



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

First Quarterly Report

2015



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

*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 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**”) presents the unaudited condensed consolidated first quarterly results of the Company and its subsidiaries (collectively, “**Group**”) for the three months ended 31 March 2015 together with the comparative unaudited figures for the corresponding period in 2014. The unaudited condensed consolidated first quarterly results for the three months ended 31 March 2015 have not been audited by the Company’s auditor but have been reviewed by the audit committee of the Board.

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

For the three months ended 31 March 2015

	Notes	Three months ended 31 March	
		2015 HK\$'000	2014 HK\$'000
Gross proceeds	3	36,997	42,665
Turnover	3	33,453	25,602
Cost of sales		(20,259)	(13,386)
Gross profit		13,194	12,216
Other gains and (losses)	4	12,096	(14,692)
Administrative expenses		(9,731)	(12,700)
Selling and distribution expenses		(7,584)	(8,646)
Profit/(loss) from operation		7,975	(23,822)
Finance costs	5	(735)	(1,358)
Loss on disposal of assets held for sale	9	(986)	–
Share of profits of associates		440	–
Share of profit of a joint venture		613	902
Profit/(loss) before tax		7,307	(24,278)
Income tax expenses	6	(1)	(49)
Profit/(loss) for the period		7,306	(24,327)
Profit/(loss) attributable to:			
Owners of the Company		7,281	(24,327)
Non-controlling interests		25	–
		7,306	(24,327)

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

For the three months ended 31 March 2015

	Note	Three months ended 31 March	
		2015 HK\$'000	2014 HK\$'000
Profit/(loss) for the period		7,306	(24,327)
Other comprehensive income/(loss) for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(264)	(63)
Release of exchange difference upon disposal of assets held for sale		14	–
Share of exchange difference of investments in associates		(1)	–
Share of exchange difference of an investment in a joint venture		(93)	–
Total comprehensive income/(loss) for the period		6,962	(24,390)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		7,053	(24,390)
Non-controlling interests		(91)	–
		6,962	(24,390)
Earnings/(loss) per share (HK\$)	8		(Restated)
– basic and diluted		0.030	(0.277)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Share options reserves HK\$'000	Special reserve HK\$'000 (Note a)	Statutory surplus reserve fund HK\$'000 (Note b)	Statutory enterprise expansion fund HK\$'000 (Note c)	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2014	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)
Other comprehensive loss:											
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(63)	-	(63)	-	(63)
Total comprehensive loss for the period	-	-	-	-	-	-	(63)	(24,327)	(24,390)	-	(24,390)
Issue of ordinary shares	2,450	47,530	-	-	-	-	-	-	49,980	-	49,980
Less: Shares issue expenses	-	(1,004)	-	-	-	-	-	-	(1,004)	-	(1,004)
At 31 March 2014	5,594	46,526	13,374	235,391	15,479	3,098	23,629	(190,314)	152,777	-	152,777
At 1 January 2015	10,056	113,728	3,385	235,391	15,479	3,098	23,675	(235,542)	169,270	28,643	197,913
Profit for the period	-	-	-	-	-	-	-	7,281	7,281	25	7,306
Other comprehensive income/(loss):											
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(148)	-	(148)	(116)	(264)
Release of exchange difference upon disposal of assets held for sale	-	-	-	-	-	-	14	-	14	-	14
Share of exchange difference of investments in associates	-	-	-	-	-	-	(1)	-	(1)	-	(1)
Share of exchange difference of an investment in a joint venture	-	-	-	-	-	-	(93)	-	(93)	-	(93)
Total comprehensive income for the period	-	-	-	-	-	-	(228)	7,281	7,053	(91)	6,962
Issue of ordinary shares	2,578	32,742	-	-	-	-	-	-	35,320	-	35,320
Less: Shares issue expenses	-	(2,320)	-	-	-	-	-	-	(2,320)	-	(2,320)
At 31 March 2015	12,634	144,150	3,385	235,391	15,479	3,098	23,447	(228,261)	209,323	28,552	237,875

Notes:

- (a) Special reserve of (i) 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 reorganisation on 26 May 2004; and (ii) approximately HK\$212,948,000 was recorded 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 which became 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 UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

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 the 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 in 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 HM 11, Bermuda. The head office and the principal place of business of the Company in Hong Kong is located at Room 1213, Tower A, New Mandarin Plaza, 14 Science Museum Road, Kowloon, Hong Kong.

