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WANJIA GROUP HOLDINGS LIMITED

萬嘉集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 401)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF APPROXIMATELY 99.80% EQUITY INTEREST IN A SUBSIDIARY IN THE PRC

Financial Advisor to the Company



INCUCO Corporate Finance Limited

THE DISPOSAL

On 23 August 2018 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Capital, representing approximately 99.80% equity interest in the Target Company, at the Consideration of HK\$49,000,000.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have any interest in the Target Company. The financial results of the Target Company will be no longer consolidated in the consolidated financial statements of the Group following the Completion.

* *For identification purpose only*

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceed 25% but below 75%, the Disposal constitutes a major disposal on the part of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be held for the Shareholders to consider and, if thought fit, approve the ordinary resolution(s) in respect of, among other things, the entering into of the Disposal Agreement and the transactions contemplated thereunder.

A circular of the Company containing, among other matters, (i) further details of the Disposal; (ii) a notice convening the EGM; and (iii) other information as required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 13 September 2018.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the Disposal Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company.

INTRODUCTION

On 23 August 2018 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Capital, representing approximately 99.80% of the equity interest in the Target Company, at the Consideration of HK\$49,000,000.

THE DISPOSAL AGREEMENT

Set out below are the principal terms of the Disposal Agreement:

Date: 23 August 2018 (after trading hours of the Stock Exchange)

Purchaser: Jing Hoi Ou Investment Limited

Vendor: Hui Hao (HK) Group Limited

Target Company: 福建惠好四海醫藥連鎖有限責任公司 (Fujian Huihao Sihai Pharmaceutical Chain Company Limited#)

Assets to be disposed of

Pursuant to the Disposal Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Capital, representing approximately 99.80% equity interest in the Target Company.

Consideration

The Consideration for the sale and purchase of the Sale Capital shall be HK\$49,000,000 and payable by the Purchaser in the following manner:

- (a) a sum of HK\$9,800,000 (the “**Deposit**”) shall be payable by the Purchaser in cash to the Vendor within seven days after the entering into of the Disposal Agreement as deposit and part payment of the Consideration; and
- (b) the remaining balance of HK\$39,200,000 shall be payable by the Purchaser in cash on Completion.

The Consideration was determined between the Vendor and the Purchaser after arm’s length negotiation and on normal commercial terms, with reference to (i) the unaudited net assets of the Target Company as at 30 June 2018 of approximately RMB42.9 million (equivalent to approximately HK\$48.9 million); (ii) the financial performance and prospect of the Target Company; and (iii) other reasons for the Disposal as discussed in the paragraph headed “Reasons for and benefits of the Disposal and use of proceeds” in this announcement.

Having considered the above, the Board considers that the Consideration, which was arrived at after arm’s length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon and subject to the satisfaction or waiver of the following conditions:

- (a) if necessary, the passing of the necessary resolution(s) by the Shareholders at the EGM to be convened and held to approve the Disposal Agreement and the transactions contemplated thereunder;
- (b) all necessary consents, licences and approvals required to be obtained on the part of the Target Company, the Vendor and the Company in respect of the Disposal Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (c) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of the Disposal Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (d) the representation and warranties given by the Vendor under the Disposal Agreement remaining true, accurate and complete in all material respects; and
- (e) the representation and warranties given by the Purchaser under the Disposal Agreement remaining true, accurate and complete in all material respects.

The Purchaser may in its absolute discretion at any time waive the condition (d) set out above. The Vendor may in its absolute discretion at any time waive the condition (e) set out above. Conditions (a), (b), and (c) set out above are incapable of being waived. As at the date of this announcement, none of the conditions set out above has been fulfilled.

If the conditions set out above have not been satisfied (or as the case may be, waived) on or before 30 November 2018, or such later date as the Vendor and the Purchaser may agree in writing, the Disposal Agreement shall cease and the Vendor shall forthwith refund the Deposit without interest to the Purchaser. Thereafter, neither party shall have any obligations and liabilities towards each other under the Disposal Agreement save for any antecedent breaches of the terms thereof.

Completion

Upon compliance with or fulfilment (or wavier) of all the above conditions, the Completion shall take place on the Completion Date.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability, which is principally engaged in pharmaceutical retail chain business in the PRC. As at the date of this announcement, approximately 99.80% equity interest in the Target Company is owned by the Vendor and the remaining approximately 0.20% equity interest in the Target Company is owned by Independent Third Parties.

The Target Company offers a wide variety of products in its retail pharmacies including prescription medicines, over-the-counter medicines, healthcare food products, traditional Chinese medicines, medical supplies and medical devices.

Set out below is a summary of the key financial data of the Target Company based on its unaudited management accounts for the two financial years ended 31 December 2016 and 31 December 2017:

	For the year ended 31 December 2016 (unaudited) <i>RMB'000</i>	For the year ended 31 December 2017 (unaudited) <i>RMB'000</i>
Revenue	230,591	221,731
Loss before tax	(5,732)	(25,296)
Loss after tax	(5,732)	(25,296)

Based on the unaudited management accounts, the unaudited net asset value of the Target Company as at 30 June 2018 was approximately RMB42.9 million (equivalent to approximately HK\$48.9 million).

