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REAL NUTRICEUTICAL GROUP LIMITED
瑞年國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2010)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

HIGHLIGHTS

- Revenue decreased by 59.7% to RMB357.7 million.
- Loss for the year attributable to owners of the Company was RMB86.7 million.
- Basic loss per share from continuing operations was RMB15.1 cents.

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Real Nutriceutical Group Limited (the "Company") announces its audited consolidated final results of the Company and its subsidiaries (collectively the "Group") for the year ended December 31, 2017 (the "Year") together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	NOTES	**2017** ***RMB'000***	2016 *RMB'000* (Restated)
Continued operations			
Revenue	*3*	**357,661**	886,431
Cost of goods sold		**(145,957)**	(335,666)
Gross profit		**211,704**	550,765
Other income	*4*	**45,401**	47,638
Other gains and losses	*5*	**(165,039)**	4,555
Selling and distribution costs		**(181,160)**	(445,991)
Administrative expenses		**(108,738)**	(127,524)
Research and development costs		**(1,249)**	(10,864)
Finance costs	*6*	**(36,146)**	(27,900)
Loss before taxation	*7*	**(235,227)**	(9,321)
Taxation	*8*	**(14,676)**	(48,700)
Loss for the year from continuing operations		**(249,903)**	(58,021)
Discontinued operations	*9*		
Loss for the year from discontinued operations		**(11,176)**	(1,755)
Loss for the year		**(261,079)**	(59,776)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss			
— exchange differences arising on translation of foreign operations		**3,314**	(3,064)
Total comprehensive expense for the year		**(257,765)**	(62,840)

	NOTES	2017 RMB'000	2016 RMB'000 (Restated)
(Loss)/Profit for the year attributable to owners of the Company			
from continuing operations		**(240,977)**	(50,784)
from discontinued operations		**154,310**	(14,592)
Loss for the year attributable to owners of the Company		**(86,667)**	(65,376)
(Loss)/Profit for the year attributable to non-controlling interests			
from continuing operations		**(8,926)**	(7,237)
from discontinued operations		**(165,486)**	12,837
(Loss)/Profit for the year attributable to non-controlling interests		**(174,412)**	5,600
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(83,353)**	(68,440)
Non-controlling interests		**(174,412)**	5,600
		(257,765)	(62,840)
From continuing and discontinued operations			
Loss per share	*11*		
— Basic		**(5.4) cents**	(4.1) cents
— Diluted		**(5.4) cents**	(4.1) cents
From continuing operations			
Loss per share			
— Basic		**(15.1) cents**	(3.2) cents
— Diluted		**(15.1) cents**	(3.2) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**1,613,461**	2,191,501
Land use rights		**306,681**	356,007
Goodwill		**–**	113,650
Intangible assets		**99,119**	371,362
Deposits made on acquisition of property, plant and equipment		**164,161**	177,173
Advance payments for acquisition of technical knowhow		**30,200**	92,216
		2,213,622	3,301,909
Current assets			
Inventories		**80,268**	99,975
Trade and other receivables	*12*	**764,775**	742,367
Bank balances and cash		**2,400,474**	2,554,938
		3,245,517	3,397,280
Current liabilities			
Trade and other payables	*13*	**66,441**	199,456
Taxation		**1,734**	15,152
Short-term bank loans		**–**	772,041
		68,175	986,649
Net current assets		**3,177,342**	2,410,631
Total assets less current liabilities		**5,390,964**	5,712,540
Non-current liabilities			
Deferred tax liabilities		**10,099**	75,040
Net assets		**5,380,865**	5,637,500
Capital and reserves			
Share capital		**13,772**	13,772
Reserves		**5,350,440**	5,432,663
Equity attributable to owners of the Company		**5,364,212**	5,446,435
Non-controlling interests		**16,653**	191,065
Total equity		**5,380,865**	5,637,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company while the Group is principally engaged in the manufacture and sale of health and nutritional supplements and pharmaceutical products. The address of the registered office of the Company and the address of the principal place of business are disclosed in the section headed "Corporate Information" in the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") have applied, for the first time, the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on January 1, 2017:

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") have applied, for the first time, the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on January 1, 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised losses
Amendments to HKFRS 12	As part of the Annual improvements to HKFRSs 2014–2016 Cycle

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and amendments to HKFRSs in issue but not yet effective

The Group has not applied any of the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[1]

[1] Effective for annual periods beginning on or after January 1, 2018
[2] Effective for annual periods beginning on or after January 1, 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after January 1, 2021

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at December 31, 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at January 1, 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at January 1, 2018.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligation, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 ***Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2017, the Group has non-cancellable operating lease commitments. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties that are currently classified as operating leases as based on preliminary assessment, the Group will be required to recognise the right-to-use asset and corresponding lease liability. However, the directors of the Company are undergoing a detailed assessment on the implementation of HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid of RMB299,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. REVENUE AND SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are reviewed by the Chief Executive Officer in order to allocate resources to the reportable segments and to assess their performance.