The issued shares of the Company 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 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 AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated first quarterly results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance, and also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The unaudited condensed consolidated first quarterly results 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 first quarterly results for the three months ended 31 March 2015 are consistent with those applied in the Company's annual report for the year ended 31 December 2014, except for the adoption of new and revised HKFRSs that affect the Group and has adopted the first time for the current period's unaudited condensed consolidated first quarterly results.

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 2015:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The adoption of these new and revised HKFRSs and new interpretation of HK (IFRIC) has had no material effect on the Group's unaudited condensed consolidated first quarterly results.

3. TURNOVER

The principal activities of the Group 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 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 fair value through profit and loss ("FVTPL"), during the three months ended 31 March 2015.

	Three months ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
Manufacturing and sale of consumer cosmetics	13,128	13,322
Manufacturing and sale of health related and pharmaceutical products	19,600	11,432
Manufacturing and sale of health supplement wine, dental materials and equipment	725	848
	33,453	25,602
Gross proceeds from trading of securities (<i>Note</i>)	3,544	17,063
Gross proceeds	36,997	42,665

Note: The Gross proceeds from the trading of securities were recorded in other gains and (losses) after setting off the relevant cost.

4. OTHER GAINS AND (LOSSES)

	Three months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
Net gain/(loss) on financial assets at FVTPL	11,993	(14,909)
Interest income	60	152
Sundry income	43	68
Fixed asset written off	–	(3)
	12,096	(14,692)

Net gain on financial assets at FVTPL consists of net unrealised gain on fair value changes of approximately HK\$11,057,000 (three months ended 31 March 2014: net unrealised loss on fair value changes of approximately HK\$5,723,000) and net realised gain of approximately HK\$936,000 (three months ended 31 March 2014: net realised loss of approximately HK\$9,186,000) for the three months ended 31 March 2015.

5. FINANCE COSTS

	Three months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
Interest expenses:		
– bank borrowings wholly repayable within five years	365	369
– other borrowings wholly repayable within five years	370	989
	735	1,358

6. INCOME TAX EXPENSES

	Three months ended	
	31 March	
	2015	2014
	HK\$'000	HK\$'000
The amount comprises:		
Current tax:		
– The PRC Enterprise Income Tax	1	49
	1	49

No provision for Hong Kong Profits Tax has been made (three months ended 31 March 2014: HK\$Nil) as the Group has no assessable profit in Hong Kong during the three months ended 31 March 2015.

The subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at the tax rate of 25% (three months ended 31 March 2014: 25%), except for a subsidiary, 貴陽舒美達制藥廠有限公司 (in English, for identification purpose only, Guiyang Shu Mei Da Pharmaceutical Co., Ltd) (“**Shu Mei Da**”), which is accredited with high and new technology enterprise status and thus enjoys a preferential tax rate of 15%.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax expenses in the respective tax jurisdictions.

7. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2015 (three months ended 31 March 2014: HK\$Nil).

8. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the three months ended 31 March 2015 and 2014.

	Three months ended	
	31 March	
	2015	2014
		(Restated)
Profit/(loss) attributable to the owners of the Company (HK'000)	7,281	(24,327)
Weighted average number of ordinary shares in issue ('000)	240,083	87,666
Basic earnings/(loss) per share (HK\$)	0.030	(0.277)

The weighted average number of shares for the purpose of calculating the basic earnings/(loss) per share has been retrospectively adjusted for the three months ended 31 March 2015 and 2014 to reflect the impact of the share consolidation of the Company which became effective on 1 April 2015. The weighted average number of shares for the purpose of calculating the basic loss per share for the three months ended 31 March 2014 has also been restated on a retrospective basis for the rights issue of the Company, the completion of which took place on 20 October 2014.

No diluted earnings/(loss) per share has been presented for the three months ended 31 March 2015 and 2014 as there was no dilutive potential ordinary share outstanding during the periods.

