



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

Interim Report 2014



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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 INTERIM RESULTS

The Board (“**Board**”) of directors (“**Directors**”) of Rui Kang Pharmaceutical Group Investments Limited (“**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and six months ended 30 June 2014 together with the comparative unaudited figures for the corresponding period in 2013. The 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

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2014

		Three months ended 30 June		Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (Restated)	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (Restated)
	Notes				
Continuing operations					
Gross proceeds		48,394	25,600	91,059	69,320
Turnover	5	22,280	19,441	47,882	41,202
Cost of sales		(13,879)	(11,350)	(27,265)	(24,164)
Gross profit		8,401	8,091	20,617	17,038
Other loss	6	(12,017)	(15,518)	(26,709)	(17,460)
Administrative expenses		(10,309)	(7,078)	(23,009)	(11,050)
Selling and distribution expenses		(7,970)	(6,831)	(16,616)	(14,936)
Loss from operation		(21,895)	(21,336)	(45,717)	(26,408)
Finance costs	7	(872)	(838)	(2,230)	(1,549)
Loss on deemed disposal of an investment in a joint venture		(5,892)	–	(5,892)	–
Share of profit of a joint venture		718	–	1,620	–
Loss before tax	8	(27,941)	(22,174)	(52,219)	(27,957)
Income tax expense	9	(37)	(355)	(86)	(488)
Loss from continuing operations		(27,978)	(22,529)	(52,305)	(28,445)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2014

	Note	Three months ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
		(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)
Discontinued operation					
Profit from discontinued operation, net of tax	20	–	27,407	–	27,787
(Loss)/profit for the period attributable to equity holders of the Company		(27,978)	4,878	(52,305)	(658)
Other comprehensive (loss)/income attributable to equity holders of the Company:					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		(164)	(556)	(183)	(603)
Share of exchange difference of investment in a joint venture		(119)	–	(163)	–
Total comprehensive (loss)/income for the period attributable to equity holders of the Company		(28,261)	4,322	(52,651)	(1,261)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2014

		Three months ended 30 June		Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (Restated)	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (Restated)
	Notes				
(Loss)/earnings per share (HK\$)	11				
– basic		(0.050)	0.019	(0.108)	(0.003)
– diluted		(0.050)	0.019	(0.108)	(0.003)
<hr/>					
Loss per share – continuing operations (HK\$)	11				
– basic		(0.050)	(0.089)	(0.108)	(0.118)
– diluted		(0.050)	(0.089)	(0.108)	(0.118)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		18,347	17,874
Prepaid lease payments		4,504	4,606
Goodwill		24,439	24,439
Intangible assets		372	447
Investment in a joint venture		24,354	28,789
		72,016	76,155
CURRENTS ASSETS			
Prepaid lease payments		115	116
Held for trading securities		25,057	49,981
Inventories		75,998	56,869
Trade and bills receivables	12	28,117	24,277
Deposits, prepayments and other receivables	13	40,238	33,516
Pledged cash deposits		391	1,374
Cash and cash equivalents		22,022	32,092
		191,938	198,225
CURRENT LIABILITIES			
Trade and bills payables	14	30,483	25,764
Other payables and accruals	15	68,489	69,901
Bank and other borrowings		40,021	50,096
Tax payables		445	428
		139,438	146,189
NET CURRENT ASSETS		52,500	52,036
NET ASSETS		124,516	128,191
CAPITAL AND RESERVES			
Share capital		5,594	3,144
Reserves		118,922	125,047
TOTAL EQUITY		124,516	128,191

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Attributable to equity holders of the Company								
	Share capital	Share premium	Share options reserve	Special reserve	Statutory surplus reserve fund	Statutory enterprises expansion fund	Exchange reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014 (Audited)	3,144	-	13,374	235,391	15,479	3,098	23,692	(165,987)	128,191
Loss for the period	-	-	-	-	-	-	-	(52,305)	(52,305)
Other comprehensive loss for the period	-	-	-	-	-	-	(346)	-	(346)
Total comprehensive loss for the period	-	-	-	-	-	-	(346)	(52,305)	(52,651)
Issue of ordinary shares by placing	2,450	47,530	-	-	-	-	-	-	49,980
Less: Shares issue expenses on placing	-	(1,004)	-	-	-	-	-	-	(1,004)
At 30 June 2014 (Unaudited)	5,594	46,526	13,374	235,391	15,479	3,098	23,346	(218,292)	124,516
At 1 January 2013 (Unaudited)	115,208	88,984	11,412	22,443	15,479	3,098	25,241	(180,898)	100,967
Loss for the period	-	-	-	-	-	-	-	(658)	(658)
Other comprehensive loss for the period	-	-	-	-	-	-	(603)	-	(603)
Total comprehensive loss for the period	-	-	-	-	-	-	(603)	(658)	(1,261)
Acquisition of subsidiaries by issue of consideration shares	19,000	26,600	-	-	-	-	-	-	45,600
At 30 June 2013 (Unaudited)	134,208	115,584	11,412	22,443	15,479	3,098	24,638	(181,556)	145,306

