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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)

DISCLOSEABLE TRANSACTION: DISPOSAL OF CERTAIN INVESTMENT IN ASSOCIATES

DISPOSAL

The Board is pleased to announce that on 17 November 2017 (after trading hours), the Vendor and the Purchaser entered into the SP Agreement pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing approximately 27.80% of the issued share capital of the Target Company, at a consideration of HK\$20 million.

The Target Company is an investment holding company and the Target Group is a group of companies which are wholly-owned by the Target Company and is principally engaged in research and development, manufacture and sale of branded cosmetic products and management of spa centre in Switzerland.

Upon Completion, the Group will cease to hold any equity interests in the Target Group. As such, each of the Target Company and each member of the Target Group will cease to be an associate of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

As the highest applicable percentage ratio under the GEM Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under the GEM Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Board is pleased to announce that on 17 November 2017 (after trading hours), the Vendor and the Purchaser entered into the SP Agreement in respect of the Disposal.

THE SP AGREEMENT

The principal terms of the SP Agreement are set out below.

Date:

17 November 2017

Parties:

Vendor : Kingston Group Holdings Limited, an indirect wholly-owned subsidiary of the Company

Purchaser : Forever Prestige Holdings Limited

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

Assets to be disposed of:

The Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing approximately 27.80% of the issued share capital of the Target Company.

Consideration and payment terms:

The Consideration for the Disposal payable by the Purchaser to the Vendor is HK\$20 million and shall be paid by the Purchaser to the Vendor by cashier order(s) drawn in favour of the Vendor (or to the Vendor's order) issued by a licensed bank in Hong Kong or telegraphic transmission into the bank account as designated by the Vendor (or in such other manner as agreed between the Vendor and the Purchaser), without any withholding or deduction at Completion.

Completion:

Completion shall take place within five Business Days after the signing of the SP Agreement (or such later date as may be mutually agreed between the Vendor and the Purchaser).

Upon Completion, the Group will cease to hold any equity interests in the Target Group. As such, the Target Company and each member of the Target Group will cease to be an associate of the Company.

BASIS OF DETERMINING THE CONSIDERATION

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to, among others, (i) the historical financial performance of the Target Group; (ii) the acquisition costs under the Previous Acquisition of HK\$27,951,000; and (iii) commercial benefits to be brought by the Disposal set out under the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS" below.

Having considered the potential benefits of the Disposal to the Group, the Directors are of the view that the Consideration is fair and reasonable.

INFORMATION ON THE TARGET GROUP

Under the Previous Acquisition, the Sale Shares was acquired by the Group from an Independent Third Party at a cash consideration of HK\$27,951,000. Details of the Previous Acquisition are disclosed in the Company's announcement dated 28 January 2016.

As at the date of this announcement, the Target Company is owned as to approximately 27.80% by Vendor and as to approximately 72.20% by an Independent Third Party. The Target Company is principally engaged in investment holding. The Target Company, through its wholly-owned subsidiaries, is principally engaged in research and development, manufacture and sale of branded cosmetic products and management of spa centre in Switzerland.

Set out below is a summary of the unaudited consolidated financial information of the Target Group for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017:

	For the year ended 31 December 2015 <i>HK\$'000</i>	For the year ended 31 December 2016 <i>HK\$'000</i>	For the six months ended 30 June 2017 <i>HK\$'000</i>
Revenue	29,939	31,968	18,139
Net profit before taxation	5,573	12,044	11,391
Net profit after taxation	5,519	12,019	11,380

Based on the unaudited management accounts of the Target Group as at 30 June 2017, the unaudited consolidated net asset value of the Target Group amounted to approximately HK\$41.2 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The 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.

As disclosed in the Company's 2017 third quarterly report, the Group is minded to focus on the provision of medical laboratory testing services and health check services in Hong Kong and the manufacture and sale of health related and pharmaceutical products in PRC and Hong Kong. The Group is actively looking for potential merger and acquisition opportunities for further development of existing business segments. The Directors are of the view that the business of the Target Group is not the core business development aspects of the Group, and therefore, are minded to reallocate the financial resources from the investment in the Target Group to the Group's other business segments and/or other business opportunities as it is believed that a more centralised investment in subsidiaries rather than associates would optimise the operational efficiency and investment return of the Group.

In addition, the management's initial intention for investment in the Target Group is to enjoy the upside or benefit from the capital appreciation as a strategic investor upon listing of its shares on the Stock Exchange ("**Listing**") on or before 31 December 2018. However, taking into account, amongst others, slow global economic recovery, Brexit, and proposed amendments to listing qualifications, the Board considers that the timetable for the Listing is subject to high level of uncertainties.