9. ASSETS HELD FOR SALE

On 31 December 2014, Icy Snow Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with four independent third parties to dispose of 70% of the equity interests in Magical Bloom Limited, together with its subsidiaries, Longlife Group Holdings Limited and 廣州瑩潤藥業有限公司 (In English, for identification purpose, Guangzhou Yingrun Pharmaceutical Co., Ltd.) ("**Ying Run**") (collectively, the "**Disposed Group**") at an aggregate cash consideration of HK\$12,600,000. The completion of the disposal took place on 30 January 2015 and members of the Disposed Group ceased to be subsidiaries of the Company and became associates of the Company since then. During the three months ended 31 March 2015, the company name of Ying Run was changed to be 廣州獅馬龍藥業有限公司 (In English, for identification purpose, Guangzhou CMALO Pharmaceutical Co., Ltd.).

The revenue generated by the Disposed Group is mainly derived from the sales of medicated oil products which were launched in the mid of 2014. Taking into account the keen competition in the sales of medicated oil products and the Group intends to allocate more resources to the manufacturing of the pharmaceutical products in the PRC and other investments when opportunities arise, the Directors consider that such disposal represents an opportunity for the Group to realise its investment in the Disposed Group. Details of the disposal of the Disposed Group are disclosed in the announcement of the Company dated 31 December 2014.

The analysis of the net assets classified as held for sale of the Disposed Group at the date when the Group lost control were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	183
Goodwill	16,199
Inventories	12,487
Trade and bills receivables	5,383
Deposits, prepayments and other receivables	3,147
Cash and cash equivalents	3,645
Total assets classified as held for sale	41,044
Trade payables	13,045
Other payables and accruals	8,610
Total liabilities associated with assets classified as held for sale	21,655
Net assets classified as held for sale	19,389
Loss on disposal of assets held for sale:	
Cash consideration received	12,600
Fair value of 30% equity interests retained	5,817
Release of exchange difference upon disposal	(14)
Less: Net assets disposed of	(19,389)
	(986)
Net cash inflow arising on disposal:	
Consideration received in cash	12,600
Cash and cash equivalents disposed	(3,645)
	8,955

10. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 26 February 2015, Silver Wisdom Development Limited ("**Silver Wisdom**"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement ("**NH Subscription Agreement**") with New Health Elite International Limited ("**New Health**"), a direct wholly-owned subsidiary of China Renji Medical Group Limited ("**China Renji**") and pursuant to which, Silver Wisdom has conditionally agreed to subscribe for, and New Health has conditionally agreed to allot and issue 23 subscription shares of New Health at the cash consideration of HK\$4.83 million ("**NH Subscription**"). Following the completion of the NH Subscription which took place on 22 April 2015, New Health became an associate of the Group. Details of the NH Subscription are disclosed in the announcement of the Company dated 26 February 2015.

On 5 March 2015, the Board proposed that every 5 existing shares of HK\$0.01 each in the issued and unissued share capital of the Company will be consolidated into 1 share of HK\$0.05 in the issued and unissued share capital of the Company ("**Share Consolidation**"). The authorised share capital of the Company will be HK\$200,000,000 divided into 4,000,000,000 consolidated shares of HK\$0.05 each, of which 252,687,300 consolidated shares will be in issue immediately following the Share Consolidation becoming effective. The Share Consolidation is conditional upon, among other conditions, the approval by the shareholders of the Company. A special general meeting has been convened to be held on 31 March 2015 for considering and approving the Share Consolidation by the shareholders of the Company. The Share Consolidation became effective on 1 April 2015. Details of the Share Consolidation are disclosed in the announcements of the Company dated 5 March 2015 and 31 March 2015, and the circular of the Company dated 13 March 2015.

