



**2014**  
First Quarterly Report



**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

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

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*This report, for which the directors (“Directors”) of Rui Kang Pharmaceutical Group Investments Limited (“Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“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 report 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 report misleading.*

## UNAUDITED FIRST QUARTERLY RESULTS

The board ("Board") of directors ("Directors") of Rui Kang Pharmaceutical Group Investments Limited ("Company") announces the first quarterly unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2014 together with the comparative unaudited figures for the corresponding period in 2013, which were prepared in accordance with the Hong Kong Financial Reporting Standards, as follows. The first quarterly unaudited consolidated results have not been audited by the Company's auditors but have been reviewed by the audit committee of the Board.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2014

	Notes	Three months ended 31 March	
		2014 HK\$'000	2013 HK\$'000 (Restated)
<b>Continuing operations</b>			
<b>Gross Proceeds</b>	3	<b>42,665</b>	43,720
Turnover	3	<b>25,602</b>	21,761
Cost of sales		<b>(13,386)</b>	(12,781)
<b>Gross profit</b>		<b>12,216</b>	8,980
Other gains and (losses)	4	<b>(14,692)</b>	(1,924)
Administrative expenses		<b>(12,700)</b>	(4,271)
Selling and distribution expenses		<b>(8,646)</b>	(7,857)
<b>Loss from operations</b>		<b>(23,822)</b>	(5,072)
Finance costs	5	<b>(1,358)</b>	(711)
Share of profit of a joint venture		<b>902</b>	–
<b>Loss before tax</b>		<b>(24,278)</b>	(5,783)
Income tax expense	6	<b>(49)</b>	(133)
<b>Loss from continuing operations</b>		<b>(24,327)</b>	(5,916)
<b>Discontinued operation</b>			
Profit from discontinued operation, net of tax	9	–	380

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2014</b>	2013
		<b>HK\$'000</b>	HK\$'000
			(Restated)
<i>Notes</i>			
<b>Loss for the period</b>		<b>(24,327)</b>	(5,536)
<b>Other comprehensive loss for the period:</b>			
<b>Items that may be reclassified subsequently</b>			
<b>to profit or loss:</b>			
Exchange differences arising on translation of			
foreign operations		<b>(63)</b>	(47)
<b>Total comprehensive loss for the period</b>		<b>(24,390)</b>	(5,583)
<b>Loss for the period attributable to equity</b>			
<b>holders of the Company</b>		<b>(24,327)</b>	(5,536)
<b>Total comprehensive loss for the period</b>			
<b>attributable to equity holders of the Company</b>		<b>(24,390)</b>	(5,583)
Dividends	7	–	–
Loss per share			
– basic and diluted (HK\$)	8	<b>(0.0598)</b>	(0.0240)
Loss per shares- continuing operations			
– basic and diluted (HK\$)	8	<b>(0.0598)</b>	(0.0257)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000 (Note a)	Special reserve HK\$'000 (Note b)	Statutory surplus reserve fund HK\$'000 (Note c)	Statutory enterprises expansion fund HK\$'000	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2013 (unaudited)	115,208	88,984	11,412	22,443	15,479	3,098	25,241	(180,898)	100,967	318	101,285
Loss for the period	-	-	-	-	-	-	-	(5,536)	(5,536)	-	(5,536)
<b>Other comprehensive income</b>											
Exchange difference arising on translation of foreign subsidiaries	-	-	-	-	-	-	(47)	-	(47)	-	(47)
Total comprehensive loss for the period	-	-	-	-	-	-	(47)	(5,536)	(5,583)	-	(5,583)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(318)	(318)
<b>At 31 March 2013 (unaudited)</b>	<b>115,208</b>	<b>88,984</b>	<b>11,412</b>	<b>22,443</b>	<b>15,479</b>	<b>3,098</b>	<b>25,194</b>	<b>(186,434)</b>	<b>95,384</b>	<b>-</b>	<b>95,384</b>
At 1 January 2014 (audited)	3,144	-	13,374	235,391	15,479	3,098	23,692	(165,987)	128,191	-	128,191
Loss for the period	-	-	-	-	-	-	-	(24,327)	(24,327)	-	(24,327)
<b>Other comprehensive income</b>											
Exchange difference arising on translation of foreign subsidiaries	-	-	-	-	-	-	(63)	-	(63)	-	(63)
Total comprehensive loss for the period	-	-	-	-	-	-	(63)	(24,327)	(24,390)	-	(24,390)
Issue of ordinary shares by placing	2,450	47,530	-	-	-	-	-	-	49,980	-	49,980
Less: Share issue expenses on placing	-	(1,004)	-	-	-	-	-	-	(1,004)	-	(1,004)
<b>At 31 March 2014 (unaudited)</b>	<b>5,594</b>	<b>46,526</b>	<b>13,374</b>	<b>235,391</b>	<b>15,479</b>	<b>3,098</b>	<b>23,629</b>	<b>(190,314)</b>	<b>152,777</b>	<b>-</b>	<b>152,777</b>

