

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



REAL NUTRICEUTICAL GROUP LIMITED

瑞年國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2010)

SUPPLEMENTAL ANNOUNCEMENT REGARDING DISCLOSEABLE TRANSACTION — DISPOSAL OF THE TARGET COMPANIES

Reference is made to the announcement of the Company dated 22 December 2017 in relation to the disposal of the Target Companies (the “**Announcement**”). Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement. The Company would like to provide further information in relation to the Disposal as set out below.

DETAILS OF THE REORGANISATION

As set out in the Announcement, the completion of the Disposal was conditional upon completion of the Reorganisation, which involved (i) the assignment to the Vendors and/or their affiliates of all of the outstanding trade and bill receivables of the Target Companies as at the date of Completion as the Purchaser did not know the distributors and customers of the Target companies and did not want to put effort in collecting those receivables; (ii) the novation to the Target Companies of the outstanding bank loans that were previously borrowed by the Vendors’ Group to finance the working capital and capital expenditure of the Target Companies; and (iii) the waiver of the net outstanding liabilities owed by the Target Companies to the Vendors’ Group as at the date of Completion.

GAIN ON DISPOSAL

Completion of the Disposal has already taken place and the Target Companies have ceased to be subsidiaries of the Company.

As disclosed in the Announcement, the Consideration was mainly determined with reference to the estimated net asset value of the Target Companies after completion of the Reorganisation. The net asset value of the Target Companies had been significantly reduced after the Reorganisation. Accordingly, the original acquisition costs of the Target Companies are irrelevant in determining the consideration for the Disposal. Subject to audit by the auditor of the Group, the Group expects to recognise a gain of approximately RMB5.27 million from the Disposal, being the difference between the Consideration for the Disposal of RMB15 million and the adjusted unaudited net asset value of the Target Group of approximately RMB9.73 million as at 30 November 2017 assuming that the Reorganisation had been completed.

REASONS FOR THE DISPOSAL

As discussed in the Announcement, the terms of the Disposal including the basis of Consideration were determined after arm's length negotiations between the Company and the Purchaser which is an independent third party to the Group and its connected persons. The Company considered that the performance of the pharmaceutical products business had not been satisfactory and the results of such segment had been fluctuating since such business segment commenced in July 2009, in particular, the profit margin of pharmaceutical products had been significantly lower than that of the Group's health and nutritional supplements products due to high competition of pharmaceutical industry in China. The Company did not expect the pharmaceutical products segment to make significant improvement in terms of revenue growth and profitability in the near to mid-term, due to market competition and the regulatory environment on prescription drugs. With the vision to consolidate the strengths of the Group on its principle and profitable businesses, the Group has decided to prioritize resources on the health and nutritional supplements and health drinks businesses in order to better leverage on the research and development capital expenditures incurred and the current expertise of the Group.

In view of the above, the Directors considered that the Disposal was in line with the Group's strategy to focus on its health and nutritional supplements and health drinks businesses, and was in the interest of the Company and the Shareholders as a whole.

By order of the Board of Directors of
Real Nutraceutical Group Limited
Wang Fucai
Chairman

Hong Kong, 8 March 2018

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.15. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

As at the date of this announcement, the Executive Directors are Mr. Wang Fucai, Mr. Yu Yan, Mr. Li Lin, Mr. Yi Lin, Mr. Zhang Yan and Ms. Au-Yeung Kam Ling; the independent non-executive Directors are Dr. Fong Chi Wah, Mr. Xu Hua Feng and Mr. Chan Kee Ming.