BUSINESS REVIEW

Issue of new shares under specific mandate

On 14 November 2014, the Company and China Renji, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 648), entered into the subscription agreement pursuant to which China Renji has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 257,812,500 subscription shares ("**Subscription Shares**") at the subscription price of HK\$0.128 per Subscription Share ("**Subscription**"). The completion of the Subscription took place on 23 January 2015. The net proceeds after deduction of expenses from the Subscription was approximately HK\$32.7 million, which was intended to be applied for funding any potential acquisition of equity interests in companies that the Group is currently identifying for its future development, if such acquisition materialises. If potential acquisitions or any of them do not materialise, then the unutilised net proceeds from the Subscription will be used for expanding the sales and marketing capability of the Group's health related and pharmaceutical products. As at the date of this report, approximately HK\$3.6 million had been invested in a fund investments in pharmaceutical and health related industries, approximately HK\$5.13 million (including HK\$4.83 million as consideration and HK\$0.30 million as related legal and professional fee) had been invested in New Health to diversify the business and revenue sources into the provision of health management and well-being services, and the remaining net proceeds of approximately HK\$23.97 million have not yet been utilised and remain in the bank, of which (i) approximately HK\$16.35 million will be utilised for funding potential acquisition of online platform for sales of health related and pharmaceutical products in the PRC and (ii) approximately HK\$7.62 million will be utilised for expanding the sales and marketing capability of the Group's health related and pharmaceutical products. The net issue price per Subscription Share was approximately HK\$0.127 and the nominal value of the Subscription Shares was HK\$2,578,125. Details of the Subscription are disclosed in the announcements of the Company dated 14 November 2014 and 23 January 2015, and the circular of the Company dated 24 December 2014.

Share consolidation

On 5 March 2015, the Board put forward to the shareholders of the Company a proposal of the Share Consolidation, subject to the fulfillment of the conditions set out in the paragraph headed "Conditions of the Share Consolidation" in the announcement of the Company dated 5 March 2015. The resolution of the Share Consolidation was duly passed as an ordinary resolution of the Company by the shareholders of the Company by way of poll at the special general meeting held on 31 March 2015. On 1 April 2015, the Share Consolidation became effective. For details, please refer to the announcements of the Company dated 5 March 2015 and 31 March 2015, the circular of the Company dated 13 March 2015 and note 10 to the unaudited condensed consolidated first quarterly results above.

Acquisition of an associate

On 26 February 2015, Silver Wisdom entered into the NH Subscription Agreement with New Health. Details of the NH Subscription are disclosed in the announcement of the Company dated 26 February 2015 and note 10 to the unaudited condensed consolidated first quarterly results above. The completion of the NH Subscription took place on 22 April 2015.

Disposal of assets held for sale

In order to allow the Group to reallocate more resources to the manufacturing of the pharmaceutical products in the PRC and other investments when opportunities arise, the Company entered into a sale and purchase agreement with four purchasers, independent third parties, to sell 70% of the issued share capital of Magical Bloom Limited at a consideration of HK\$12,600,000 on 31 December 2014 and completion of which took place on 30 January 2015. It was expected that the purchasers could bring resources and expertise in the sales and marketing of medicated oil in the PRC to benefit the operations and business of the Group. The Group will continue to hold 30% of the issued share capital of Magical Bloom Limited after the disposal so that the Group can continue to share the growth of the financial performance of such business. In the meantime, the management of the Group can focus on the development of the business in manufacturing of the health related and pharmaceutical products in the PRC. Details of the disposal are disclosed in the announcement of the Company dated 31 December 2014.

FINANCIAL REVIEW

During the three months ended 31 March 2015 ("**2015 Q1 Period**"), the principal activities of the Group continued to be (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.

Turnover

During the 2015 Q1 Period, the Group achieved a turnover of approximately HK\$33,453,000 (three months ended 31 March 2014 ("**2014 Q1 Period**"): HK\$25,602,000), representing an increase of 31% as compared with the turnover for the 2014 Q1 Period. The increase in the turnover was mainly due to the (i) the newly launched imported medicated oil products in the mid of 2014 were sold at lower selling price in order to adapt to the PRC market and increase the sales by the then subsidiary of the Company, Ying Run; and (ii) contribution made by Shu Mei Da, the subsidiary acquired by the Group in November 2014 as its full period turnover has been recognised in the 2015 Q1 Period.