Notes:

- a. Special reserve of approximately HK\$22,443,000 represents the difference between the paid-up capital and 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 reorganization on 26 May 2004.

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

- 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.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash used in operating activities	(45,927)	(9,469)
Net cash (used in)/from investing activities	(1,780)	29,467
Net cash from financing activities	37,837	5,365
Net (decrease)/increase in cash and cash equivalents	(9,870)	25,363
Cash and cash equivalents at beginning of the period	32,092	11,888
Effect of foreign exchange rate changes	(200)	(32)
Cash and cash equivalents at end of the period	22,022	37,219

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Rui Kang Pharmaceutical Group Investments Limited ("**Company**", together with its subsidiaries, the "**Group**") was incorporated and registered as an exempted company in Cayman Islands under the Company Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003. On 29 August 2013, the Company deregistered from the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and the principal place of business of the Company 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 principal activities 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. Trading of synthetic rubber business was regarded as discontinued operation.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standards 34 ("**HKAS 34**") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**").

The unaudited condensed consolidated interim financial statements and selected explanatory notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and should be read in conjunction with the Group's annual financial statements for the fifteen months ended 31 December 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value. The principal accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 are consistent with those applied in the Company's annual financial statements for the year ended 31 December 2013, except for the adoption of new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") which are effective for the Group's financial year beginning on 1 January 2014. The adoption of these new and revised HKFRSs has no material effect on the Interim condensed consolidated financial statements.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2014. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group:

Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Consolidation for investment entities
HK(IFRIC) - INT 21	Levies

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 19 (2011)	Employee benefit: Defined benefit plans – Employee contribution	1 July 2014
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to HKFRS 11	Joint arrangements	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures	Unspecified
HKFRS 9	Financial instruments	Unspecified
HKFRS 9	Financial instruments (Hedge accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39)	Unspecified

4. SEGMENT INFORMATION

The Group is principally engaged in (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. Trading of synthetic rubber business was regarded as discontinued operation.

Segment information in respect of business segments is presented as below:

Consolidated statements of profit or loss

For the six months ended 30 June 2014 (Unaudited)

	Manufacturing and sales of consumer cosmetics HK\$'000	Manufacturing and sales of health related and pharmaceutical products HK\$'000	Trading of financial asset at fair value through profit or loss HK\$'000	Investment in a joint venture HK\$'000	Others HK\$'000	Continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000
Gross proceeds								
Segment turnover (Note)	26,191	20,843	43,177	-	848	91,059	-	91,059
Segment results	(2,135)	(5,487)	(27,026)	1,620	418	(32,610)	-	(32,610)
Other income						317	-	317
Loss on deemed disposal of an investment in a joint venture						(5,892)	-	(5,892)
Unallocated corporate expenses						(11,804)	-	(11,804)
Finance costs						(2,230)	-	(2,230)
Loss before tax						(52,219)	-	(52,219)
Income tax expenses						(86)	-	(86)
Loss for the period						(52,305)	-	(52,305)

For the six months ended 30 June 2013 (Unaudited)

	Manufacturing and sales of consumer cosmetics HK\$'000	Manufacturing and sales of health related and pharmaceutical products HK\$'000	Trading of financial asset at fair value through profit or loss HK\$'000	Investment in a joint venture HK\$'000	Others HK\$'000	Continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000
Gross proceeds								
Segment turnover (Note)	12,852	24,781	28,118	–	3,569	69,320	70,572	139,892
Segment results	(1,541)	(1,117)	(17,727)	–	(280)	(20,665)	552	(20,113)
Other income						268	16	284
Unallocated corporate expenses						(6,011)	–	(6,011)
Gain on disposal of discontinued operation						–	27,391	27,391
Finance costs						(1,549)	(53)	(1,602)
(Loss)/profit before tax						(27,957)	27,906	(51)
Income tax expenses						(488)	(119)	(607)
(Loss)/profit for the period						(28,445)	27,787	(658)

