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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)



RUI KANG PHARMACEUTICAL GROUP

INVESTMENTS LIMITED

銳康藥業集團投資有限公司

*(Incorporated in the Cayman Islands and continued in
Bermuda with limited liability)*

(Stock Code: 8037)

JOINT ANNOUNCEMENT

DISCLOSEABLE TRANSACTION

MAJOR TRANSACTION

IN RELATION TO THE DISPOSAL OF 30% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND THE SALE LOAN

DISPOSAL

Wah Yan Healthcare and Rui Kang Pharmaceutical jointly announce that on 7 April 2017 (after trading hours), the Vendor, a direct wholly-owned subsidiary of Rui Kang Pharmaceutical, and the Purchasers entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchasers have conditionally agreed to purchase, the Sale Shares and the Sale Loan at the Consideration of HK\$41 million. The Sale Shares represent 30% of the issued share capital of the Target Company. As at the date of the Disposal Agreement, the Target Group owed to the Vendor an amount of HK\$2,317,221.

The Target Group is principally engaged in the sale of prescription drugs and medical equipment through hospitals and wholesale of OTC drugs and medicated oil products through pharmacies in the PRC.

As at the date of the Disposal Agreement, Rui Kang Pharmaceutical, through the Vendor, holds 30% of the issued share capital of the Target Company. Immediately after Completion, each of the Rui Kang Pharmaceutical Group and the Wah Yan Healthcare Group will cease to hold any equity interest in each member of the Target Group and each member of the Target Group will cease to be an associate of each of the Rui Kang Pharmaceutical Group and the Wah Yan Healthcare Group.

LISTING RULES/GEM LISTING RULES IMPLICATIONS

Discloseable transaction for Wah Yan Healthcare

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Disposal for Wah Yan Healthcare is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction for Wah Yan Healthcare under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Major transaction for Rui Kang Pharmaceutical

As the highest percentage ratio (as defined under the GEM Listing Rules) in respect of the Disposal for Rui Kang Pharmaceutical is more than 25% but is less than 75%, the Disposal constitutes a major transaction for Rui Kang Pharmaceutical under the GEM Listing Rules and is subject to the notification, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

THE RUI KANG PHARMACEUTICAL SGM AND DESPATCH OF CIRCULAR

The Rui Kang Pharmaceutical SGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Disposal.

A circular containing, among other things, further information on the Disposal, the Disposal Agreement and the transactions contemplated thereunder and other information as required under the GEM Listing Rules together with a notice of the Rui Kang Pharmaceutical SGM and a form of proxy will be despatched to the Rui Kang Pharmaceutical Shareholders on or before 4 May 2017.

Completion is subject to the satisfaction of the Conditions and therefore may or may not proceed. Wah Yan Healthcare Shareholders, Rui Kang Pharmaceutical Shareholders and potential investors are advised to exercise caution when dealing in the Wah Yan Healthcare Shares and the Rui Kang Pharmaceutical Shares.

Wah Yan Healthcare and Rui Kang Pharmaceutical jointly announce that on 7 April 2017 (after trading hours), the Vendor, a direct wholly-owned subsidiary of Rui Kang Pharmaceutical, and the Purchasers entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchasers have conditionally agreed to purchase, the Sale Shares and the Sale Loan at the Consideration of HK\$41 million.

THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are set out below:

Date

7 April 2017

Parties

Vendor: Icy Snow Limited

Purchasers: (i) Mr. Wang Pingping
(ii) Ms. Gao Shige

As at the date of this joint announcement, to the best knowledge, information and belief of the directors of Wah Yan Healthcare and the directors of Rui Kang Pharmaceutical having made all reasonable enquiries, each of the Purchasers is a third party independent of and not connected with Wah Yan Healthcare and Rui Kang Pharmaceutical and their respective connected persons.

Assets to be disposed of

The Vendor has conditionally agreed to sell and the Purchasers have conditionally agreed to purchase the Sale Shares and the Sale Loan free from all encumbrances. The Sale Shares represent 30% of the issued share capital of the Target Company. The Sale Loan will represent the entire amount the Target Group owing to the Rui Kang Pharmaceutical Group as at Completion. As at the date of the Disposal Agreement, the Target Group owed to the Vendor an amount of HK\$2,317,221. It is expected that at Completion the amount of the Sale Loan will not be materially different. Further particulars of the Target Company and the Target Group are set out in section headed "Information of the Target Group" below.