The Group's reportable segments under HKFRS 8 are as follows:

Health and nutritional supplements	—	manufacture and sales of health and nutritional supplements
Health drinks	—	manufacture and sales of health drinks

Each reportable segment derives its revenue from the sales of products. They are managed separately because each product requires different production and marketing strategies.

Revenue represents the fair value of the consideration received or receivable for goods sold to outside customers during the year.

An operating segment regarding the manufacture and sales of pharmaceutical products was discontinued in the current year. The segment information reported on the following does not include any amounts for these discontinued operations, which are described in more detail in note 9.

Segment results represent the gross profits earned by each segment.

The following is an analysis of the Group's revenue and results from continuing operations by operating and reportable segment:

	Revenue		Results	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Health and nutritional supplements	**291,649**	718,516	**190,302**	509,533
Health drinks	**66,012**	167,915	**21,402**	41,232
	357,661	886,431	**211,704**	550,765
Advertising and promotional expenses			**(98,133)**	(313,425)
Other operating expenses			**(197,727)**	(266,695)
Impairment loss on trade receivables			**(160,335)**	–
Other income			**2,342**	7,602
Gain on disposal of property, plant and equipment			**9**	296
Interest income			**43,059**	40,036
Interest expenses			**(36,146)**	(27,900)
Loss before taxation			**(235,227)**	(9,321)

Information of segment assets and segment liabilities are as follows:

Segment assets represent property, plant and equipment, land use rights, goodwill, intangible assets, deposits made on acquisition of property, plant and equipment, advance payments for acquisition of technical knowhow, inventories and trade and other receivables which are directly attributable to the relevant reportable segment. Segment liabilities represent trade and other payables which are directly attributable to the relevant reportable segment. These are the measures reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance. No operating segments identified by the Chief Executive Officer have been aggregated in arriving at the reportable segments of the Group.

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Assets		
Segment assets		
— health and nutritional supplements	**2,618,719**	2,471,336
— health drinks	**439,946**	569,028
	3,058,665	3,040,364
Asset relating to discontinued operations	**–**	1,103,887
Unallocated corporate assets	**2,400,474**	2,554,938
Consolidated total assets	**5,459,139**	6,699,189
Liabilities		
Segment liabilities		
— health and nutritional supplements	**57,487**	128,789
— health drinks	**8,954**	9,973
	66,441	138,762
Liabilities relating to discontinued operations	**–**	60,694
Taxation	**1,734**	15,152
Deferred tax liabilities	**10,099**	75,040
Unallocated corporate liabilities	**–**	772,041
Consolidated total liabilities	**78,274**	1,061,689

4. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Interest income	**43,059**	40,036
Facilities rental income	**2,289**	2,547
Franchise income	**–**	4,331
Others	**53**	724
	45,401	47,638

5. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Gain on disposal of property, plant and equipment	**9**	296
Impairment loss on trade receivables	**(160,335)**	–
Net foreign exchange (loss)/gain	**(4,713)**	4,259
	(165,039)	4,555

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Interest on bank borrowings wholly repayable within five years	**(36,146)**	(27,900)

7. LOSS BEFORE TAXATION

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Loss before taxation has been arrived at after charging:		
Amortisation of intangible assets included in		
— cost of goods sold	**4,550**	5,029
— administrative expenses	**9,618**	6,199
	14,168	11,228
Advertising and promotional expenses	**98,133**	313,425
Depreciation of property, plant and equipment	**138,225**	145,977

8. TAXATION

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
The charge comprises:		
Continuing operations		
Current tax		
— PRC Enterprise Income Tax	**(17,626)**	(50,462)
— PRC withholding tax	**–**	(3,666)
— Hong Kong Profits Tax	**–**	(1,212)
Deferred taxation	**2,950**	6,640
	(14,676)	(48,700)

The Hong Kong Profits Tax is calculated at 16.5%. The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui 2009 No. 1, only the profits earned by foreign-investment enterprise prior to January 1, 2008, when distributed to foreign investors, can be grandfathered and exempted from PRC withholding tax. Dividends distributed out of the profit generated thereafter shall be subject to EIT at 10% and withheld by the PRC entity, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Detailed Implementation Rules. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong (China — HK TA), a Hong Kong resident company should be entitled to a preferential tax rate of 5% when receiving dividends from its PRC subsidiary. The immediate holding company of 無錫瑞年實業有限公司 (Wuxi Ruinian Industry & Commerce Co., Limited) ("Ruinian Industry"), which is incorporated in Hong Kong and has been holding Ruinian Industry for more than a year, should be able to enjoy the preferential tax rate aforementioned. The deferred tax liability on the undistributed profits earned during the year ended December 31, 2017 has been accrued at the tax rate of 5% (2016: 5%) on the expected dividend stream of 30% (2016: 30%) which is determined by the directors of the Company.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended December 31, 2017. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's operations in Hong Kong had no assessable profits for the year ended December 31, 2017.