Note: Reconciliation of total segment turnover to the Group's consolidated turnover:

	For the period ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Gross proceeds	91,059	69,320
Less: Gross proceeds from trading securities	(43,177)	(28,118)
Turnover	47,882	41,202

Consolidated statements of financial position

As at 30 June 2014 (Unaudited)

	Manufacturing and sales of consumer cosmetics HK\$'000	Manufacturing and sales of health related and pharmaceutical products HK\$'000	Trading of financial asset at fair value through profit or loss HK\$'000	Investment in a joint venture HK\$'000	Others HK\$'000	Total HK\$'000
Assets						
Segment assets	69,749	60,261	25,057	24,355	28,167	207,589
Unallocated corporate assets						56,365
Total assets						263,954
Liabilities						
Segment liabilities	54,383	46,236	384	–	2,091	103,094
Unallocated corporate liabilities						36,344
Total liabilities						139,438

As at 31 December 2013 (Audited)

	Manufacturing and sales of consumer cosmetics HK\$'000	Manufacturing and sales of health related and pharmaceutical products HK\$'000	Trading of financial asset at fair value through profit or loss HK\$'000	Investment in a joint venture HK\$'000	Others HK\$'000	Total HK\$'000
Assets						
Segment assets	57,726	51,590	50,102	28,789	23,226	211,433
Unallocated corporate assets						62,947
Total assets						274,380
Liabilities						
Segment liabilities	33,408	32,069	7,840	–	3,815	77,132
Unallocated corporate liabilities						69,057
Total liabilities						146,189

Other information

For the six months ended 30 June 2014 (Unaudited)

	Manufacturing and sales of consumer cosmetics HK\$'000	Manufacturing and sales of health related and pharmaceutical products HK\$'000	Trading of financial asset at fair value through profit or loss HK\$'000	Investment in a joint venture HK\$'000	Others HK\$'000	Total segments HK\$'000	Unallocated HK\$'000	Total HK\$'000
Share of profit of a joint venture	-	-	-	1,620	-	1,620	-	1,620
Capital expenditure	1,066	848	-	-	35	1,949	6	1,955
Amortisation of prepaid lease payments	31	25	-	-	1	57	-	57
Depreciation of property, plant and equipment	448	357	-	-	15	820	214	1,034

For the six months ended 30 June 2013 (Unaudited)

	Manufacturing and sales of consumer cosmetics HK\$'000	Manufacturing and sales of health related and pharmaceutical products HK\$'000	Trading of financial asset at fair value through profit or loss HK\$'000	Investment in a joint venture HK\$'000	Others HK\$'000	Total segments HK\$'000	Unallocated HK\$'000	Total HK\$'000
Share of profit/(loss) of a joint venture	-	-	-	-	-	-	-	-
Capital expenditure	1,151	659	-	-	208	2,018	-	2,018
Amortisation of prepaid lease payments	35	20	-	-	1	56	-	56
Depreciation of property, plant and equipment	435	249	-	-	79	763	144	907

5. 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 the PRC and Hong Kong, and (ii) trading securities in Hong Kong.

Gross proceeds represent the amount received and receivables from sales of goods less sales tax and discounts, if any, and sales proceeds arising from financial assets at fair value through profit or loss ("FVTPL"), during the three months and six months ended 30 June 2014.

6. OTHER LOSS

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)
Continuing operations				
Net loss on financial asset at FVTPL	(12,117)	(15,619)	(27,026)	(17,728)
Interest income	15	34	167	36
Sundry income	85	68	154	246
Fixed asset written off	–	–	(4)	–
Loss on disposal of fixed assets	–	(1)	–	(14)
	(12,017)	(15,518)	(26,709)	(17,460)
Discontinued operation				
Sundry income	–	16	–	16

7. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Interest expenses:				
– bank borrowing wholly repayable within five years	377	494	746	735
– other borrowing wholly repayable within five years	495	344	1,484	814
	872	838	2,230	1,549
Discontinued operation				
Interest expenses:				
– bank borrowings wholly repayable within five years	–	–	–	53