Consideration

The Consideration is HK\$41 million, which shall be paid in cash by the Purchasers to the Vendor at Completion.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchasers after taking into consideration (i) the face value of the Sale Loan of HK\$2,317,221; and (ii) the unaudited consolidated net profit after taxation of the Target Group for the year ended 31 December 2016 taking into account a price-to-earnings ratio of multiple of 8.

Conditions precedent

Completion shall be conditional upon and subject to:

- (1) (if applicable) Rui Kang Pharmaceutical having complied with the requirements under the GEM Listing Rules in connection with the transactions contemplated under the Disposal Agreement;
- (2) (if applicable) the Vendor having obtained all necessary consents and approvals in relation to the transactions contemplated under the Disposal Agreement (including (if applicable) the shareholders of the Target Company having given up their relevant pre-emptive rights on the Sale Shares) and such consents and approvals remain valid until the Completion Date; and
- (3) (if applicable) the Purchasers having obtained all necessary consents and approvals in relation to the transactions contemplated under the Disposal Agreement and such consents and approvals remain valid until the Completion Date.

The above Conditions are not capable of being waived by the Vendor or the Purchasers.

If the Conditions have not been satisfied by the Long Stop Date, the Disposal Agreement shall cease and terminate (save and except for the clauses relating to, among others, confidentiality, notice, fees and expenses and governing law and jurisdiction which shall continue to have full force and effect) and no party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion

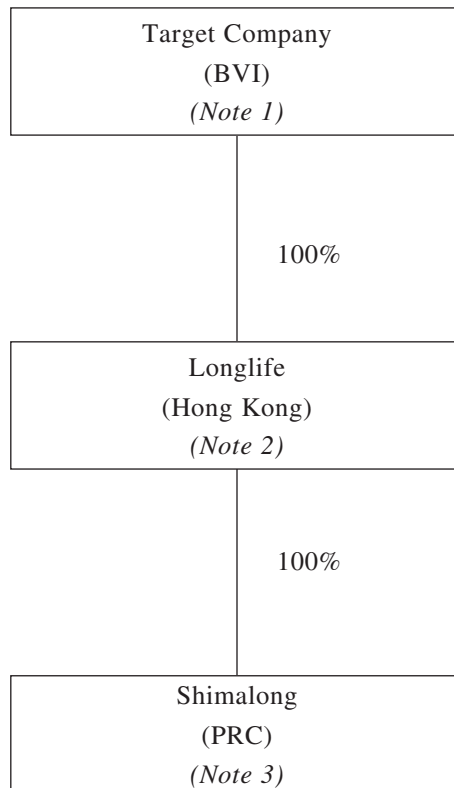
Completion shall take place on the Completion Date which shall fall within five Business Days after the fulfillment of the Conditions or such other date as the Vendor and the Purchasers may agree in writing.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in BVI with limited liability. The Target Company is directly owned as to 30% by the Vendor as at the date of this joint announcement and prior to Completion.

The Target Company, through its wholly-owned subsidiaries, is principally engaged in the sale of prescription drugs and medical equipment through hospitals and wholesale of over-the-counter (“OTC”) drugs and medicated oil products through pharmacies in the PRC.

Set out below is the shareholding structure of the Target Group as at the date of this joint announcement:



Notes:

The principal activity of the above respective company is:

1. investment holding
2. investment holding and trading of Chinese medicines
3. sale of prescription drugs and medical equipment through hospitals and wholesale of OTC drugs and medicated oil products through pharmacies in the PRC

The following are certain unaudited consolidated financial information of the Target Group for the years ended 31 December 2016 and 2015:

	For the year ended 31 December 2016	For the year ended 31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	22,973	8,272
Profit after taxation	17,100	6,025

As at 31 December 2016, the unaudited consolidated total asset value and unaudited consolidated net asset value of the Target Group were approximately HK\$67.7 million and HK\$27.9 million respectively. As at 31 December 2016, the Rui Kang Pharmaceutical Group recorded goodwill of approximately HK\$3.5 million in relation to its interest in the Target Group in its consolidated accounts (“**Goodwill**”).