### Notes:

- a. Special reserve of approximately HK\$22,443,000 represents the difference between the paid-up capital and the share premium of the subsidiary acquired and the nominal value of the Company's shares issued for the acquisition at the time of the Group reorganisation on 26 May 2004.

The Company recorded the special reserve of approximately HK\$212,948,000 after setting off the capital reduction and the cancellation of the share premium with the accumulated losses as at the date of the change of domicile and the capital reorganisation of the Company ("Capital Reorganisation") becoming effective on 28 August 2013 and 19 September 2013 respectively.

- b. Pursuant to the articles of association of certain subsidiaries of the Company in the People's Republic of China ("PRC"), those subsidiaries should transfer not less than 10% of net profit to the statutory surplus reserve fund, while the rest of the subsidiaries of the Company in the PRC can make appropriation of net profit to the statutory surplus reserve fund on a discretionary basis.

The statutory surplus reserve fund can be used to offset previous year's losses, expand the existing operations or convert into additional capital of those PRC subsidiaries.

- c. Pursuant to the articles of association of certain subsidiaries of the Company in the PRC, those subsidiaries can make appropriation of net profit to the statutory enterprise expansion fund on a discretionary basis.

The statutory enterprise expansion fund can be used to expand the capital of those subsidiaries by means of capitalisation.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 2014*

## 1. GENERAL INFORMATION

Rui Kang Pharmaceutical Group Investments Limited (formerly known as Longlife Group Holdings Limited) ("Company", together with its subsidiaries, the "Group") was incorporated and registered as an exempted company in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Island on 5 June 2003. On 29 August 2013, the Company deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the law of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business in Hong Kong is located at Unit 310, 3/F, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

The shares of the Company ("Shares") have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 17 June 2004.

The unaudited consolidated financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are (i) manufacture, research and development, sale and distribution of consumer cosmetics, health related and pharmaceutical products, health supplement wine, dental materials and equipment in the PRC and Hong Kong and (ii) trading of securities in Hong Kong.

## 2. BASIS OF PREPARATION

The Group's unaudited consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

The unaudited consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("FVTPL") which have been measured at fair value.

The principal accounting policies used in the preparation of the unaudited consolidated financial statements are consistent with those applied in the preparation of audited annual financial statements for the fifteen months ended 31 December 2013. The Group has adopted new or revised standards, amendments to standards and interpretations of the HKFRSs which are effective for accounting periods commencing on or after 1 January 2014. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the unaudited consolidated financial statements.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective.

### 3. TURNOVER

The principal activities of the Group are (i) manufacture, research and development, sales and distribution of consumer cosmetics, health related and pharmaceutical products, health supplement wine, dental materials and equipment in PRC and Hong Kong, and (ii) trading of securities in Hong Kong.

Gross proceeds represents the amounts received and receivables from sales of goods less sales tax and discounts, if any, and sales proceeds arising from financial assets at FVTPL, during the three months ended 31 March 2014.

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b>Continuing operations</b>		
Manufacturing and sales of consumer cosmetics	<b>13,322</b>	9,263
Manufacturing and sales of health related and pharmaceutical products	<b>11,432</b>	9,482
Manufacturing and sales of health supplement wine	<b>848</b>	915
Manufacturing and sales of dental materials and equipment	<b>–</b>	2,101
	<b>25,602</b>	21,761
Gross proceeds from trading of securities	<b>17,063</b>	21,959
	<b>42,665</b>	43,720
<b>Discontinued operation</b>		
Trading of synthetic rubber	<b>–</b>	70,572

Note: The gross proceeds from the trading of securities was recorded in the other gains and losses after netting off the relevant cost.

