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## **China Wah Yan Healthcare Limited**

**(Trading as: Wah Yan Bright Healthcare)**

**中國華仁醫療有限公司**

**(商標：華仁明全醫療)**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 648)**

### **DECONSOLIDATION A SUBSIDIARY**

This announcement is made by the board (“Board”) of directors of China Wah Yan Healthcare Limited (the “Company”, together with its subsidiaries, the “Group”) on the latest business development of the Group.

### **DECONSOLIDATION OF HEALTH MANAGEMENT BUSINESS**

The Group had been engaged in the operation of sports and healthcare clubhouses in China (“Health Management Business”) through a company (“Health Management Subgroup”) in which it holds an indirect interest of 55%. The Health Management Business has been loss making and in net liabilities position since the Group’s acquisition in 2015. In addition, due to the adverse impact of the COVID-19 pandemic and the stringent anti-pandemic measures adopted in China since 2020, the business had incurred an aggregate loss of HK\$14 million between 2019 to 2021 and its net liabilities as at 31 December 2021 amounted to HK\$84 million. The only material asset of this business segment attributable to the Group is the goodwill of HK\$56 million generated as a result of the Group’s acquisition in 2015, representing the difference between the then consideration paid by the Group and the then net liabilities of the business.

With a view to fulfilling the resumption condition of issuing the audited outstanding consolidated financial statements (“Outstanding Financial Statements”) of the Group for the years from 2017 to 2021 imposed by The Stock Exchange of Hong Kong Limited (“Stock Exchange”), the Company has been liaising with the management of the Health Management Business after engagement of its current auditors in the first half of 2022 for the auditors to conduct audit works on the business in order to prepare the Outstanding Financial Statements. However, the management of the Health Management Subgroup did not facilitate the Company’s auditors to conduct the necessary audit procedures (including field audit) and to access the books and records of the business. In such circumstances, the Company’s auditors had confirmed to the Company that as the required audit procedures could not be carried out for the business, the auditors would not be in a position to issue the Outstanding Financial Statements comprising the Health Management Subgroup within the prescribed timeline given by the Company. The Company was particularly concerned because, as disclosed in the Company’s previous announcements, the Stock Exchange’s withholding to exercise its right to delist the Company under Rule 6.01A(2)(b)(i) of the Listing Rules is pending on further development of the Company’s submission to the Securities and Futures Commission and the Stock Exchange may exercise its right under Rule 6.01A of the Listing Rules at a later stage when it considers appropriate. If the resumption conditions imposed by the Stock Exchange are not fulfilled in a timely manner and the Stock Exchange exercises its right to delist the Company, it would be detrimental to the Company, its shareholders and creditors.

On the other hand, given the prolonged loss making and net liabilities position of the Health Management Business, the goodwill resulted from the Group’s acquisition of the business in 2015 (which is not relevant to the financial performance of the Group) would have been fully impaired pursuant to the Hong Kong Accounting Standards in the preparation of the Outstanding Financial Statements regardless whether the Health Management Subgroup is deconsolidated from the consolidated financial statements of the Group i.e. the Health Management Subgroup has become an insignificant subsidiary of the Group and the deconsolidation of the Health Management Business would have no adverse material impact on the consolidated financial statements of the Group as a whole.

Based on the above, the Board is of the view that the deconsolidation would facilitate the Company’s fulfillment of one of the major resumption conditions in a timely manner and mitigate the risk of the Company being delisted and is therefore in the interest of the Company, its shareholders and its creditors as a whole. As such, the Board, after careful consideration, has resolved that the results, assets and liabilities and cashflow of the Health Management Subgroup be deconsolidated from the consolidated financial statements of the Group starting from the year ended 31 December 2017.

## **THE HEALTHCARE BUSINESS**

In view of the unfavourable financial performance of the Health Management Business and the then stringent anti-COVID measures adopted in China, the Company has been endeavouring efforts to identify new business opportunities to strengthen its business portfolio in the longer run. Despite the Company's very limited resources resulted from the long suspension of trading in its shares and its heavy indebtedness as well as the disruptive impact of the COVID-19 pandemic on the business activities worldwide, the Company has, as a natural extension of its healthcare business and leveraging on its resources and business connections, commenced the business of distribution of medical products and equipment ("Healthcare Business") since the fourth quarter of 2021. The Healthcare Business has been progressing well and achieved a number of development milestones in 2022 and its financial performance has outperformed that of the Health Management Business. The Directors are confident that the Healthcare Business will continue to thrive and contribute positively to the Company and its shareholders.

## **GENERAL**

Trading in the shares of the Company will continue to be suspended pending fulfilment of the resumption conditions imposed by the Stock Exchange. The Company will keep its shareholders and potential investors posted of any material development in this regard as and when appropriate. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

For and on behalf of the board of  
**China Wah Yan Healthcare Limited**  
**Lam Sung Him Gaston**  
*Company Secretary*

Hong Kong, 17 January 2023

*As at the date of this announcement, the Board comprises Mr. Chan Ka Chung, Mr. Cheung Wai Kwan and Mr. Wang Jianguo as executive directors; and Ms. Hu Xuezhen and Mr. Yiu Chun Wing as independent non-executive directors.*