9. DISCONTINUED OPERATIONS

During the year ended December 31, 2017, the Group entered into sale agreements to dispose of subsidiaries, which carried out all of the Group's manufacture and sales of pharmaceutical products operations. The disposal was effected in order to consolidate the strengths of the Group on its principle and profitable businesses. The loss for the year from discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the pharmaceutical products segment as discontinued operations.

	2017 ***RMB'000***	2016 *RMB'000* (Restated)
Loss for the period/year	**(21,867)**	(1,755)
Gain on disposal	**10,691**	–
	(11,176)	(1,755)

The results of the pharmaceutical products segment for the period from January 1, 2017 to the date of disposal, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Revenue	**196,943**	254,473
Cost of sales	**(129,605)**	(164,712)
Gross profit	**67,338**	89,761
Other income	**8,916**	5,231
Selling and distribution costs	**(48,234)**	(36,473)
Administrative expenses	**(40,239)**	(36,526)
Research and development costs	**(640)**	(6,136)
Finance costs	**(10,039)**	(8,062)
Profit before taxation	**(22,898)**	7,795
Taxation	**1,031**	(9,550)
Loss for the period/year	**(21,867)**	(1,755)

Loss for the period/year from discontinued operations includes the following:

Advertising and promotional expenses	**7,873**	18,767
Depreciation of property, plant and equipment	**43,235**	38,202
Amortisation of intangible assets	**32,940**	41,751
Operating lease rentals in respect of land use rights	**1,134**	1,134

10. DIVIDENDS

The Board does not recommend any payment of final dividend for the year ended December 31, 2017 (2016: Nil). Dividends recognised as a distribution during the year ended December 31, 2016 of RMB56,278,000 represented 2015 final dividend of HK4.2 cents.

11. LOSS PER SHARE

From continuing operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Loss:		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(240,977)**	(50,784)

	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,591,979**	1,592,511

The computation of diluted loss per share has considered and does not assume the exercise of the Company's share options for the years ended December 31, 2017 and December 31, 2016 because the exercise price of those share options was higher than the average market price of the shares and were considered to have anti-dilutive effects.

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2017	2016
	RMB'000	*RMB'000*
Loss:		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(86,667)**	(65,376)

	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,591,979**	1,592,511

The computation of diluted loss per share has considered and does not assume the exercise of the Company's share options for the years ended December 31, 2017 and December 31, 2016 because the exercise price of those share options was higher than the average market price of the shares and were considered to have anti-dilutive effects.

From discontinued operations

Basic and diluted earnings per share for the discontinued operation is RMB9.7 cents (2016: loss per share of RMB0.9 cents), based on the profit for the year from the discontinued operation of approximately RMB154,310,000 (2016: loss of RMB14,592,000) and the denominators detailed above for both basic and diluted loss per share.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**464,043**	619,765
Bills receivables	**30**	1,981
	464,073	621,746
Allowance for doubtful debts	**(160,335)**	–
Trade and bills receivables net of allowance	**303,738**	621,746
Deposit paid for acquisition of a subsidiary	**200,000**	–
Deposits paid to suppliers	**59,764**	71,118
Property rental deposits and prepaid rental	**396**	23,357
Prepayments for media airtime	**-**	1,950
Other receivables, prepayments and deposits *(Note)*	**200,877**	24,196
	764,775	742,367

Note: Other receivable, prepayments and deposits included the outstanding trade and bills receivables of the disposed subsidiaries at the date of disposal.

Payment terms with customers are mainly on credit. Invoices are normally payable 90 days from date of issuance. The following is an aged analysis of trade and bills receivables based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2017	2016
	RMB'000	*RMB'000*
Age		
0 to 90 days	**17,729**	184,544
91 to 180 days	**22,170**	145,432
181 to 365 days	**186,386**	245,811
Over 1 year	**77,453**	45,959
	303,738	621,746

13. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade and bills payables	**13,122**	42,091
Other tax payables	**18,517**	28,775
Customers' deposits	**5,798**	39,952
Advertising accruals	**108**	40,425
Other payables	**3,915**	13,343
Payroll and welfare payables	**11,614**	14,468
Construction payables	**9,334**	17,583
Other accruals	**4,033**	2,819
	66,441	199,456