#### 4. OTHER GAINS AND (LOSSES)

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Net loss on financial asset at FVTPL	(14,909)	(2,109)
Interest income	152	2
Sundry income	68	199
Fixed asset written off	(3)	–
Net loss on disposal of property, plant and equipment	–	(16)
	<b>(14,692)</b>	<b>(1,924)</b>

Net loss on financial asset at FVTPL consists of net unrealised loss on fair value changes of approximately HK\$5,723,000 (31 March 2013: net unrealised loss on fair value changes of approximately HK\$3,616,000) and net realised loss of approximately HK\$9,186,000 (31 March 2013: net realised gain of approximately HK\$1,507,000).

No such other gains and losses were incurred for discontinued operation during the three months ended 31 March 2014 and 31 March 2013.

#### 5. FINANCE COSTS

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Interest expenses:		
– bank borrowings wholly repayable within five years	369	241
– other borrowings wholly repayable within five years	989	470
	<b>1,358</b>	<b>711</b>

No such finance costs were incurred for the discontinued operation during the three months ended 31 March 2014 and 31 March 2013.



## 6. INCOME TAX EXPENSE

Three months ended  
31 March  
2014                      2013  
**HK\$'000**                      HK\$'000  
(Restated)

### Continuing operations

The amount comprises:

Taxation arising in the PRC

Current period	<b>49</b>	133
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### Discontinued operation

The amount comprises:

Taxation arising in the HK

Current period	–	119
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Income tax expenses incurred in Hong Kong is calculated by applying the current rate of taxation of 16.5% (three months ended 31 March 2013: 16.5%) to the estimated profits earned in or derived for the three months ended 31 March 2014 and 31 March 2013. Income tax expenses incurred in the PRC is calculated at the rate prevailing in the relevant jurisdiction.

## 7. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

## 8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

### For continuing and discontinued operations

Three months ended  
31 March  
2014                      2013  
(Restated)

Loss for the period attributable to the equity holders of the Company (HK\$'000)	<b>(24,327)</b>	(5,536)
Weighted average number of ordinary shares in issue ('000)	<b>406,972</b>	230,416
Basic loss per Share (HK\$)	<b>(0.0598)</b>	(0.0240)

## For continuing operations

	Three months ended 31 March	
	2014	2013 (Restated)
Loss for the period attributable to the equity holders of the Company (HK\$'000)	(24,327)	(5,536)
Less: Gain for the period attributable to the equity holders of the Company from discontinued operation (HK\$'000)	-	380
Loss for the period attributable to the equity holders of the Company from continuing operations (HK\$'000)	(24,327)	(5,916)
Weighted average number of ordinary shares in issue ('000)	406,972	230,416
Basic loss per Share (HK\$)	(0.0598)	(0.0257)

For the purpose of calculating the basic and diluted loss per share above, the Capital Reorganisation was deemed to be effective on 1 January 2013. The comparative figures for the three months ended 31 March 2013 have been adjusted accordingly.

No diluted loss per Share has been presented for the three months ended 31 March 2014 and 31 March 2013 as there was no dilutive potential ordinary Share outstanding during the period.

## 9. DISCONTINUED OPERATION/ASSETS HELD FOR SALE

On 26 March 2013, the Company and Joystar (BVI) Auto Inter-Parts Limited entered into a sale and purchase agreement in relation to the disposal of the entire issued capital of Sinogate Energy Limited ("Sinogate"), a then wholly-owned subsidiary of the Company. The consideration of such disposal of HK\$28 million was satisfied in cash upon completion, which took place on 21 May 2013. Sinogate and its subsidiaries carried out all of the Group's trading of synthetic rubber business. Immediately after completion, Sinogate and its subsidiaries ceased to be subsidiaries of the Company.

During the three months ended 31 March 2013, profit for the period from discontinued operation was due to the business of trading synthetic rubber. The results of the discontinued operation included in the consolidated financial statements of comprehensive income are set out below:

	Total HK\$'000
Profit for the period from discontinued operation	
Turnover	70,572
Expenses	(70,073)
Profit before tax	499
Income tax expenses	(119)
Profit for the period from discontinued operation	380

## 10. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current period's presentation.

## CHANGE OF COMPANY NAME

On 2 May 2014, the Company announced the effective date of the change of its English name from “Longlife Group Holdings Limited” to “Rui Kang Pharmaceutical Group Investments Limited” and its Chinese name from “朗力福集團控股有限公司” to “銳康藥業集團投資有限公司”. The Group believed that the new name can better reflect and emphasize the business focus of the Group in the pharmaceutical and securities investment businesses.

