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WALKER GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1386)

SUBSCRIPTION OF CONVERTIBLE BONDS UNDER THE GENERAL MANDATE

THE SUBSCRIPTION AGREEMENT

On 24 June 2016, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Bonds in the aggregate principal amount of HK\$30,000,000. Completion is subject to the conditions precedent as set out in the paragraph headed "Conditions of the Subscription" in this announcement. Details terms of the Bonds are set out in the paragraph headed "Terms of the Bonds" in this announcement.

Under the terms and conditions of the Bonds, the Bonds will bear coupon interest at the rate of 6% per annum. The Bonds are convertible into new Shares at a Conversion Price of HK\$1.81 per Share (subject to adjustment). The maturity of the Bonds will be the date falling on the fourth anniversary of the date of issue of the Bonds.

The Conversion Shares of 16,574,585 Shares represent (i) approximately 2.58% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.52% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The gross proceeds and net proceeds from the issue of the Bonds will be HK\$30,000,000 and approximately HK\$28,900,000 respectively. The Company intends to use the net proceeds for general working capital and future business development of the Company.

THE SUBSCRIPTION AGREEMENT

Date

24 June 2016

Parties

Issuer : the Company

Subscriber : Quam Securities Company Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are Independent Third Parties.

Subscription

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe, for the Bonds in the aggregate principal amount of HK\$30,000,000, which may be converted into 16,574,585 Shares based on the initial Conversion Price of HK\$1.81 upon full conversion.

Terms of the Bonds

The principal terms of the Bonds are summarised below:

Issuer : The Company

Principal amount : HK\$30,000,000

Conversion price : An initial conversion price of HK\$1.81 per new Share (subject to adjustment) at which the holders of the Bonds may subscribe for the new Shares(s).

Conversion period : The period commencing on the date falling on the twelve months after the date of issue of the Bonds and expiring on the maturity date.

Maturity date : The fourth anniversary of the date of issue of the Bonds. The Company shall redeem the outstanding amount of the Bonds at 116% of the total principal amount of such Bonds on the maturity date.

Interest rate : The Bonds shall carry coupon interest at the rate of 6% per annum payable semi-annually in arrears.

- Transferability : The holder of the Bonds may freely assign or transfer the Bonds to any transferee (other than a connected person (as defined under the Listing Rules) of the Company).
- Early redemption : The holder of the Bonds may on the date falling on the second anniversary of the date of issue of the Bonds request the Company to redeem the Bonds (in whole or in part) at 108% of the total principal amount of such Bonds together with payment of interests accrued up to the date of such early redemption.
- Status : The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
- Adjustments to the Conversion Price : The Conversion Price will be adjusted upon occurrence of, any of the following events: (i) consolidation, subdivision or reclassification; (ii) capitalisation of profits or reserves; (iii) capital distributions; (iv) issue of rights or options or warrants to subscribe for new Shares (at less than 80% of the market price); (v) issue of rights (or such other modified rights) convertible into or exchangeable into new Shares (at less than 80% of the market price); or (vi) issues of Shares for wholly for cash at less than 80% of the market price.

Every adjustment to the Conversion Price shall be certified either (at the option of the Company) by the auditors of the Company or by an approved merchant bank.

Save as disclosed above, no adjustment shall be made to the conversion price of the Bonds.

The maximum number of Conversion Shares issuable upon conversion of the Bonds shall be subject to such number of Shares which may be permissible to be issued under the General Mandate. If there is any adjustment event occurred which leads to the number of Conversion Shares issuable under the Bonds to exceed the General Mandate, then the holder of the Bonds shall be entitled to convert the Bonds into such number of Conversion Shares subject to the General Mandate based on the adjusted Conversion Price and any outstanding principal amount of the Bonds shall be redeemed by the Company on the maturity date (or such other early redemption date) in accordance with the terms therein.

Specific performance obligations imposed on Mr. Zhu Xiaojun

The terms of the Bonds contain specific performance obligations imposed on Mr. Zhu Xiaojun, an executive Director, the chairman of the Board and a controlling shareholder (as defined under the Listing Rules) of the Company, who is interested in 480,737,002 Shares held by China Consume Elderly Care Holdings Limited, representing approximately 74.96% of the issued share capital of the Company. Mr. Zhu Xiaojun is required (i) in his personal capacity or through any entity or company controlled by him, to hold at least 50% of the issued share capital of the Company; and (ii) to remain as an executive Director.

If there is a non-compliance with the specific performance obligations imposed on Mr. Zhu Xiaojun, it will constitute an event of default and upon the holder of the Bonds giving a notice to the Company, the Bonds will immediately become due and payable (i) in the event that the event of default occurs on a day falling before the second anniversary of the date of issue of the Bonds, at 108 % of its principal amount together with all accrued interest to the date of actual repayment; or (ii) in the event that the event of default occurs on a day falling on or after the second anniversary of the date of issue of the Bonds and before the maturity date, at 116 % of its principal amount together with all accrued interest to the date of actual repayment.

In accordance with the requirements pursuant to Rule 13.21 of the Listing Rules, disclosure will be included in the interim and annual reports of the Company for so long as the above specific performance obligations imposed on Mr. Zhu Xiaojun under the Bonds continue to exist.

Number of Conversion Shares

The Conversion Shares of 16,574,585 Shares represent (i) approximately 2.58% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.52% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Conversion Price

The Conversion Price of HK\$1.81 per Conversion Share represents:

- (1) a premium of approximately 16.03% over the closing price of HK\$1.56 per Share as quoted on the Stock Exchange on 23 June 2016, being the last trading day immediately before the entering into of the Subscription Agreement; and
- (2) a premium of approximately 16.47% over the average of the closing prices of HK\$1.554 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 23 June 2016, being the last trading day immediately before the entering into of the Subscription Agreement.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent market prices of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Bonds and the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Ranking of the Conversion Shares

The Conversion Shares when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares then in issue.

