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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)

DISCLOSEABLE TRANSACTION

THE SHARE PURCHASE AGREEMENT

The Company is pleased to announce that on 23 June 2016, the Purchaser entered into the Share Purchase Agreement with the Vendor, pursuant to which the Purchaser has agreed to acquire the Sale Shares (representing 9.9% issued share capital of New Ray Medicine) from the Vendor for a consideration of approximately HK\$79.15 million. The Sale Shares represent a long term investment of the Company in New Ray Medicine and will be accounted for as available-for-sale financial assets of the Group following completion of the Share Investment.

THE LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Share Investment are greater than 5% but less than 25%, the Share Investment will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE SHARE PURCHASE AGREEMENT

Date

23 June 2016

Parties to the Share Purchase Agreement

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

The Vendor is an investment holding company and, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquires, the Vendor and its beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets acquired

Pursuant to the Share Purchase Agreement, the Purchaser has agreed to acquire the Sale Shares (representing 9.9% of the issued share capital of New Ray Medicine) from the Vendor. New Ray Medicine is principally engaged in the distribution of pharmaceutical products in the PRC and, as disclosed in its annual report for the year ended 31 December 2015, has maintained a leading position in the distribution of the prescription drug market in Zhejiang Province, the PRC with a distribution network covering other regions in the PRC including Shanghai, Chongqing, Anhui Province, Sichuan Province and Guangdong Province. In addition, since 2015, New Ray Medicine has extended its business to the distribution of medical devices. New Ray Medicine recorded (i) audited consolidated profit before and after tax of HK\$43.86 million and HK\$29.68 million for the year ended 31 December 2014, respectively; (ii) audited consolidated profit before and after tax of HK\$30.06 million and HK\$14.80 million for the year ended 31 December 2015, respectively; and (iii) audited consolidated net asset value of HK\$477.66 million as at 31 December 2015.

Consideration

The consideration (the "Consideration") for the purchase of the Sale Shares is HK\$79,147,644, which is determined after arm's length negotiation between the Group and the Vendor after taking into account (i) the expected synergy between the Group and New Ray Medicine following the Share Investment; and (ii) the Group becoming the single largest shareholder of New Ray Medicine. The Consideration will be satisfied as to (i) HK\$14,147,644 by cash within ten business days from completion of the Share Purchase Agreement; and (ii) the remaining HK\$65,000,000 by the issue of the Promissory Note by the Company to the Vendor within ten business days from completion of the Share Purchase Agreement.

The Consideration per Sale Share of approximately HK\$2.30 represents:

- (i) a premium of 265% to the closing price of HK\$0.63 per New Ray Medicine Share as quoted on the Stock Exchange as at the date of this announcement;
- (ii) a premium of 318% to the average closing price of HK\$0.55 per New Ray Medicine Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the date of this announcement; and
- (iii) the premium of 66.7% to the audited consolidated net asset value per New Ray Medicine Share of HK\$1.38 (based on the audited consolidated net asset value of New Ray Medicine of HK\$477.66 million as at 31 December 2015 and the 347,040,000 New Ray Medicine Shares in issue as at the date of this announcement).

Completion

Completion of the Share Purchase Agreement has taken place on the same day as the signing of the Share Purchase Agreement. The Sale Shares represent the Group's long term investment in New Ray Medicine and will be accounted for as available-for-sale financial assets of the Group following completion of the Share Investment.

THE PROMISSORY NOTE

- Issuer : the Company
- Principal amount : HK\$65,000,000
- Maturity Date : the date falling on the second anniversary of the issue date of the Promissory Note (the “Maturity Date”)
- Interest rate : 5% per annum on the outstanding principal amount, with the interest payable on the Maturity Date
- Early repayment : provided that the Company has given to the holder of the Promissory Note of not less than five business days’ prior notice in writing of its intention to repay any part or all of the outstanding principal amount and the interest accrued thereon under the Promissory Note, the Company may at any time from the date of issue of the Promissory Note up to the date immediately prior to the Maturity Date, repay the entire Promissory Note or any part of it (in amounts of not less than HK\$1,000,000) by payment to the holder of the Promissory Note of the outstanding principal amount and the accrued interest thereof save that if at that time, the outstanding principal amount of the Promissory Note is less than HK\$1,000,000, the whole (but not part only) of the Promissory Note may be repaid
- Payment on maturity : the Company shall pay the principal amount of the Promissory Note which remains outstanding, together with the interest accrued thereon, in one lump sum on the Maturity Date
- Transferability : provided that the holder of the Promissory Note has given to the Company of not less than five business days’ prior notice in writing of its intention to transfer or assign the Promissory Note, the Promissory Note is freely transferable and assignable in whole or in integral multiples of HK\$1,000,000 and in whole only if the outstanding principal sum of the Promissory Note is less than HK\$1,000,000 to any person other than a connected person (as defined in the Listing Rules) of the Company

REASONS FOR AND BENEFITS OF THE SHARE INVESTMENT

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 Share Investment represents the Group’s long term strategic investment in New Ray Medicine and will result in the Group becoming the single largest shareholder of New Ray Medicine. The Company considers that the Share Investment represents an opportunity for the Group to tap into the PRC pharmaceutical market which is expected to continue its growth in demand for medical treatment/medicine resulting from ageing population, urbanization, increase in household income, increase in chronic disease and wider coverage of medical insurance in the PRC, and the expertise of New Ray Medicine in the distribution of medical

devices and equipment may also contribute to the development of the Group's tumour-specialised hospital in the PRC. In addition, Rui Kang, a subsidiary of the Company, engaged in the manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC, may also leverage on the extensive distribution network of New Ray Medicine to expand the clientele and market coverage of its pharmaceutical and health related products.

In view of the above, the Directors are of the view that the terms of the Share Purchase Agreement (including the Consideration) are fair and reasonable and of normal commercial terms and the entering into of the Share Purchase Agreement is in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Share Investment are greater than 5% but less than 25%, the Share Investment will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITION

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

“Company”	China Wah Yan Healthcare Limited, a company incorporated in Hong Kong and the issued shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	The 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 the issued shares of which are listed on the Stock Exchange (stock code: 6108)
“New Ray Medicine Shares”	the issued shares of New Ray Medicine
“PRC”	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, The Macau Special Administrative Region and Taiwan)
“Promissory Note”	the promissory note to be issued by the Company with the principal amount of HK\$65 million
“Purchaser”	a wholly-owned subsidiary of the Company

“Rui Kang”	Rui Kang Pharmaceutical Group Investments Limited, a non wholly-owned subsidiary of the Company with its shares listed on the Growth Enterprise Market of the Stock Exchange
“Sale Shares”	the 34,356,960 New Ray Medicine Shares beneficially owned by the Vendor immediately before the completion of the Share Purchase Agreement
“Share Investment”	the purchase of the Sale Shares by the Group pursuant to the Share Purchase Agreement
“Share Purchase Agreement”	the share purchase agreement dated 23 June 2016 entered into between the Vendor and the Purchaser relating to the purchase of the Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	a company incorporated in British Virgin Islands with limited liability

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

Hong Kong, 23 June 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, Ms. Hu Xuezheng, Mr. Lam Chun Ho and Dr. Tong Cheuk Man.