sale Shares and the Tranche Two Sale Shares
"SFC"	the Securities and Futures Commission of Hong Kong
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Target Company"	New Health Elite International Limited, an investment holding company and the issued share capital of which is owned as to 22.6% and 77.4% by the Tranche One Vendor and the Tranche Two Vendor respectively as at the date of the Disposal Agreements
"Target Group"	the Target Company and its subsidiaries
"Tranche One Consideration"	the consideration of HK$4,830,000 payable by the Purchaser in respect of the Tranche One Disposal
"Tranche One Disposal"	the disposal of the Tranche One Sale Shares by the Tranche One Vendor under the Tranche One Disposal Agreement
"Tranche One Disposal Agreement"	the sale and purchase agreement dated 12 May 2017 entered into between the Tranche One Vendor and the Purchaser in respect of the Tranche One Disposal
"Tranche One Sale Shares"	the 69 issued shares of the Target Company held by the Tranche One Vendor, representing 22.6% equity interest of the Target Company
"Tranche One Vendor"	a wholly-owned subsidiary of Rui Kang Pharmaceutical
"Tranche Two Consideration"	the consideration HK$16,520,000 payable by the Purchaser in respect of the Tranche Two Disposal
"Tranche Two Disposal"	the disposal of the Tranche Two Sale Shares and the Sale Loan by the Tranche Two Vendor under the Tranche Two One Disposal Agreement
"Tranche Two Disposal Agreement"	the sale and purchase agreement dated 12 May 2017 entered into between the Tranche Two Vendor and the Purchaser in respect of the Tranche Two Disposal
"Tranche Two Sale Shares"	the 236 issued shares of the Target Company held by the Tranche Two Vendor, representing 77.4% equity interest of the Target Company
"Tranche Two Vendor"	a wholly-owned subsidiary of the Company
"Vendors"	collectively, the Tranche One Vendor and the Tranche Two Vendor
"Weluck"	Weluck Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Xinhua News Media"	Xinhua News Media Holdings Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 309)

"Xinhua News Media Options"	share options granted by Xinhua News Media pursuant to the share option scheme of Xinhua News Media adopted pursuant to an ordinary resolution of the Xinhua News Media Shareholders passed on 25 September 2015, whether vested or not
"Xinhua News Media Share(s)"	ordinary share(s) of par value of HK$0.01 each in the share capital of Xinhua News Media
"Xinhua News Media Shareholder(s)"	holders of Xinhua News Media Shares
"%"	per cent

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

Hong Kong, 12 May 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 Xuezhen and Mr. Lam Chun Ho.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.