8. LOSS BEFORE TAX

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before tax has been arrived at after (crediting)/charging				
Continuing operations				
Directors' emoluments	1,015	781	2,029	1,197
Other staff costs	4,729	2,428	8,633	3,511
Retirement benefits scheme contributions (excluding directors' emoluments)	536	431	1,050	787
Total staff costs	6,280	3,640	11,712	5,495
Cost of inventories, recognised as expenses	13,222	11,350	26,792	24,164
Depreciation of property, plant and equipment	516	461	1,034	907
Discontinued operation				
Cost of inventories, recognised as expenses	–	–	–	70,048
Depreciation of property, plant and equipment	–	–	–	–

9. INCOME TAX EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
The amount comprises				
Hong Kong profits tax				
Current period	–	182	–	182
Taxation arising in the PRC				
Current period	37	173	86	306
	37	355	86	488
Discontinued operation				
The amount comprises				
Hong Kong profits tax				
Current period	–	–	–	119

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit arising in Hong Kong during the six months ended 30 June 2013. No provision for Hong Kong Profits Tax is made in the condensed consolidated financial statements as the Group did not have assessable profits in Hong Kong for the six months ended 30 June 2014.

Taxation arising in the PRC is calculated at the rate prevailing in the relevant jurisdiction.

10. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

11. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2014.

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
For continuing and discontinued operations				
(Loss)/profit attributable to the equity holders of the Company (HK'000)	(27,978)	4,878	(52,305)	(658)
Weighted average number of ordinary shares in issue ('000)	559,416	252,130	483,615	241,333
Basic (loss)/earnings per share (HK\$)	(0.050)	0.019	(0.108)	(0.003)
For continuing operations				
(Loss)/profit attributable to the equity holders of the Company (HK'000)	(27,978)	4,878	(52,305)	(658)
Less: Gain attributable to the equity holders of the Company from discontinued operation (HK\$'000)	–	27,407	–	27,787
Loss attributable to the equity holders of the Company from continuing operations (HK\$'000)	(27,978)	(22,529)	(52,305)	(28,445)
Weighted average number of ordinary shares in issue ('000)	559,416	252,130	483,615	241,333
Basic loss per share (HK\$)	(0.050)	(0.089)	(0.108)	(0.118)

No diluted loss per share has been presented for the three months and six months ended 30 June 2014 and the three months and six months ended 30 June 2013 as there was no dilutive potential ordinary share outstanding during the periods.

12. TRADE AND BILLS RECEIVABLES

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade and bill receivables	30,022	38,709
Less: Allowance for bad and doubtful debts	(1,905)	(14,432)
	28,117	24,277

The Group has a policy of allowing an average credit period of 90 days to its trade customers. The following is an aged analysis of trade and bill receivables net of allowance at the end of the reporting period:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 – 90 days	20,449	19,825
91 – 180 days	5,716	3,073
181 – 365 days	1,952	1,185
Over 365 days	–	194
	28,117	24,277

Ageing analysis of trade receivables past due but not impaired

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Less than 90 days past due	5,716	3,073
91 – 275 days past due	1,952	1,185
Over 275 days past due	–	194
	7,668	4,452

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Rental deposit	462	631
Prepayment	4,505	9,276
Other receivables	26,910	23,488
Cash held in margin accounts with stock brokers	8,361	121
	40,238	33,516

14. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bill payables at the end of the reporting period:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 – 90 days	15,323	11,195
91 – 180 days	769	2,395
181 – 365 days	5,063	6,606
Over 365 days	9,328	5,568
	30,483	25,764

15. OTHER PAYABLES AND ACCRUALS

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Salary and wages payables	1,814	3,897
Receipt in advances	10,552	8,060
Accruals and others	40,248	41,385
Provision for value-added tax, business tax and other government duties	142	493
Amount due to an ex-director, Mr. Yang Honggen	15,733	16,066
	68,489	69,901

Notes:

- (a) Accruals and others included HK\$Nil (31 December 2013: HK\$7,520,000) of margin payable which are generated from investment in financial assets at FVTPL with interest rate ranged from 8.25% to 12% per annum for the six months ended 30 June 2014 (31 December 2013: range from 8% to 12% per annum).
- (b) The amount of HK\$15,733,000 (31 December 2013: HK\$16,066,000) is unsecured, bearing interest at 6.903% per annum for the six months ended 30 June 2014 (31 December 2013: 6.903% per annum) and repayable on demand.