The Group normally receives credit terms of 90 days from its suppliers. The following is an aged analysis of trade and bills payables based on the invoice date at the end of the reporting period:

	2017	2016
	RMB'000	*RMB'000*
Age		
0 to 90 days	**4,407**	26,004
91 to 180 days	**1,275**	2,384
181 to 365 days	**1,683**	7,111
Over 1 year	**5,757**	6,592
	13,122	42,091

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's major business recorded a significant decrease in sales compared with that in 2016 due to the slowdown in China's economy and consumer market. Sales of the Group's core health and nutritional supplement products decreased by 59.4% to RMB291.6 million as sales of the amino acid tablets and liquid products decreased considerably for the year ended December 31, 2017 (the "Year"). Meanwhile, sales of health drinks decreased by 60.7% to RMB66.0 million. As a result, the Group's revenue decreased by 59.7% to RMB357.7 million.

The Group's overall gross profit margin continued to stand at a healthy level but decreased to 59.2% from 62.1% in 2016, due to higher production costs in 2017 and the change in sales mix. The Group reported an attributable loss of RMB86.7 million for 2017 compared with a loss of RMB65.4 million in 2016. This was mainly because gross profit decreased by RMB339.1 million and the impairment loss on trade receivable of RMB160.3 million recognised during the Year.

During the Year, the Group adopted a prudent approach to the development of its sales network. In addition to consolidating its footholds in its major markets in eastern and southern China, the Group also enhanced its cooperation with both distributors and retail outlets in tapping into the potential of the new sales network. During the Year, newly developed retail outlets included Foshan Zhong Kang Tang Chain Pharmacy Store, Zhong Tian Chain Pharmacy Store, Zhong Rui Chain Pharmacy Store and Gu Zhen Yan Pharmacy Store in Inner Mongolia. Meanwhile the Group also actively developed new sales channels for health drinks, at convenience stores, supermarkets and petrol stations' retail stores.

The Group continuously expanded both its online and offline sales and marketing networks for its health supplements products to achieve integration of multiple channels during the Year. Besides reinforcing the management of existing online platforms and the efforts in online sales and marketing, the Group constantly enriched its health products portfolio to further develop new e-commerce network to promote products' online sales performance. The Group sold its health products through the key e-commerce platforms like Tmall, YHD.Com and JD.Com. The Group's online direct sales business generated revenue of RMB11.0 million, which accounted for 3.2% of the total revenue during the Year. Besides, the Group continued to utilize WeChat Mall platform to expedite WeChat Mall sales team building. Through the launch of training courses for WeChat Mall marketing, the Group strengthened the fostering of WeChat Mall sales talents and fastened the development of offline regional agents for the promotion of WeChat Mall sales.

In relation to customers' relations management, the Group actively perfected Real Nutri Health Club member services programme and developed membership sales business through diverse membership activities and quality health services including free basic body checks, health indicators' records, health experts' consultations and advices on personalized total solutions combining health supplement products combination and services. All these initiatives forged the interaction and trust between the Group and the Real Nutri Health Club members. During the year, the Group held a number of health activities for its health club members, including the Real Nutri's 20th Anniversary Shanghai Celebration Event in Shanghai and the "China Dream, Health Dream" Elderly Healthcare Industry Conference in Pingyao Gucheng, Shanxi Province.

For brand promotion, the Group adopted a targeted marketing and promotion strategy, primarily on internet media to increase its brand recognition through online advertorials and activities. During the Year, the Group increased the number of online advertorials on its production technology, corporate culture and products on websites in national health, portals and financial categories, in order to enhance internet users' understanding of the Group and to prioritize the Group's name in key word search. To celebrate the Group's 20th anniversary in 2017, a number of grand celebration events were held, and strategic introduction, live interactive broadcast, and review of different stages of the events were presented in social media and other portals. Such programme strengthened the interactive understanding between the Group and the consumers plus internet users, and enhanced the Group's brand image. During the Year, the Group actively participated in various large health exhibitions and conferences, including the 2017 International Amino Acid Industry Development Symposium in Tianjin, The 78th PharmChina Trade Fair in Guangzhou, and The Amino Acid Sub-committee Founding & First Working Meeting of China Bio-Fermentation Industry Standardization Committee in Shanghai. The Group also organized Real Nutri's — The First China Wealth Summit On Mobile Internet+ Consumption & Finance in Wuxi, Jiangsu Province, to share its strategies for future online and offline business development with more than twenty online media, organizations and industrial elites. Besides, the Group actively continued universal health education and promotion on amino acids to increase public understanding of amino acids and their benefits through a variety of events and activities at the "Real Nutri Amino Acids Science Exhibition Hall".