Manufacturing and sale of consumer cosmetics

Consumer cosmetics segment continued to encounter challenging market conditions during the 2015 Q1 Period. The total revenue decreased slightly from approximately HK\$13,322,000 for the 2014 Q1 Period to approximately HK\$13,128,000 for the 2015 Q1 Period mainly due to the receding performance of some consumer cosmetics, which have become less competitive and being phased out in the PRC market. With a view to enhancing competitiveness and improving cash flow, the Group has reduced the sales of its some consumer cosmetics with relatively low gross profit margin, downsized its promotion and sales team, and shifted focus to its other consumer cosmetics or health related and pharmaceutical products, which can generate higher margins and returns.

Manufacturing and sale of health related and pharmaceutical products

Health related and pharmaceutical products segment showed a significant growth during the 2015 Q1 Period. The total revenue increased from approximately HK\$11,432,000 for the 2014 Q1 Period to approximately HK\$19,600,000 for the 2015 Period, which was mainly due to (i) the then subsidiary of the Company, Ying Run has imported and launched new medicated oil products since the mid of 2014 to increase the sales of its products; and (ii) the contribution of 薑黃消座搽劑 (in English, for identification purpose only, Jianghuang Xiaocuo Chaiji), the main product of Shu Mei Da and Shu Mei Da was acquired by the Group in November 2014 thereby the turnover of Shu Mei Da for the 2015 Q1 Period being fully recognised in the 2015 Q1 Period.

Trading of financial assets at fair value through profit or loss

The Group's investment portfolio comprises investments in listed securities in Hong Kong. During the 2015 Q1 Period, this segment recorded a significant turnaround of a net gain on financial assets at FVTPL amounting to approximately HK\$12.0 million (2014 Q1 Period: net loss of approximately HK\$14.9 million). The Directors will continue to exercise due diligence and identify appropriate securities investment opportunities according to its investment strategies in securities trading business by investing in listed securities with potential returns.

Gross profit and gross profit margin

The Group recorded improvement of the financial performance in the turnover and the gross profit in the 2015 Q1 Period when compared with those in the 2014 Q1 Period. However, the gross profit margin for the 2015 Q1 Period was approximately 39.44%, representing a decrease by approximately 8.28 percentage point when compared with the gross profit margin of approximately 47.72% for the 2014 Q1 Period. The decrease in the gross profit margin was mainly due to (i) the increased pressure on the cost of sales, including labour costs and raw materials costs; and (ii) the decrease in the selling price for certain products due to fierce competition in the PRC, which has resulted in a drop in the gross profit margin.

Administrative expenses

The administrative expenses for the 2015 Q1 Period were approximately HK\$9,731,000, representing a decrease of approximately 23%, as compared with that of approximately HK\$12,700,000 for the 2014 Q1 Period. The decrease of such administrative expenses was mainly due to the fact that (i) the Group incurred less research and development costs of approximately HK\$0.4 million in the 2015 Q1 Period (2014 Q1 Period: HK\$2.5 million) and (ii) the Group incurred less staff costs of approximately HK\$3.5 million in the 2015 Q1 Period (2014 Q1 Period: HK\$4.5 million) as a result of taking effective cost control measures by decreasing headcounts.

Selling and distribution expenses

Selling and distribution expenses for the 2015 Q1 Period were approximately HK\$7,584,000, representing a decrease of approximately HK\$1,062,000 or 12% compared with those expenses for the 2014 Q1 Period. Such decrease was mainly attributable to reduced advertising and promotion expenses (2015 Q1 Period: HK\$3.6 million; 2014 Q1 Period: HK\$4.9 million) incurred by the subsidiaries of the Company in Suzhou due to the fact that fewer new products were launched to the PRC market during the 2015 Q1 Period leading to downsizing of its promotion and sales team and reduced number of marketing campaigns. More advertising and promotion expenses relating to marketing campaigns were incurred for the new products launched in the PRC market during the 2014 Q1 Period, and the subsidiaries of the Company in Suzhou enjoyed the resulting marketing benefit and effect from the 2014 Q1 Period during the 2015 Q1 Period.