16. OPERATING LEASE COMMITMENTS**Group as lessee**

At the end of the reporting period, the Group had commitments for future minimum lease payables under non-cancellable operating leases in respect of office premises, warehouses and staff quarters which fall due as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within one year	1,750	2,019
From the second to fifth year inclusive	1,239	1,832
	2,989	3,851

Leases are negotiated and rentals are fixed for terms of 1 year to 3 years for the six months ended 30 June 2014 (31 December 2013: 1 year to 3 years)

Group as lessor

At the end of the reporting period, the Group as lessor had total future minimum lease payments receivable under non-cancellable operating leases as set out below:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within one year	302	120
From the second to fifth year inclusive	428	394
	730	514

17. CAPITAL COMMITMENTS

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Authorised but not contracted for	25,189	25,438

On 29 September 2013, the Group has established an indirectly wholly foreign-owned enterprise (“WFOE”) in Guizhou province, the PRC, pursuant to the cooperation agreement dated 28 June 2013 entered into with 貴州紅花崗區經濟開發區委員會 (in English, for identification purpose, Guizhou Hong Hua Gang District Economic Development District Management Committee) in relation to the cooperation for the investments and construction of a pharmaceutical factory in Hong Hua Gang Economic Development District, Guizhou Province, the PRC. The registered capital of the WFOE is RMB30,000,000 and the Group has paid the registered capital of RMB10,000,000. The remaining capital commitment was RMB20,000,000 (equivalent to approximately HK\$25,189,000).

18. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged by the Group to secure financing facilities of the Group:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Property, plant and equipment	5,080	5,430
Prepaid lease payments	4,619	4,722
Held for trading securities	25,057	49,981
Cash held in margin accounts with stock brokers included in “Deposits, prepayments and other receivables”	8,361	121
	43,117	60,254

19. RELATED PARTY TRANSACTIONS**(a) Transactions with related parties**

On 15 November 2010, the Company and Capital VC Limited have jointly entered into a tenancy agreement for the lease of office premises for 3 years. Under the tenancy agreement, the Company shared 50% of the rent on a cost basis. The Company ceased to rent such premises on 4 July 2013.

The Company confirms that the joint tenancy agreement as disclosed above falls under the definition of continuing connected transaction in Chapter 20 of the GEM Listing Rules and that should be exempted from reporting, annual review, announcement and independent shareholder’s approval requirements under Chapter 20 of the GEM Listing Rules.

(b) Key management personnel remuneration

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term employee benefits	1,007	777	2,013	1,190
Post-employment benefits	8	4	16	7

The remuneration of the Directors and key executive is determined by the remuneration committee of the Board with regard to the individual performance and market trends.

20. DISCONTINUED OPERATION

- (a) 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 issue capital of Sinogate Energy Limited ("Sinogate"), a directly 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 the trading of synthetic rubber business of the Group. Immediately after completion, Sinogate and its subsidiaries ceased to be subsidiaries of the Company. The Company recognized and recorded a gain of approximately HK\$27 million from the disposal as other gains in connection with such disposal.

During the six months ended 30 June 2013 and 30 June 2014, profit for the period from discontinued operation was mainly attributable to the gain arising from the business of trading synthetic rubber.

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	–	–	–	70,572
Other income	–	16	–	16
Expenses	–	–	–	(70,073)
Profit before tax	–	16	–	515
Income tax expenses	–	–	–	(119)
Profit for the period from discontinued operation	–	16	–	396
Gain on disposal of discontinued operation	–	27,391	–	27,391
Profit attributable to:				
Equity holders of the Company	–	27,407	–	27,787

(b) Gain on disposal of subsidiaries

30 June 2013
HK\$'000
(Unaudited)

Trade and deposit paid in advance	23,261
Cash and cash equivalents	532
Other unsecured loan	(15,000)
Trade and other payables	(460)
Tax payable	(119)
Receipt in advance	(7,605)
Net assets disposed of	609
Gain on disposal of a subsidiary	27,391
Cash and total consideration received	28,000

21. EVENT AFTER THE END OF THE REPORTING PERIOD**Placing Shares**

On 20 June 2014, the Company entered into a placing agreement with Trinity Finance Investment Limited ("**Trinity**") pursuant to which Trinity has conditionally agreed to place, on a best endeavours basis, up to 111,000,000 Shares (each, "**Placing Share**") to not less than six placees, who and whose ultimate beneficial owners are independent third parties, at a price of HK\$0.18 per Placing Share ("**Placing**"). The completion of the Placing took place on 11 July 2014. For details, please refer to the announcements of the Company dated 20 June 2014 and 11 July 2014.