Given the uncertainty surrounding the timetable for the Listing, the Group has been considering to dispose of the Sale Shares and has been identifying potential buyers in the market since the second half of 2017. However, no party, except the Purchaser, indicated his/her interest in the Sale Shares given that the Sale Shares does not represent the controlling stake in the Target Group and hence the buyer would not be able to direct the business strategy of the Target Group. The Directors consider that the terms of the SP Agreement represent the best offer available to the Company.

Moreover, in September 2017, the Board was informed by the board of the Target Company that the Target Group is contemplating a rights issue in December 2017 to finance further expansion of its business. The total amount of fund to be raised from the said rights issue will be in the region of CHF 3 million to CHF 4 million (equivalent to approximately HK\$23.6 million to HK\$31.5 million). The Board is also given to know that the controlling shareholder holding approximately 72.20% equity interests in the Target Company has already agreed to participate the said rights issue. However, the Company has no present plan or intention to inject additional capital in the Target Group.

It is expected that the net proceeds of HK\$20 million from the Disposal will be used for (i) general working capital for the existing business of the Group, in particular, the manufacture and sale of health related and pharmaceutical products and/or (ii) potential investment opportunities as may be identified from time to time. The intended use of proceeds is subject to actual circumstances and decision of the Board when concrete details of proposed uses are put forward for consideration.

Having considered that (i) the Company has no present intention to participate in the proposed rights issue exercise of the Target Company; (ii) the Target Group's timetable for the Listing is subject to high level of uncertainties; (iii) the Sale Shares, representing a minority interest in the Target Group, is of limited marketability; and (iv) the proceeds from the Disposal can be reallocated for existing business of the Group and future investment opportunities, the Board considers that the commercial benefits to be brought by the Disposal outweigh the costs and the Disposal represents a good opportunity for the Group to realise its investment in the Target Group without further capital commitment.

Hence the terms of the SP Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

It is estimated that, upon Completion, the Group will record a net loss of approximately HK\$14.2 million from the Disposal, which is calculated with reference to the difference between (i) the Consideration and (ii) the one-off non-cash reclassification of exchange reserve from equity to profit or loss of approximately HK\$24,000 and the interest of the Group in the Target Group as an associate of approximately HK\$34.2 million as at 30 June 2017 (which included the goodwill and intangible assets). The actual gain or loss as a result of the Disposal to be recorded by the Company will be subject to review and audit by the auditors of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

As the highest applicable percentage ratio under the GEM Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under the GEM Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“Board”	the board of Directors
“Business Day”	any day(s) (other than a Saturday, Sunday or public or statutory holiday in Hong Kong and any day(s) on which a tropical cyclone warning no. 8 or above is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 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 in Hong Kong throughout their normal business hours
“CHF”	Swiss Franc, the lawful currency of Switzerland
“Company”	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
“Completion”	completion of the Disposal in accordance with the terms and conditions of the SP Agreement
“connected person(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“Consideration”	the aggregate sum of HK\$20 million, being the consideration for the sale and purchase of the Sale Shares
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of Sale Shares
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party who is not a connected person of the Company and is independent of the Company and its connected persons and their respective associates
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Acquisition”	the acquisition of approximately 27.80% of issued share capital of the Target Company pursuant to the sale and purchase agreement dated 28 January 2016 as disclosed in in the Company’s announcement dated 28 January 2016
“Purchaser”	Forever Prestige Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Shares”	being 2,541 ordinary shares of US\$1 each of the Target Company in issue which are fully paid or credited as fully paid up, representing approximately 27.80% of the issued share capital of the Target Company
“SP Agreement”	the sale and purchase agreement dated 17 November 2017 entered into between the Vendor and the Purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company ”	Ultimate Synergy Limited, being a company incorporated in the Republic of Seychelles with limited liability and owned as to approximately 27.80% by the Vendor
“Target Group”	Ultimate Synergy Limited and its subsidiaries

“Vendor” Kingston Group Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company

“%” per cent.

By order of the Board
Rui Kang Pharmaceutical Group Investments Limited
LIU Xiaolin
Chairman and Executive Director

Hong Kong, 17 November 2017

As of the date of this announcement, the executive Directors are Mr. LIU Xiaolin (Chairman), Mr. LEUNG Pak Hou Anson and Mr. WANG Zheng; the non-executive Director is Mr. HUANG Song and the independent non-executive Directors are Mr. YAN Guoxiang, Mr. LEUNG Ka Fai and Mr. HO Fung Shan Bob.

For the purpose of this announcement, conversion of CHF into HK\$ is based on the approximate exchange rate of CHF\$1 to HK\$7.88. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in CHF or HK\$ have been, could have been or may be converted at such or any other rate or at all.

This announcement, for which the Directors 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 the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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 announcement misleading.

This 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 the Company at www.ruikang.com.hk.