Voting rights

The holder of the Bonds shall not be entitled to attend or vote at any general meetings of the Shareholders of the Company by reason only it being the holder of the Bonds.

Conditions of the Subscription

Completion is conditional upon the fulfillment of the following conditions:

- (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and the Subscriber have no reasonable object) listing of and permission to deal in the Conversion Shares;
- (ii) trading in the Shares on the Stock Exchange not being revoked or withdrawn at any time;
- (iii) there being no indication being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will or may be revoked or withdrawn at any time after the Completion, whether in connection with any of the transactions contemplated by the Subscription Agreement or otherwise;
- (iv) the warranties under the Subscription Agreement being true, accurate and complete in all respects when made and remaining true, accurate and complete and not misleading as at the date of Completion;
- (v) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained; and
- (vi) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained.

The Subscriber may at any time by notice in writing to the Company waive the above condition precedent (iv). All other conditions above are incapable of being waived. If the conditions have not been satisfied on or before 31 July 2016 or such later date as may be mutually agreed by the Company and the Subscriber in writing, the Subscription Agreement shall cease and neither the Company nor the Subscriber shall have any claim against the other under the Subscription Agreement save for any liability arising out of any antecedent breaches thereunder.

Completion of the Subscription

Subject to fulfillment (or, if applicable, waiver) of the conditions precedent, Completion shall take place within three Business Days of the satisfaction or waiver (where applicable) of the conditions precedent or at such other date to be agreed between the Subscriber and the Company.

General Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 126,412,000 Shares. As at the date of this announcement, (i) no Shares were allotted and issued pursuant to the General Mandate; and (ii) the General Mandate is sufficient for the allotment and issue of the Conversion Shares.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No listing of the Bonds will be sought on the Stock Exchange or any other stock exchanges.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the retailing of footwear in Hong Kong, the PRC and Taiwan.

The Directors consider raising funds by issuing the Bonds is justifiable considering the recent market conditions which represent an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position for the possible future investments of the Group. The Directors consider that the issue of the Bonds is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

The Directors consider that the terms and conditions of the Subscription Agreement as well as the terms of the Bonds, which were arrived at after arm's length negotiation between the Company and the Subscriber, are fair and reasonable, on normal commercial terms, and in the interests of the Group and the Shareholders as a whole.

The gross proceeds and net proceeds from the issue of the Bonds will be HK\$30,000,000 and estimated to be approximately HK\$28,900,000 respectively. Based on the estimated net proceeds from the issue of the Bonds and a total of 16,574,585 new Shares to be issued at the initial conversion price upon exercise of the conversion rights of the Bonds in full, the net subscription price per new Share would be approximately HK\$1.74.

The Company intends to use the net proceeds for general working capital and future business development of the Company.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

The Board confirms that there has not been any fund raising exercise made by the Company in the twelve months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the conversion of the Bonds in full.

Shareholders	As at the date of this announcement		Immediately after conversion of the Bonds in full	
	No. of Shares	%	No. of Shares	%
China Consume Elderly Care Holdings Limited (<i>Note</i>)	480,737,002	74.96	480,737,002	73.07
<i>Public shareholders</i>				
The Subscriber	—	—	16,574,585	2.52
Other public shareholders	<u>154,122,998</u>	<u>25.04</u>	<u>154,122,998</u>	<u>24.41</u>
Total	<u>641,360,000</u>	<u>100.00</u>	<u>657,934,585</u>	<u>100.00</u>

Note: China Consume Elderly Care Holdings Limited is a company incorporated in the Republic of Seychelles with limited liability and the entire issued share capital of which is owned by Mr. Zhu Xiaojun, an executive Director and chairman of the Company. Accordingly, Mr. Zhu Xiaojun is deemed to be interested in the entire 480,737,002 Shares held by China Consume Elderly Care Holdings Limited under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Bonds”	the 6% interest bearing convertible bonds due 2020 in an aggregate principal amount of HK\$30,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Business Day”	a day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Walker Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on main board of the Stock Exchange
“Completion”	completion of the Subscription in accordance with the terms and conditions as set out in the Subscription Agreement
“Conversion Price”	an initial conversion price of HK\$1.81 per new Share (subject to adjustment) at which the holders of the Bonds may subscribe for the new Share(s)
“Conversion Shares”	Shares to be issued upon the exercise of the conversion rights attaching to the Bonds
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 14 August 2015
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“Subscriber”	Quam Securities Company Limited, a company incorporated in Hong Kong with limited liability and the subscriber to the Subscription Agreement
“Subscription”	the subscription by the Subscriber for the Bonds pursuant to the Subscription Agreement
“Subscription agreement”	the conditional subscription agreement dated 24 June 2016 and entered into between the Company and the Subscriber in relation to the Subscription
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Walker Group Holdings Limited
ZHU Xiaojun
Chairman

Hong Kong, 24 June 2016

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. ZHU Xiaojun

Mr. KANG Jianming

Mr. WANG Lingxiao

Ms. CAI Jiaying

Mr. YIN Wansun

Independent non-executive Directors:

Mr. CHEN Jianzhong

Dr. HE Chengying

Mr. HU Jinxing

Ms. ZHAO Hong

Non-executive Director:

Mr. CHEN Mingzhong