22. COMPARATIVE FIGURES

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

BUSINESS REVIEW

During the six months ended 30 June 2014 (“**2014 Interim 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 with well-equipped production facilities and potential profitable pharmaceutical and health related products in order to diversify the Group’s products list and to enhance the profits of the Group in long term.

During the 2014 Interim Period, the Group started to import several medicated oil products for sales and distribution in the PRC to enrich the product offerings of the Group. Up to 30 June 2014, the Group has imported several medicated oil products. Additional administrative and selling expenses were incurred for advertising and marketing these several imported medicated oil products in order to build up the brand and goodwill during the 2014 Interim Period. It is expected that the sales of such medicated oil products will be increased in the future and the Group is confident that such medicated oil products will be accepted by the market.

On 11 October 2013, Allied View International Limited, a wholly-owned subsidiary of the Company, entered into the joint venture agreement pursuant to which the joint venture parties have conditionally agreed to set up the joint venture company (“**JV Company**”) with a view to engaging in the money lending business in the PRC through its wholly foreign-owned enterprise (“**WFOE**”). During the 2014 Interim Period, the JV Company allotted and issued 5,000 consideration shares to Champion Ease Limited (“**JV Partner**”), being one of the shareholders of the JV Company, in consideration of the services provided by the JV Partner to the JV Company and the WFOE, whereby diluting the Company’s shareholding interests in the JV Company from 7.67% to 6.136%. Details of such joint venture are set out in the announcements of the Company dated 11 October 2013 and 17 October 2013.

On 24 June 2014, the Company and the prospective sellers entered into the third addendum to the memorandum of understanding (“**MOU**”) in relation 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. Limited) (“**Shu Mei Da**”) to further extend the exclusivity period from 30 June 2014 to 30 September 2014. 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 the proposed acquisition is under negotiation as at the date of this report.

FINANCIAL REVIEW

Turnover

During the 2014 Interim Period, the continuing operations of the Group achieved a turnover of approximately HK\$47,882,000 (six months ended 30 June 2013 ("**2013 Interim Period**"): HK\$41,202,000), representing an increase of 16.21% as compared with the turnover for the 2013 Interim Period. The slight increase in the turnover was mainly due to the clearance sales of those obsolete stocks at cutting-edge prices and the sales of the newly launched imported medicated oil products. 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 business of such companies ("**2013 Acquired Business**") contributed revenue of approximately HK\$12,905,000 (2013 Interim Period: approximately HK\$6,727,000) during the 2014 Interim Period.

Gross profit and gross profit margin

The Group's gross profit from the continuing operations was approximately HK\$20,617,000, representing an increase of approximately 21.01% for the 2014 Interim Period as compared with the gross profit for the 2013 Interim Period.

The gross profit margin for the 2014 Interim Period was approximately 43.06%, representing an increase by approximately 1.71 percentage point when compared with the gross profit margin of approximately 41.35% for the 2013 Interim Period. The 2013 Acquired Business generated gross profit margin of approximately 45.81% during the 2014 Interim Period.

The gross profit margin for the three months ended 30 June 2014 was approximately 37.71%, representing a decrease 3.91 percentage point when compared with the gross profit margin of 41.62% for the three months ended 30 June 2013. The selling price of the health related and pharmaceutical products and the consumer cosmetics for the three months ended 30 June 2014 was lower than that for the three months ended 31 March 2014 due to the fact that competition in the PRC market has become more intense. The increasing pressure on the cost of sales, including labour costs and raw materials costs, was also attributable to the downturn in the financial performance of the Group during the three months period ended 30 June 2014.

Administrative expenses

Administrative expenses of the continuing operations for the 2014 Interim Period amounted to approximately HK\$23,009,000, representing an increase of approximately HK\$11,959,000, or approximately 108.23%, as compared with that of approximately HK\$11,050,000 for the 2013 Interim Period. The 2013 Acquired Business recorded expenses of approximately HK\$4,369,000 and the Group incurred research expenses of approximately HK\$2,799,000 as administrative expenses during the 2014 Interim Period.