Profit for the 2015 Q1 Period

The Group recorded a net profit of approximately HK\$7,306,000 for the 2015 Q1 Period (2014 Q1 Period: loss of approximately HK\$24,327,000). The significant improvement in business performance of the Group for the 2015 Q1 Period was mainly due to (i) the net gain on financial assets at FVTPL of approximately HK\$12.0 million as compared with the net loss on financial assets at FVTPL of approximately HK\$14.9 million during the 2014 Q1 Period; (ii) share of profits of associates of approximately HK\$0.4 million, and (iii) share of profit of a joint venture of approximately HK\$0.6 million, despite that the profit for the 2015 Q1 Period was partially offset by (1) the increase in the cost of sales, including labour costs and raw materials costs and (2) the decrease in the selling price for certain products due to fierce competition in the PRC, which has resulted in the decrease in the gross profit margin.

FUTURE PROSPECT

Continue to identify appropriate securities investment opportunities

During the 2015 Q1 Period, the Group has successfully revamped its investment strategies in securities trading business by investing in listed securities with potential returns and generated net gain on securities trading. The Group will continue to explore securities investment opportunities with due care and diligence in order to generate more gains for shareholders of the Company.

To participate in the money lending business

In order to expand the source of income, Ferran Finance Limited, an indirect wholly-owned subsidiary of the Company, has obtained a money lenders licence granted by the licensing court in Hong Kong in March 2015 pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group has adopted the money lending policy and money lending procedure manual which provide guidelines on handling and/or monitoring the money lending procedures according to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). With the increased market demands of the micro-financing business in Hong Kong, the Group will participate in the money lending business from the mid of 2015 onwards, the management is closely monitoring the progress of this business and attentively seizing any opportunities that would immensely facilitate its development.

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

Looking forward, due to higher pressure of labour costs and raw materials costs, the health related and pharmaceutical products and the consumer cosmetic industry in the PRC are facing plenty of challenges. The Group will continue to adopt the “Tap New Resources and Economise on Expenditure” strategies. The Group will implement cost-saving strategies in order to minimise the impact of the increasing production costs in the health related and pharmaceutical products segments and the Company will continue to identify appropriate securities investment opportunities according to its investment strategies by investing in listed securities with potential returns. The Group will continue to strengthen the health related and pharmaceutical products business through (i) expanding the wholesales channel and the Internet online sales in Hong Kong; (ii) actively identifying and obtaining new distribution rights of the health related products from the existing and potential new suppliers in the overseas in order to improve and enlarge the Group’s existing product portfolio; and (iii) developing and manufacturing of new health related and pharmaceutical products through the newly acquired factory held by Shu Mei Da.

With the aim of bringing better returns for investors, the Directors will continue to look for and identify potential acquisition projects for the further development of the Group’s existing business segment of health related and pharmaceutical products (including products related to personal care, health and well-being) involving potential acquisition of equity interests in companies that are principally engaged in sales and manufacturing of personal care products, trading of medical devices and equipments, and online platform for sales of health related and pharmaceutical products.

In order to diversify the Group's business, the Group is currently exploring opportunities to extend its business activities in other healthcare related segments including the provision of molecular testing and medical diagnostic services specially focused on molecular genetic testing. Such extension may take the form of self-setting up and/or acquisition of appropriate target companies. The Group is currently actively seeking potential acquisition projects which are engaged in such services. The Board expects that the setting up of the medical diagnostic centre with the acquisition of the diagnostic testing services laboratory can provide synergetic effect to the Group by leveraging the expertise. With the services of two professional consultants and the network of the management of the Group, the Directors believe that the Group is well-positioned to grasp such opportunity if the results of the Group's feasibility study in this connection are satisfactory to the Group.

OTHER INFORMATION

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

As at 31 March 2015, the interests or short positions of the Directors and chief executive of the Company in the shares of the Company, 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 (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

LONG POSITIONS IN THE UNDERLYING SHARES SHARE OPTIONS GRANTED

Name of Directors	Nature of interest	Date of grant	Exercise period	Exercise price per share HK\$	Aggregate long positions in the underlying shares	Approximate percentage in the Company's issued share capital (Note)
Cheung Hung	Beneficial owner	28 August 2014	1 January 2015 to 31 December 2016	0.1609	2,674,750	0.212%
Leung Pak Hou Anson	Beneficial owner	28 August 2014	1 January 2015 to 31 December 2016	0.1609	2,674,750	0.212%
Chen Miaoping	Beneficial owner	28 August 2014	1 January 2015 to 31 December 2016	0.1609	2,674,750	0.212%

Note:

As at 31 March 2015, the total number of the issued share of the Company was 1,263,436,500 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 31 March 2015, 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) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2015, the following person or entity (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares and underlying shares

Name of shareholder	Nature of interest	No. of shares held	Approximate percentage (Note)
China Renji Medical Group Limited	Beneficial owner	257,812,500	20.41%

Note:

As at 31 March 2015, the total number of the issued share of the Company was 1,263,436,500 ordinary shares of HK\$0.01 each of the Company.