As at the date of the Disposal Agreement, Rui Kang Pharmaceutical, through the Vendor, holds 30% of the issued share capital of the Target Company. Immediately after Completion, each of the Rui Kang Pharmaceutical Group and the Wah Yan Healthcare Group will cease to hold any equity interest in each member of the Target Group and each member of the Target Group will cease to be an associate of each of the Rui Kang Pharmaceutical Group and the Wah Yan Healthcare Group.

REASONS OF AND BENEFITS FOR THE DISPOSAL

The Wah Yan Healthcare Group is principally engaged in (i) the health management business; (ii) the medical and well-being business; and (iii) the asset management business.

The Rui Kang Pharmaceutical Group is principally engaged in (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong.

Taking into account the keen competition in the sale of medicated oil products in the PRC in the recent years and that Rui Kang Pharmaceutical does not have majority voting right over the board of the Target Company, the Rui Kang Pharmaceutical Group is unable to determine the development of the Target Group, the directors of Rui Kang Pharmaceutical are of the view that the Disposal represents an opportunity for the Rui Kang Pharmaceutical Group to realise its investment in the Target Group (through the Target Company) and that the Rui Kang Pharmaceutical Group can allocate more resources to its business.

It is estimated that upon Completion, the Rui Kang Pharmaceutical Group will record a net gain of approximately HK\$26.4 million, which is calculated with reference to the difference between (i) the Consideration and (ii) the Sale Loan, the one-off non-cash reclassification of exchange revenue from equity to profit or loss of approximately HK\$0.4 million and the interest of the Rui Kang Pharmaceutical Group in the Target Group as an associate of approximately HK\$11.9 million as at 31 December 2016 (which includes the Goodwill). The actual amount of gain or loss as a result of the Disposal to be recorded by the Rui Kang Pharmaceutical Group will be subject to the review and final audit by the auditors of Rui Kang Pharmaceutical. Rui Kang Pharmaceutical intends to use the net proceeds from the Disposal as general working capital of the Rui Kang Pharmaceutical Group and/or for future development of the Rui Kang Pharmaceutical Group's businesses and/or funding any potential acquisitions if opportunities arise.

The terms of the Disposal Agreement were determined after arm's length negotiations between the parties thereto. Having considered the reasons of and benefits for the Disposal as mentioned above, the Rui Kang Pharmaceutical Board is of the view that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable and the Disposal is in the interests of Rui Kang Pharmaceutical and the Rui Kang Pharmaceutical Shareholders as a whole.

Having considered the reasons of and benefits for the Disposal as mentioned above, the Wah Yan Healthcare Board is of the view that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable and the Disposal is in the interests of Wah Yan Healthcare and the Wah Yan Healthcare Shareholders as a whole.

LISTING RULES/GEM LISTING RULES IMPLICATIONS

Discloseable transaction for Wah Yan Healthcare

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Disposal for Wah Yan Healthcare is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction for Wah Yan Healthcare under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Major transaction for Rui Kang Pharmaceutical

As the highest percentage ratio (as defined under the GEM Listing Rules) in respect of the Disposal for Rui Kang Pharmaceutical is more than 25% but is less than 75%, the Disposal constitutes a major transaction for Rui Kang Pharmaceutical under the GEM Listing Rules and is subject to the notification, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

THE RUI KANG PHARMACEUTICAL SGM AND DESPATCH OF CIRCULAR

The Rui Kang Pharmaceutical SGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Disposal.

To the best of the knowledge, information and belief of the directors of Rui Kang Pharmaceutical having made all reasonable enquiries, no Rui Kang Pharmaceutical Shareholder has a material interest in the Disposal. As such, no Rui Kang Pharmaceutical Shareholder is required to abstain from voting at the SGM in respect of the resolution approving the Disposal.

A circular containing, among other things, further information on the Disposal, the Disposal Agreement and the transactions contemplated thereunder and other information as required under the GEM Listing Rules together with a notice of the SGM and a form of proxy will be despatched to the Rui Kang Pharmaceutical Shareholders on or before 4 May 2017.

Completion is subject to the satisfaction of the Conditions and therefore may or may not proceed. Wah Yan Healthcare Shareholders, Rui Kang Pharmaceutical Shareholders and potential investors are advised to exercise caution when dealing in the Wah Yan Healthcare Shares and the Rui Kang Pharmaceutical Shares.