Apart from the expenses incurred by the 2013 Acquired Business and the research expenses as disclosed above, the increase in administrative expenses for the 2014 Interim Period was mainly due to the increase in legal professional fees and consultancy service fees of approximately HK\$1,982,000 and key management salary of approximately HK\$832,000 during the 2014 Interim Period when compared with the administrative expenses for the 2013 Interim Period.

Selling and distribution expenses

Selling and distribution expenses of the continuing operations for the 2014 Interim Period were approximately HK\$16,616,000, representing an increase of approximately HK\$1,680,000 or 11.24% compared with the selling and distribution expenses for the 2013 Interim Period. Such increase was mainly attributable to the additional selling and distribution expenses of approximately HK\$2,067,000 incurred by the 2013 Acquired Business during the 2014 Interim Period.

Loss for the 2014 Interim Period

Loss for the 2014 Interim Period was approximately HK\$52,305,000 for its continuing operations, representing an increase of 83.88%, when compared with the loss of approximately HK\$28,445,000 for its continuing operations in the 2013 Interim Period. The downturn in business performance of the Group for the 2014 Interim Period was mainly due to (i) the loss on financial asset at fair value through profit or loss of approximately HK\$27 million; (ii) the increase in administrative expenses, which included impairment of trade receivables and research expenses of approximately HK\$1.5 million and HK\$2.8 million respectively, and (iii) the loss of approximately HK\$5,892,000 on deemed disposal of the investment in the JV Company as a result of issue of consideration shares by the JV Company to the JV Partner.

FUTURE PROSPECT

To revamp our investment strategy

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

To develop a business plan in the pharmaceutical and healthcare in Hong Kong and the PRC

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group held cash and cash equivalents (included pledged cash deposits) of approximately HK\$22,413,000 (31 December 2013: approximately HK\$33,466,000). The Group had bank borrowings of approximately HK\$40,021,000, all of which were repayable within one year (31 December 2013: approximately HK\$50,096,000). Net current asset amounted to approximately HK\$52,500,000 (31 December 2013: approximately HK\$52,036,000), and current ratio (defined as total current assets divided by total current liabilities) was 1.377 (31 December 2013: 1.356).

Gearing ratio (defined as total borrowings divided by equity attributable to owners of the Company) of the Group as at 30 June 2014 and 31 December 2013 were approximately 32.14% and 39.08% respectively.

CAPITAL STRUCTURE

As at 30 June 2014, the total issued share capital of the Company was HK\$5,594,160 divided into 559,416,000 ordinary shares of HK\$0.01 each.

FOREIGN EXCHANGE EXPOSURE

The Group has limited exposure to foreign exchange rate as the exchange rate is relatively stable throughout the six months ended 30 June 2014. The interest rate of the bank borrowings from financial entities and independent third parties' lenders are at fixed interest rate.

CAPITAL COMMITMENTS

On 29 September 2013, the Group has established an indirectly wholly foreign-owned enterprises (“WFOE”) in Guizhou, the PRC, pursuant to the cooperation agreement dated 15 May 2013 entered with Guizhou Hong Hua Gang District Economic Development District Management Committee in relation the cooperation in investment and construction of a pharmaceutical factory in Hong Hua Gang Economic Development District, Guizhou Province, the PRC. The registered capital of WFOE is RMB30,000,000 and the Group has paid the registered capital of RMB10,000,000. The capital commitment was RMB20,000,000 (equivalent to approximately of HK\$25,189,000). Details of the capital commitment are stated in note 17 to the unaudited condensed consolidated interim financial statements.

OPERATING LEASE COMMITMENTS

Details of operating lease commitments are stated in note 16 to the unaudited condensed consolidated interim financial statements.

OTHER INFORMATION

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

As at 30 June 2014, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures 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 is taken or deemed to have under such provisions 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 dealings by the Directors as referred to in Rule 5.46 to 5.67 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	Exercise period	Subscription price per Share	Aggregate long positions in the underlying Shares	Approximate % in the Company's issued share capital
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%
Leung Pak Hou Anson	31 December 2013	31 December 2013 to 31 December 2014	0.219	3,000,000	0.536%
Chen Miaoping	31 December 2013	31 December 2013 to 31 December 2014	0.219	3,000,000	0.536%

Note:

As at 30 June 2014, the total number of the issued share 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 executive of the Company has, as at 30 June 2014, any interest or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meanings 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, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the Company has not been notified of any other person (other than a director or chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept under Section 336 of the SFO.