## BUSINESS REVIEW

During the three months ended 31 March 2014 (“**2014 Q1 Period**”), the Group is in the initial integration phase of developing a complete business chain for (i) research and development, (ii) manufacturing and, (iii) selling and distribution of health related and pharmaceutical products. The Group will continue to seek opportunities to acquire potential companies or cooperate with business partners for diversifying the Group’s products list.

During the 2014 Q1 Period, the Group entered into an agency agreement with supplier to import several medicated oil products for sales and distribution in the PRC to strengthen the product list of the Group. The Group expects that such products will generate a healthy cash flow and steady returns of the Group in the foreseeable period of time.

On 31 March 2014, the Company and the prospective sellers entered into the second addendum to the memorandum of understanding relating to the proposed acquisition of 貴陽舒美達製藥有限公司 (in English, for identification purpose, Guiyang Shu Mei Da Pharmaceutical Co., Ltd) (“**Shu Mei Da**”). Shu Mei Da is principally engaged in the manufacture and sales of Chinese medicine products and healthcare products in the PRC. The Group is currently performing due diligence on Shu Mei Da and such proposed acquisition is under negotiation as at the date of this report.

## FINANCIAL REVIEW

### Turnover

During the 2014 Q1 Period, the continuing operations of the Group achieved a turnover of approximately HK\$25,602,000 (three months ended 31 March 2013: HK\$21,761,000), representing an increase of 17.65% as compared with the turnover of the corresponding period in 2013 (“**2013 Q1 Period**”). The Group has acquired several companies, namely Icy Snow Limited, Jet Rich Investment Limited and Kingston Group Holdings Limited, in the year of 2013, the businesses of such companies (“**2013 Acquired Business**”) contributed revenue of approximately HK\$4,380,000 during the 2014 Q1 Period.

The disposal of Sinogate Energy Limited and its subsidiaries (“**Sinogate Group**”) has been recorded as the discontinued operation. The turnover of approximately HK\$70,572,000 generated by the synthetic rubber trading business of Sinogate Group was included in the profit from the discontinued operation, net of tax in the condensed consolidated statement of profit or loss and other comprehensive income for the 2013 Q1 Period.

### **Gross profit and gross profit margin**

The Group’s gross profit from the continuing operations was approximately HK\$12,216,000, representing an increase of approximately 36.04% for the 2014 Q1 Period as compared with the gross profit for the 2013 Q1 Period.

The gross profit margin for the 2014 Q1 Period was 47.72%, representing an increase of 6.45 percentage point when compared with 41.27% for the 2013 Q1 Period. The 2013 Acquired Business generated gross profit margin of 41.42% during the 2014 Q1 Period.

### **Administrative expenses**

Administrative expenses of the continuing operations for the 2014 Q1 Period amounted to approximately HK\$12,700,000, representing an increase of approximately HK\$8,429,000, or approximately 197.35%, as compared with that of approximately HK\$4,271,000 for the 2013 Q1 Period. The 2013 Acquired Business recorded approximately HK\$6,958,000 as administrative expenses during the 2014 Q1 Period. Except for the expenses incurred by the 2013 Acquired Business, the increase in administrative expenses was mainly due to the increase in legal and other professional fees of approximately HK\$800,000, Director fees of approximately HK\$300,000 and the incurrence of research and development expenses of the 2013 Acquired Business during the 2014 Q1 Period.

### **Selling and distribution expenses**

Selling and distribution expenses of the continuing operations for the 2014 Q1 Period were approximately HK\$8,646,000, representing an increase of approximately HK\$789,000 or 10.04% compared with the expenses for the 2013 Q1 Period. Such increase was mainly attributable to the selling and distribution expenses of approximately HK\$1,195,000 incurred by the 2013 Newly Acquired Business during the 2014 Q1 Period.

### **Discontinued operation**

During the 2013 Q1 Period, the Group has entered into the sale and purchase agreement with potential purchaser to dispose of Sinogate Group on 26 March 2013 and completion of such disposal took place on 21 May 2013. The Group has classified the synthetic rubber trading business as asset held for sales and the total amount of the net profit from the discontinued operation net of tax on the disposal of subsidiaries has been recorded in the discontinued operation.