Save as disclosed above, as at 31 March 2015, no other person or entity (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

RIGHT TO ACQUIRE COMPANY'S SECURITIES

Save as disclosed in the sections headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES" above and "SHARE OPTION SCHEME" below, at no time during the three months ended 31 March 2015 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 executive 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 share options shall be offered pursuant to the Expired Scheme and all share option granted related to the Expired Scheme was expired, cancelled or lapsed on or before 31 December 2014.

The Company adopted a new share option scheme on 29 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 share HK\$	Number of share options					Outstanding as at 31 March 2015
				Outstanding at 1 January 2015	Granted during the period	Lapsed during the period	Cancelled during the period	Exercised during the period	
Directors	28 August 2014	1 January 2015 to 31 December 2016	0.1609	8,024,250	-	-	-	-	8,024,250
Employees and service provider	28 August 2014	1 January 2015 to 31 December 2016	0.1609	41,512,120	-	-	-	-	41,512,120
Exercisable options				49,536,370	-	-	-	-	49,536,370
Weighted average exercise price (HK\$)				0.1609	-	-	-	-	0.1609

MATERIAL ACQUISITIONS, DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except the acquisition of an associate and disposal of assets held for sale as disclosed in the section headed “BUSINESS REVIEW” above, the Group did not have any other material acquisition or disposal of subsidiaries and affiliated companies for the 2015 Q1 Period.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2015, the Group had approximately 479 employees (31 March 2014: 505 employees) which are mainly located in the PRC. Total staff costs for the 2015 Q1 Period was approximately HK\$4.99 million (2014 Q1 Period: HK\$5.84 million).

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

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme subject to a maximum of HK\$1,500 per month with effect from 1 June 2014, which contribution is matched by employees.

The employees in the PRC are members of respective state-managed defined contribution retirement benefits scheme operated by the local government. The employer and the employees are obliged to make contributions at a certain percentage of the basic payroll under rules of the schemes. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total contributions payable to the above schemes by the Group and charged to the consolidated statement of profit or loss and other comprehensive income for the 2015 Q1 Period were approximately HK\$628,000 (2014 Q1 Period: HK\$521,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s bye-laws and there was no restriction against such rights under the laws of Bermuda.

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 2015 Q1 Period.

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 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 required standard of dealings and its code of conduct concerning securities transactions by the Directors during the 2015 Q1 Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company. The Board is committed to maintaining corporate governance with high standard and ensuring compliance of the legal and regulatory requirements. The Company has put in place governance practices with emphasis on the integrity, quality of disclosures, transparency and accountability for the shareholders of the Company.

Throughout the 2015 Q1 Period, the Company has complied with the code provisions in the Corporate Governance Code ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules save for the deviation from code provision A.2.7 of the CG Code as disclosed below.

Under code provision A.2.7 of the CG Code, the chairman of the Company should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As the chairman of the Company, Mr. Cheung Hung, is also an executive Director, the Company was unable to hold such meeting where no executive Director was present.

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 2015 Q1 Period.

AUDIT COMMITTEE

The Board established an audit committee ("**Audit Committee**") with written terms of reference in compliance with Rules 5.28 and 5.29 of 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. Leung Ka Fai and Mr. Ho Fung Shan Bob as at the date of this report.

The unaudited condensed consolidated first quarterly results of the Group for the 2015 Q1 Period 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 that is publicly 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.

GENERAL

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

ON BEHALF OF THE BOARD
Rui Kang Pharmaceutical Group Investments Limited
LEUNG Pak Hou Anson
Executive Director

Hong Kong, 12 May 2015

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. Yuen Chun Fai, Mr. Leung Ka Fai and Mr. Ho Fung Shan Bob.