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have any interest in the Target Company. The financial results of the Target Company will be no longer consolidated in the consolidated financial statements of the Group following the Completion.

Based on the Consideration of HK\$49 million and approximately 99.80% of the unaudited net asset value of the Target Company as at 30 June 2018 of approximately RMB42.8 million (equivalent to approximately HK\$48.8 million), it is estimated that the Company will not recognise any gain or loss in relation to the Disposal, after deducting relevant expenses. The actual gain or loss to be recorded by the Company is subject to final audit to be performed by the auditors of the Company.

INFORMATION OF THE GROUP, THE VENDOR AND THE PURCHASER

The Group

The Company is an investment holding company. The Group is principally engaged in pharmaceutical wholesales and distribution and pharmaceutical retail chain business (the “**Retail Business**”), and provision of hemodialysis treatment and consultancy service in the PRC.

The Vendor

The Vendor, a company incorporated in Hong Kong with limited liability, is an indirect wholly-owned subsidiary of the Company. The Vendor is an investment holding company.

The Purchaser

The Purchaser is a company incorporated in Hong Kong with limited liability. Based on the information provided by the Purchaser, the Purchaser is principally engaged in investment holding. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, save for the three unsecured loan agreements dated 24 April 2018, 14 June 2018 and 24 July 2018 respectively entered into between the ultimate beneficial owner of the Purchaser as lender and the Company as borrower in the aggregate principal amount of HK\$6,200,000 for a term of three months and extendable for another three months at the request of the borrower and with an interest rate of 5% per annum, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The Board considers the financial performance of the Retail Business has been stagnant. As disclosed in the annual report of the Company for the year ended 31 March 2018, the segment of the Retail Business suffered a loss of approximately HK\$36.5 million, representing a substantial increase from the loss of approximately HK\$9.1 million in the previous year. As the market competition was further intensified, promotion and labour costs increased as compared with the same period of last year, hence leading to a decrease of the overall gross profit margin. For the two years ended 31 March 2017 and 31 March 2018, the segment results of the Retail Business were the lowest among different business segments of the Group.

Despite the fact that the Group has been making effort and hoping the Target Company could turn around, the financial performance of the Retail Business could not meet the expectation of the Board. In August 2018, the Company was approached by the Purchaser, which showed its interest in the Retail Business. Hence, discussions were held between the Company and the Purchaser in relation to the possibility of the Disposal.

The Board intends to utilise the proceeds from the Disposal for partial repayment of the Group's borrowings. As disclosed in the Company's announcements dated 28 November 2017, 28 February 2018 and 27 June 2018, the Group has a borrowing of HK\$100 million, which will be due on 28 May 2019. Such borrowing charges an interest rate of 1.25% per month until the repayment date, and thus the Group is facing liquidity pressure in settlement of finance costs.

Having considered that (i) the financial performance of the Retail Business has been stagnant and the prospect is uncertain; and (ii) the Disposal represents a good opportunity for the Group to repay its debt, which will then ease the debt burden of the Group, the Directors are of the view that the terms of the Disposal Agreement (including the Consideration) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceed 25% but below 75%, the Disposal constitutes a major disposal on the part of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has any material interest in the Disposal as at the date of this announcement, and as such, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Disposal.

GENERAL

The EGM will be held for the Shareholders to consider and, if thought fit, approve the ordinary resolution(s) in respect of, among other things, the entering into of the Disposal Agreement and the transactions contemplated thereunder.

A circular of the Company containing, among other matters, (i) further details of the Disposal; (ii) a notice convening the EGM; and (iii) other information as required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 13 September 2018.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the Disposal Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	board of the Directors
“Company”	Wanjia Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange

“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	a date falling within thirty (30) days after the fulfillment (or waiver) of the conditions set out in the Disposal Agreement or such other date as the Vendor and the Purchaser may agree in writing
“Consideration”	the consideration of HK\$49,000,000 payable by the Purchaser for the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of approximately 99.80% equity interest in the Target Company pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 23 August 2018 entered into between the Purchaser and the Vendor relating to the Disposal
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving the Disposal Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is(are) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)

“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, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Jing Hoi Ou Investment Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party
“Sale Capital”	registered and paid up capital of RMB55,743,350, representing approximately 99.80% equity interest in the Target Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	福建惠好四海醫藥連鎖有限責任公司 (Fujian Huihao Sihai Pharmaceutical Chain Company Limited [#]), a company established under the laws of the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Vendor”	Hui Hao (HK) Group Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

[#] *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

For the purpose of this announcement, unless the context otherwise requires or expressly specified, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB1.00 to HK\$1.14. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi has been, could have been or may be converted at such or any other rate or at all.

By order of the Board
Wanjia Group Holdings Limited
Chen Jinshan
Executive Director

Hong Kong, 23 August 2018

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chen Jinshan and Ms. Yung Ka Lai and three independent non-executive Directors, namely Mr. Wong Hon Kit, Dr. Liu Yongping and Mr. Ho Man.