### **Loss for the 2014 Q1 Period**

Loss for the 2014 Q1 Period was approximately HK\$24,327,000, representing an increase of 339.43%, when compared with the loss of approximately HK\$5,536,000 for the 2013 Q1 Period. The performance of the Group's result for the 2014 Q1 Period was mainly due to (i) the loss on the financial asset at fair value through profit or loss approximately HK\$14,909,000 (2013 Q1 Period: approximately HK\$2,109,000) and (ii) increase in administrative and selling expenses of the 2013 Acquired Business of approximately HK\$8,153,000 which included research and development expenses for pharmaceutical products amounted to HK\$2,474,000 (2013 Q1 Period: Nil).

## **FUTURE PROSPECTS**

### **To revamp our investment strategies**

During the 2014 Q1 Period, the Group suffered loss on securities trading. The Group plans to revamp our investment strategy and explore securities investment opportunities in order to generate profits for the shareholders of the Company ("**Shareholders**").

### **To development an business plan in the pharmaceutical and healthcare in the Hong Kong and the PRC**

Looking forward, due to higher labour and raw material costs as well as slowing economic growth, the pharmaceutical industry in the PRC is facing plenty of challenges. The Group will implement cost-saving strategies in order to minimise the impact of the increasing production costs, including raw materials and labour in the consumer cosmetics and healthcare product segments.

The Group will further diversify the business scope by exploring new business opportunities and procuring additional profitable products from suppliers in the wholesales and retailing business in Hong Kong and the PRC.

The Group will further integrate the pharmaceutical business to maximise profits from the whole value chain. The current focus of the Group is to acquire a quality pharmaceutical plant in PRC, such as Shu Mei Da, so as to complete the entire business chain and to develop business in the areas of pharmaceutical research and development, production and sales. The integrated business chain will help the Group to raise profitability in the long term.

The Group will continue to adopt a business model of "asset minimisation, and focus on operation and full services". The Group will strengthen its cost control and internal control systems, with a view to enhance its management of working capital.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2014, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Future Ordinance ("SFO")) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company is taken or deemed to have under such provision of the SFO), or which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required, pursuant to the required standard of dealing by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### LONG POSITIONS IN THE UNDERLYING SHARES

#### Share options granted

Name of Director	Date of grant	Exercisable period	Subscription price per Shares	Aggregate long positions in the underlying Shares	Approximate % in the Company's issued share capital
Mr. Cheung Hung	9 April 2010	9 April 2010 to 8 April 2020	1.775	1,000,000	0.179%
	31 December 2013	31 December 2013 to 31 December 2014	0.219	2,000,000	0.357%
Mr. Leung Pak Hou Anson	31 December 2013	31 December 2013 to 31 December 2014	0.219	3,000,000	0.536%
Ms. Chen Miaoping	31 December 2013	31 December 2013 to 31 December 2014	0.219	3,000,000	0.536%
Mr. Kwok Shun Tim	31 December 2013	31 December 2013 to 31 December 2014	0.219	300,000	0.054%

*Note:*

As at 31 March 2014, the total number of the issued shares of the Company was 559,416,000 ordinary shares of HK\$0.01 each of the Company.

Save as disclosed above, none of the Directors nor the chief executives of the Company has, as at 31 March 2014, any interest or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) including interests or short positions which any such Director or chief executive of the Company is taken or deemed to have under such provision of SFO, or which are recorded in the register required to be kept by the Company pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2014, the following persons or entities (other than a Director or chief executive of the Company) had an interest or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

## LONG POSITIONS IN SHARES AND UNDERLYING SHARES

Name	No. of Shares of the Company held	Approximate % in the Company's issued share capital
Town Health (BVI) Limited (Notes 1 and 2)	37,080,000	6.63%
Town Health International Medical Group Limited (Notes 1, 2 and 3)	37,080,000	6.63%

Notes:

1. Town Health Corporate Advisory and Investments Limited is the beneficial owner of 22,080,000 shares, representing approximately 3.95% of the issued share capital of the Company. Town Health Corporate Advisory and Investments Limited is wholly owned by Town Health Corporate Management and Investment Limited, which in turn is wholly owned by Town Health (BVI) Limited. Town Health Corporate Management and Investment Limited and Town Health (BVI) Limited are deemed to be interested in the Shares held by Town Health Corporate Advisory and Investments Limited.