RIGHT TO ACQUIRE COMPANY'S SECURITIES

Save as disclosed in section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEME" above, at no time during the six months ended 30 June 2014 was the Company or 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 ("**Expired Scheme**") which expired on 25 May 2014. No further options shall be offered pursuant to the Expired Scheme but the Expired Scheme shall in all other respects remain in force to the extent necessary to give effect to the exercise of any outstanding Options granted prior to its expiry. Options granted under the Expired Scheme shall continue to be valid and exercisable in accordance with the terms of the Expired Scheme.

The Company adopted a share option scheme ("**Existing Scheme**") at the annual general meeting of the Company held on 26 May 2014 for the purpose of enabling the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group.

	Date of grant	Exercisable period	Exercise price per shares HK\$	Outstanding at 1 January 2014	Granted during the period	Number of share options			Outstanding as at 30 June 2014
						Lapsed during the period	Cancelled during the period	Exercised during the period	
Director	9 April 2010	9.4.2010 to 8.4.2020	1.775	1,000,000	–	–	–	–	1,000,000
Employees and service provider	9 April 2010	9.4.2010 to 8.4.2020	1.775	9,000,000	–	–	–	–	9,000,000
Employees and service provider	22 March 2012	22.3.2012 to 21.3.2015	1.000	14,000,000	–	–	–	–	14,000,000
Directors	31 December 2013	31.12.2013 to 31.12.2014	0.219	8,300,000	–	–	–	–	8,300,000
Employees and service provider	31 December 2013	31.12.2013 to 31.12.2014	0.219	14,700,000	–	–	–	–	14,700,000
Exercisable at the end of the period									47,000,000
Weighted average exercise price (HK\$)			0.783	–	–	–	–	–	0.783

300,000 share options and 2,100,000 share options lapsed on 2 July 2014 and 21 July 2014 respectively. Such share options were granted on 31 December 2013 and the exercise price was HK\$0.219 per Share.

MATERIAL ACQUISITIONS, DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisition or disposal of subsidiaries and affiliated companies for the six months ended 30 June 2014.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group had approximately 404 employees (30 June 2013: 465 employees) which are mainly located in the PRC. Total staff costs for the six months period ended 30 June 2014 was approximately HK\$11,712,000 and (30 June 2013: approximately HK\$5,495,000).

The Group remunerates its employees based on their performance, work experience and the prevailing market price. Performance related bonuses are granted on discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training and a share option scheme.

The employees of the subsidiaries of the Company are members of retirement benefits scheme according to the statutory requirements. The relevant subsidiaries of the Company are required to make contributions to the defined contribution pension scheme based on certain percentage of the monthly salaries of their current employees to fund the retirement benefits scheme. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations.

In addition, pursuant to regulations stipulated by the PRC government, the subsidiaries of the Company in the PRC have implemented a defined contribution healthcare scheme. The employees currently under the defined contribution pension scheme are entitled to participate in the healthcare scheme.

The subsidiaries of the Company in the PRC and the relevant employees are required to make contributions of certain percentage of the employees' salaries to the relevant scheme in accordance with applicable laws.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda, which would require the Company to offer new Shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by the Directors during the six months ended 30 June 2014.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 Code on Corporate Governance Practices in Appendix 15 to the GEM Listing Rules ("CG Code").

COMPETITION AND CONFLICT OF INTEREST

None of the Directors or the controlling shareholders of the Company 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 during the six months ended 30 June 2014.

AUDIT COMMITTEE

The Board established an audit committee ("**Audit Committee**") with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules for the purpose of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises of all three independent non-executive Directors, namely, Mr. Yuen Chun Fai, Mr. Yeung Chi Tit and Mr. Leung Ka Fai.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2014 have not been audited by the Company's auditor, but have been reviewed by the Audit Committee in accordance 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 of 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.

CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTOR

On 30 June 2014, Mr. Kwok Shun Tim resigned as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the nomination committee and the remuneration committee of the Board and Mr. Yuen Chun Fai was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the nomination committee and the remuneration committee of the Board.

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

ON BEHALF OF THE BOARD
Rui Kang Pharmaceutical Group Investments Limited
Cheung Hung
Chairman

Hong Kong, 11 August 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. Yuen Chun Fai and Mr. Leung Ka Fai.