Since the Group's manufacture and sales of pharmaceutical products segment recorded a loss in both 2015 and 2016, the segment's earnings performance was unsatisfactory and profitability is not expected to improve significantly in the near future, in December, 2017 the Group entered into an agreement to dispose of its three pharmaceutical subsidiaries to an independent third party which was completed during the Year. The Group considered that the disposal will not have a material adverse impact on the Group's revenue. The Group intends to use the proceeds from the disposal for general working capital and funds for potential acquisitions and investments, such as the expansion of the Group's distribution channels and online sales platforms. Further details of such disposal are contained in the announcements of the Company dated December 22, 2017 and March 8, 2018.

The Group entered into a sales and purchase agreement with an independent third party seller to acquire the retail pharmacy chain stores network of Shenzhen Ailire Investment Company Limited in April, 2017. As certain conditions precedents were not fulfilled by December 31, 2017, being the long stop date for the fulfillment of conditions precedent to completion, the agreement lapsed and the deposit of RMB200.0 million was refunded to the Group in accordance with the terms of the agreement. Notwithstanding the lapse of the agreement, the Group is still actively seeking investment opportunities and will not rule out the possibility of re-negotiating the terms of the acquisition of the retail pharmacy chain.

The Group actively cooperated with professional research and development teams in product development to broaden its product portfolio and maintain its brand's competitiveness. During the Year, the Group signed collaboration agreements with Jiangsu Health Food and Cosmetic Safety Association and Nanjing University of Traditional Chinese Medicine to conduct the development and registration process for three health supplements, namely Amino Acid Peptide Complex for immunity enhancement, Glutathione Amino Acid Complex for liver protection and reinforcement, and Probiotics Dietary Fiber Powder with Fructooligosaccharide (FOS) for maintenance of intestinal microflora. At the same time, the Group conducted the research and development and preparation works for a series of multi-vitamins and minerals products. During the Year, the Group launched a number of high-quality nutritional health foods, including High-Calcium Wheat Germ Mixed Powder, Yam Red Rice and Walnut Mixed Powder, and Red Dates, Ejiao and Wolfberry Mixed Powder. The Group has always been prioritizing product quality for the pursuit of excellence and has also been reinforcing the product quality control of its production lines. The Group continued to upgrade the facilities and equipment at various production bases and made capital expenditure of approximately RMB115.5 million during the Year.

Corporate Social Responsibility

Besides developing its business, the Group always contributes towards the society with sincerity, and has been participating in various charitable activities. During the Year, the Group sponsored and supported a move by a community-based non-profit making cultural organization in Wuxi, and held the Real Nutri Care For The Empty Nests' Elderly activity. The Group also participated in the Mooncakes for Charity and the Love Teeth Day organized by The Community Chest of Hong Kong as well as the Don't Qua Charity Action 2017, Home Visit to the Elders and Caring Calls Services to Elderly organized by the Suicide Prevention Services.

FINANCIAL REVIEW

Results

The revenue of the Group in 2017 was RMB357.7 million, representing a decrease of approximately 59.7% from RMB886.4 million in 2016. Loss attributable to owners of the Company was RMB86.7 million in 2017 as compared to a loss of RMB65.4 million in 2016. The Company's basic loss per share ("Share") from continuing operations was RMB15.1 cents (2016: basic loss per share: RMB3.2 cents) based on the weighted average number of 1,592.0 million (2016: 1,592.5 million) Shares in issue during the Year. The loss in financial results in 2017 was mainly attributable to the decrease in revenue, gross profit margin and impairment loss on trade receivables.

Revenue

The revenue of the Group decreased by approximately 59.7% from RMB886.4 million in 2016 to RMB357.7 million in 2017. Sales of health and nutritional supplements decreased by approximately 59.4% from RMB718.5 million in 2016 to RMB291.6 million in 2017, which was primarily due to the decrease in sales of amino acids tablets and liquid products. The sales of health drinks decreased by approximately 60.7% from RMB167.9 million in 2016 to RMB66.0 million in 2017.

Gross profit

The Group's gross profit decreased from RMB550.8 million in 2016 to RMB211.7 million in 2017. The Group's average gross profit margin decreased from 62.1% in 2016 to 59.2% in 2017. Such decrease in gross profit margin was mainly due to the change in sales mix and increase of depreciation charges and packaging materials.

Other income and Other gains and losses

The Group's other income decreased from RMB47.6 million in 2016 to RMB45.4 million in 2017, which was mainly due to the decrease in franchise income. The Group's other gains and losses included net losses of RMB165.0 million in 2017 compared to net gains of RMB4.6 million in aggregate in 2016, which was mainly due to the impairment loss on trade receivables of RMB160.3 million for the Year.