2. Ultimate Achieve Limited is the beneficial owner of 15,000,000 shares, representing approximately 2.68% of the issued share capital of the Company. Ultimate Achieve Limited is wholly owned by Regal Boom Limited, which in turn is wholly owned by Town Health Asset Management Limited. Town Health Asset Management Limited is owned as to 73.61% by Town Health (BVI) Limited. Regal Boom Limited, Town Health Asset Management Limited and Town Health (BVI) Limited are deemed to be interested in the Shares held by Ultimate Achieve Limited.
3. Town Health (BVI) Limited is wholly owned by Town Health International Medical Group Limited (formerly known as Town Health International Investments Limited). Town Health International Medical Group Limited is deemed to be interested in the Shares held by Town Health (BVI) Limited.

Save as disclosed above, no person or entity had any interest or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO as at 31 March 2014.

## **RIGHT TO ACQUIRE COMPANY'S SECURITIES**

Save as disclosed in section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARE AND DEBENTURES" AND "SHARE OPTION SCHEME" above, at no time during the three months ended 31 March 2014 was the Company and any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of share in, or debentures of, the Company or any other body corporate.

## **SHARE OPTION SCHEME**

On 26 May 2004, the Company approved and adopted a share option scheme (the "Scheme" or "Existing Share Option Scheme") for the purpose of enabling the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group.

On 23 April 2014, the Company proposed to adopt a new share option scheme as the Existing Share Option Scheme will expire on 25 May 2014. The proposed adoption of the new share option scheme is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company to be held on 26 May 2014. For details, please refer to the circular of the Company dated 23 April 2014.

No share options under the Existing Share Option Scheme were granted, exercised, cancelled or lapsed during the three months ended 31 March 2014. As at 31 March 2014, there were outstanding share options granted under the Existing Share Option Scheme to subscribe for up to an aggregate of 47,000,000 Shares.



## **MATERIAL ACQUISITIONS AND DISPOSAL**

The Company had no significant investments and material acquisitions or disposals for the three months ended 31 March 2014.

## **COMPETING INTERESTS**

As at the date of this report, none of the Directors or controlling Shareholders or their respective associates (as defined in the GEM Listing Rules) had an interest in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflict of interest which has or may have with the Group.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the bye-laws of the Company and there was no restriction against such rights under the laws of Bermuda.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2014.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company had adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors during the three months ended 31 March 2014.

## CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance to safeguard the interest of its shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules ("CG Code").

Throughout the three months ended 31 March 2014, the Company has complied with the code provisions in the CG Code save as disclosed below.

Code Provision A.4.2 of the CG Code specifies that all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting of the Company after appointment. Mr. Leung Pak Hou Anson, Ms. Chen Miaoping and Mr. Leung Ka Fai will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

## AUDIT COMMITTEE

The Audit Committee is currently composed of three independent non-executive Directors namely, Mr. Kwok Shun Tim, Mr. Yeung Chi Tit and Mr. Leung Ka Fai. Mr. Kwok Shun Tim is appointed as the chairman of the Audit Committee.

The principal duties of the Audit Committee is to (i) review the Company's consolidated financial statements, annual results, annual report, interim reports and quarterly reports and to advise and comments thereon to the Board and (ii) review and supervise the financial reporting process and internal control system of the Group.

The Group's unaudited first quarterly results for the three months ended 31 March 2014 have not been audited by the Company's auditor, but have been reviewed by the Audit Committee, which was of the opinion that such results complied with the accounting principles and practices adopted by the Company and the Audit Committee has discussed internal controls and financial reporting matters before any disclosure and release information.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules as at the date of this report.

By order of the Board, I would like to take this opportunity to express my sincere gratitude to all the Shareholders for their support to the Company.

By Order of the Board  
**Rui Kang Pharmaceutical Group Investments Limited**  
**CHEUNG Hung**  
*Chairman*

Hong Kong, 12 May 2014

*As at the date of this report, the Board comprises (i) three executive Directors namely, Mr. Cheung Hung (Chairman), Mr. Leung Pak Hou Anson and Ms. Chen Miaoping (Chief Executive Officer) and (ii) three independent non-executive Directors namely, Mr. Yeung Chi Tit, Mr. Kwok Shun Tim and Mr. Leung Ka Fai.*