DEFINITIONS

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

“Business Day(s)”	a day (excluding Saturdays, Sunday or public holiday and any day on which a tropical cyclone warning signal no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or no which a “Black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. to 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Wah Yan Healthcare”	China Wah Yan Healthcare Limited, a company incorporated in Hong Kong and the issued shares of which are listed on the Main Board (Stock code: 648)
“Wah Yan Healthcare Board”	the board of directors of Wah Yan Healthcare
“Wah Yan Healthcare Group”	Wah Yan Healthcare and its subsidiaries

“Wah Yan Healthcare Share(s)”	ordinary share(s) in the issued share capital of Wah Yan Healthcare
“Wah Yan Healthcare Shareholder(s)”	the holder(s) of the Wah Yan Healthcare Shares
“Completion”	completion of the disposal of the Sale Shares and the Sale Loan in accordance with terms and conditions of the Disposal Agreement
“Completion Date”	within five Business Days after the fulfillment of the Conditions or such other date as the Vendor and the Purchasers may agree in writing
“Conditions”	the conditions precedent to Completion as set out in the Disposal Agreement
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$41 million payable by the Purchasers to the Vendor for the Disposal pursuant to the terms and conditions of the Disposal Agreement
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchasers pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 7 April 2017 entered into between the Vendor and the Purchasers in relation to the Disposal
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longlife”	Longlife Group Holdings Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company

“Long Stop Date”	5:00 p.m. on 30 June 2017, or such other date as may be agreed between the Vendor and the Purchasers in writing
“Main Board”	the main board of the Stock Exchange
“PRC”	the People’s Republic of China, but for the purpose of this joint announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchasers”	Mr. Wang Pingping and Ms. Gao Shige
“Rui Kang Pharmaceutical”	Rui Kang Pharmaceutical Group Investments Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on GEM (Stock code: 8037)
“Rui Kang Pharmaceutical Board”	the board of directors of Rui Kang Pharmaceutical
“Rui Kang Pharmaceutical Group”	Rui Kang Pharmaceutical and its subsidiaries
“Rui Kang Pharmaceutical SGM”	the special general meeting of Rui Kang Pharmaceutical to be convened and held to consider and, if thought fit, approve the Disposal
“Rui Kang Pharmaceutical Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of Rui Kang Pharmaceutical
“Rui Kang Pharmaceutical Shareholder(s)”	the holder(s) of the Rui Kang Pharmaceutical Shares
“Sale Loan”	the entire sum owing by the Target Group to the Vendor as at Completion, which amounts to HK\$2,317,221 as at the date of this joint announcement
“Sale Shares”	30 shares of the Target Company, representing 30% of its issued share capital as at Completion
“Shimalong”	廣州獅馬龍藥業有限公司 (in English, for identification purpose only, Guangzhou Shimalong Pharmaceutical Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Magical Bloom Limited, a company incorporated in BVI with limited liability and is directly owned as to 30% by the Vendor as at the date of this joint announcement and prior to Completion
“Target Group”	collectively, the Target Company and its subsidiaries
“Vendor”	Icy Snow Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Rui Kang Pharmaceutical
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

On behalf of the board of directors of
China Wah Yan Healthcare Limited
CHAN Ka Chung
Chairman

On behalf of the board of directors of
Rui Kang Pharmaceutical Group
Investments Limited
CHAN Ka Chung
Chairman

Hong Kong, 9 April 2017

As at the date of this joint announcement, the Wah Yan Healthcare Board 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 Xuezhe and Mr. LAM Chun Ho.

As of the date of this joint announcement, the executive directors of Rui Kang Pharmaceutical are Mr. CHAN Ka Chung (Chairman), Mr. LEUNG Pak Hou Anson, Ms. CHEN Miaoping (Chief Executive Officer) and Mr. CHEUNG Wai Kwan; and the independent non-executive directors of Rui Kang Pharmaceutical are Mr. HO Fung Shan Bob, Mr. LEUNG Ka Fai and Mr. YUEN Chun Fai.

This joint announcement, for which the directors of Rui Kang Pharmaceutical collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Rui Kang Pharmaceutical. The directors of Rui Kang Pharmaceutical, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this joint announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this joint announcement misleading.

This joint announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of Rui Kang Pharmaceutical at www.ruikang.com.hk.