Selling and distribution costs

The Group's selling and distribution costs decreased by approximately 59.4% from RMB446.0 million in 2016 to RMB181.2 million in 2017, represented approximately 50.3% of the Group's revenue in 2016 and approximately 50.7% of the Group's revenue in 2017 respectively. Such decrease was primarily due to the decrease in advertising and promotional expenses.

Administrative expenses

The Group's administrative expenses decreased by approximately 14.7% from RMB127.5 million in 2016 to RMB108.7 million in 2017, represented approximately 14.4% of the Group's revenue in 2016 and approximately 30.4% of the Group's revenue in 2017 respectively. Such decrease was primarily due to the decrease in depreciation expenses from RMB68.0 million in 2016 to RMB42.3 million in 2017.

Finance costs

The Group's finance costs increased by approximately 29.6% from RMB27.9 million in 2016 to RMB36.1 million in 2017, which was primarily due to the increase in interest on bank borrowings.

Taxation

Tax charge decreased by approximately 69.9% from RMB48.7 million in 2016 to RMB14.7 million in 2017 primarily due to the decrease in profit before taxation. The Hong Kong Profits Tax is calculated at 16.5%. The PRC income tax rate is 25%.

Loss for the year attributable to owners of the Company

As a result of the foregoing, the Group recorded a loss for the year of RMB86.7 million in 2017. The Group's loss for the year increased from approximately -7.4% in 2016 to approximately -24.2% in 2017.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

In 2017, net cash decreased by RMB154.5 million. RMB10.6 million were generated from operating activities, while RMB154.2 million and RMB14.0 million were spent on investing activities and financing activities respectively.

Inventories

The Group's inventories increased to RMB80.3 million (2016: RMB100.0 million) as at December 31, 2017 primarily due to the increase in stock for the Chinese New Year 2017. The Group's inventories comprise raw materials, packaging materials, work in progress, finished goods and merchandise for resale. During the Year, inventory turnover increased to approximately 112 days (2016: 64 days).

Trade receivables

The Group's trade and bills receivables after allowance for doubtful debts amounted to RMB303.7 million (2016: RMB621.7 million) as at December 31, 2017. During the Year, the distributors were generally granted a credit term of 90 days. Turnover days for trade and bills receivables increased to 234 days (2016: 210 days), primarily due to some distributors' delay in payment.

Trade Payables

The Group's trade payables amounted to RMB13.1 million (2016: RMB42.1 million) as at December 31, 2017. During the Year, the credit term provided by the suppliers generally was 90 days. Turnover days for trade payables increased to 76 days (2016: 64 days).

Borrowings

As at December 31, 2017, the Group had no short-term bank loans (2016: RMB772.0 million with a gearing ratio of 11.5%). The gearing ratio is calculated based on the Group's total interest-bearing borrowings over total assets.

Pledge of assets

As at December 31, 2017, the Group has not pledged the Group's land use rights, buildings and plant and machinery under property, plant and equipment for the bank borrowings (2016: RMB350.8 million).

Capital expenditure

During the Year, the Group invested approximately RMB25.1 million (2016: RMB325.4 million) for purchase of property, plant and equipment, land use rights and intangible assets.

Capital commitments and contingent liabilities

As at December 31, 2017, the Group's capital commitments were approximately RMB115.0 million (2016: RMB115.5 million), all of which were related to acquisition of property, plant and equipment and technical knowhow. The Group has no material contingent liabilities as at December 31, 2017 (2016: nil).

Foreign exchange risk

RMB is the functional currency of the Company and its subsidiaries. Most of the revenues of the Group are derived from operations in the People's Republic of China (the "PRC"). The financial instruments of the Group are denominated in RMB. The Group is not subject to material currency risk as the Group has no major cash and cash equivalents denominated in foreign currency. For the year ended December 31, 2017, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools.

Prospects

The growth in China's economy, rise in the people's income level and living standards, plus the enhancement and restructure of consumption pattern along with increasing health consciousness of the Chinese people, altogether have given rise to the consistent growth in the demand for quality health products and services. According to the National Bureau of Statistics, healthcare expenditure per capita in China increased by 11% in 2017. The rising personal income and stronger demand for high-quality health products presents good opportunities for the business enterprises and giant driving forces for the health supplements market development. Therefore, the Group is confident about the prospects of China's health and nutritional supplements industry.

The Group has been operating in the healthcare industry for over 20 years and keeps abreast of the times for the reforms and innovation of its brand competitiveness. The Group plans to establish a new integrated service platform of Real Nutri Beauty Life Platform that comprises membership services, online mall, offline physical stores, and brand promotion and product sales, spokespersons. The Group will upgrade the brand and services of existing Real Nutri Health Stores for transformation to Real Nutri Beauty Life Halls which will thrive to become local community centers. Apart from the products sales, the halls can also provide customers with more in-depth health services and life experiences, through one-stop health consultations, membership services, social entertainments, product trials and results sharing. The Group will use the Real Nutri Beauty Life Platform to invite people from all walks of life as members and to provide professional advices on personalized total health solutions comprising health supplement products combination and services according to their health conditions. The Group targets to let such members share their experience of Real Nutri's products with others to promote the Real Nutri's corporate brand and image. At the same time, the platform will help to establish a more robust members' communication model and database system for collection of more precise and valid information. These measures can formulate more pin-pointed marketing strategies and allow the implementation of innovative sales modes in the future to enhance the Group's competitiveness.

The Group will adopt precise marketing strategies and improve its promotional efforts in online marketing. The Group will strengthen its cooperation with website operators to post online advertorials of in-depth analyses and guidance on the Group's corporate culture, flagship products and health information, for more prominent online exposure of the Group. These online advertorials will be posted on the health and financial websites with an aim of covering at least 50 media channels for each post. At the same time, the Group will launch more focused publicity campaigns for its products, corporate activities and the scientific frontiers and latest technology of amino acids to promote its brand awareness through its official website and internet social networking platforms. Besides, the Group will continue to participate in academic marketing campaigns of healthcare industry and scientific research associations so as to increase its publicity in the healthcare sector. For instance, the promotional video for the Group's U-Energy health drinks will be a key promotional focus in coming distributor conferences.

In addition to focusing on nutritional health supplements and health drinks businesses, the Group also proactively seeks and develops healthcare business with good growth potential. China's ageing population poses a new challenge to the country's socio-economic development and transformation. The government policies for the elderly have become an important country's agenda. The Chinese government has introduced a number of measures in recent years to support the development of the elderly care industry covering the financial, real estate and services industry sectors. The incentives include preferential tax treatments and subsidies to encourage investments in the elderly care industry. The modernization of society has also led to an increasing demand for quality elderly healthcare services. As the traditional nursing institutions are unable to totally fulfill the diverse needs of the aged population, the huge elderly population in need of more personalized nursing care presents a gigantic opportunity for elderly healthcare facilities and services. Therefore, the Group has entered into a memorandum of understanding with a government unit under Minle County of Zhangye City of Gansu Province of the People's Republic of China (the "Minle Government Unit") and Zhangye City Yongzhen Pharmaceutical Co., Ltd. ("Zhangye Yongzhen") in March 2018 for the development of a retirement village in the Minle County, Zhangye City, Gangsu Province, China. The project intends to develop a large scale retirement housing village combining elderly healthcare services, unpolluted Chinese herb plantation, and production facilities, and an eco-friendly hotel and travel services. The whole project with gross construction floor area of approximately 160,000 square meters has an estimated a total investment of up to RMB1 billion. The Group will be responsible for introducing investment and financing, providing technological support and operating the project. While Zhangye Yongzhen will provide support for the relevant businesses and technological support and the Minle Government Unit will adopt the necessary supportive policies for the launch of the project. The project would further promote the Group's core amino acids health supplements business as the retirement housing village would provide a new recurring customer base for the Group's health supplement products. The retirement village and medical check centre can provide more comprehensive services to the Group's health club members by offering them vacation with stay at the retirement village hotel for thorough medical check-ups and ecological tours. Furthermore, as the Group has developed a sizable elderly membership base through the sales and promotion of its health supplements for more than 10 years, the project could release the earning potential of such elderly membership base.

To meet the changing needs of the consumer market, the Group will accelerate the development of novel products and source high-quality health supplements. It will continue to work close to professional development institutions. In addition to launching new amino acid-based health supplements, the Group will also enrich its product portfolio by introducing more popular and diverse health foods to cater for the consumer preferences. In 2018, the Group plans to launch a number of new health products including Small Peptidomimetics Complex, Plant-based Probiotic Powder, Iron Folic Acid Tablets and Multi-vitamins products.

Even though China economic environment remains challenging, the Group is confident that it can overcome the difficulties and identify the opportunities in the challenges. The Group will not only continue to consolidate its leading position in amino acid health supplements industry, but will also fully apply its inherent competitive advantages to capitalize the growth in China's healthcare industry and to develop a more diversified healthcare business which will bring higher returns for the shareholders.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are indispensable assets to the Group's success in the competitive market. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees in Hong Kong and the PRC. The Group reviews its human resources and remuneration policies periodically to ensure they are in line with market practice and regulatory requirements. As at December 31, 2017, the Group employed a work force of 315. The total salaries and related costs for the year ended December 31, 2017 amounted to approximately RMB31.1 million (2016: RMB41.0 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities for the year ended December 31, 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiries to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code for the year ended December 31, 2017.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules. For the year ended December 31, 2017, the Company has complied with all the applicable code provisions as set out in the CG Code, except for deviation of the provision A.2.1 of the CG Code as mention below.

Provision A.2.1 of the CG Code provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Wang Fucai has been performing both the roles of Chairman and Chief Executive Officer. Mr. Wang is the founder of the Group and has over 30 years of experience in the healthcare and pharmaceutical industry. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

SUBSEQUENT EVENTS

As at the date of this announcement, the Group had no material subsequent events happened after December 31, 2017 which need to be disclosed.

AUDIT COMMITTEE

The Company established its audit committee on February 1, 2010. The audit committee currently comprises three independent non-executive Directors, namely Dr. Fong Chi Wah, Mr. Xu Hua Feng and Mr. Chan Kee Ming. The audit committee is primarily responsible for the review and supervision of the financial reporting process and internal control system. It has reviewed the accounting principles and practices adopted by the Company and the audited final results of the Group for the year ended December 31, 2017.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "AGM") be held on Friday, June 1, 2018. The notice convening the AGM will be published on the Company's website and the website of the Stock Exchange and will be sent to the shareholders of the Company in due course.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2017 (2016: nil).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from Friday, May 25, 2018 to Friday, June 1, 2018, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, May 25, 2018.

During the periods mentioned in the above, no transfer of shares of the Company will be registered.

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

In accordance with the requirements under the Listing Rules applicable to the reporting period, the 2017 annual report containing all information about the Company set out in this announcement including the financial results for the year ended December 31, 2017 will be posted on the Company's website (www.ruinian.com.hk) and the website of the Stock Exchange (www.hkexnews.hk) in due course.

PROPOSED REFRESHMENT OF SCHEME MANDATE FOR SHARE OPTION SCHEME

Pursuant to the Share Option Scheme adopted by the Company on February 1, 2010, and with the scheme mandate limit refreshed by an ordinary resolution passed at the annual general meeting held on June 2, 2016, as at close of the said annual general meeting dated June 2, 2016, the maximum number of Shares that may be issued upon exercise of all the Share Options which may be granted under the Share Option Scheme shall not exceed 159,197,866 Shares, which was equivalent to 10% of the Shares in issue as at the date of refreshment of the mandate limit of the Share Option Scheme ("Scheme Mandate"). As at the Latest Practicable Date, an aggregate of 129,574,000 Share Options were granted thereunder. On July 3, 2016, a total of 18,274,000 Share Options had lapsed in accordance with the term of the Share Option Scheme. As a result of that and as at the date of this announcement, there were outstanding Share Options entitling the holders thereof to receive an aggregate of 111,300,000 Shares upon full exercise of such options, representing approximately 7.0% of the total number of Shares in issue as at the date of this announcement. Unless the Scheme Mandate is refreshed, the Company may only grant Share Options in respect of 47,897,866 Shares pursuant to the Share Option Scheme (as refreshed on June 2, 2016). As the Scheme Mandate is close to being fully utilized, the Board proposes that the Scheme Mandate be refreshed to permit the issue of Share Options in respect of such number of Shares that do not exceed 10% of the aggregate number of issued Shares as at the date of the AGM.

As at the date of this announcement, the Company has 1,591,978,666 Shares in issue. Assuming no further Shares are issued and/or repurchased by the Company between the date of this announcement and the date of the AGM, the maximum number of shares which may be issued upon the exercise of all the Share Options to be granted under the Scheme Mandate as refreshed will be 159,197,866 Shares.

The purpose of the Share Option Scheme is to reward qualified participants who have contributed or will contribute to the Group and to encourage qualified participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. Given that the existing Scheme Mandate is close to being fully utilized, the Board considers that it is in the interests of the Company and its Shareholders as a whole that the Scheme Mandate be refreshed at the AGM on terms to be set out in the notice convening the AGM so that the Company could have more flexibility in rewarding and motivating its employees and other eligible Qualified Participants by granting Share Options to them under the Share Option Scheme.

The proposed refreshment of the Scheme Mandate is conditional upon:

(a) the passing of the necessary ordinary resolution by the Shareholders at the AGM to approve the proposed refreshment of the Scheme Mandate; and

(b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares to be issued pursuant to the exercise of the Share Options to be granted under the refreshed Scheme Mandate.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Share Options to be granted under the refreshed Scheme Mandate.

On behalf of the Board
Real Nutriceutical Group Limited
Wang Fucai
Chairman

Hong Kong, March 29, 2018

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, Celeste, and the independent non-executive Directors are Dr. Fong Chi Wah, Mr. Xu Hua Feng and Mr. Chan Kee Ming.