



**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 2015*

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

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*This report, for which the directors ("**Directors**") of Rui Kang Pharmaceutical Group Investments Limited ("**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this report misleading.*

## UNAUDITED 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 2015 together with the comparative unaudited figures for the corresponding period in 2014. The unaudited condensed consolidated interim results of the Group for the three months and six months ended 30 June 2015 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 2015

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Gross Proceeds</b>	3, 4	<b>48,220</b>	48,394	<b>85,217</b>	91,059
<b>Turnover</b>	3, 4	<b>20,308</b>	22,280	<b>53,761</b>	47,882
Cost of sales		<b>(17,900)</b>	(13,879)	<b>(38,159)</b>	(27,265)
<b>Gross profit</b>		<b>2,408</b>	8,401	<b>15,602</b>	20,617
Other gains and (losses)	5	<b>6,200</b>	(12,017)	<b>18,296</b>	(26,709)
Administrative expenses		<b>(10,539)</b>	(10,309)	<b>(20,270)</b>	(23,009)
Selling and distribution expenses		<b>(6,519)</b>	(7,970)	<b>(14,103)</b>	(16,616)
Loss from operation		<b>(8,450)</b>	(21,895)	<b>(475)</b>	(45,717)
Finance costs	6	<b>(808)</b>	(872)	<b>(1,543)</b>	(2,230)
Loss on disposal of assets held for sale	19	<b>–</b>	–	<b>(986)</b>	–
Loss on deemed disposal of partial interest in a joint venture		<b>–</b>	(5,892)	<b>–</b>	(5,892)
Share of profits of associates		<b>555</b>	–	<b>995</b>	–
Share of (loss)/profit of an investment in a joint venture		<b>(4,310)</b>	718	<b>(3,697)</b>	1,620
<b>Loss before tax</b>	7	<b>(13,013)</b>	(27,941)	<b>(5,706)</b>	(52,219)
Income tax credit/(expenses)	8	<b>2</b>	(37)	<b>1</b>	(86)
Loss for the period		<b>(13,011)</b>	(27,978)	<b>(5,705)</b>	(52,305)
<b>Loss attributable to:</b>					
Owners of the Company		<b>(13,011)</b>	(27,978)	<b>(5,318)</b>	(52,305)
Non-controlling interests		<b>–</b>	–	<b>(387)</b>	–
		<b>(13,011)</b>	(27,978)	<b>(5,705)</b>	(52,305)

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

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2015

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Loss for the period</b>		<b>(13,011)</b>	(27,978)	<b>(5,705)</b>	(52,305)
<b>Other comprehensive income/(loss) for the period:</b>					
<b>Items may be reclassified subsequently to profit or loss:</b>					
Exchange difference arising from translation of foreign operations		<b>242</b>	(164)	<b>(22)</b>	(183)
Release of exchange difference upon disposal of assets held for sale	19	–	–	<b>14</b>	–
Share of exchange difference of investments in associates		<b>(112)</b>	–	<b>(113)</b>	–
Share of exchange difference of investment in a joint venture		<b>92</b>	(119)	<b>(1)</b>	(163)
<b>Total comprehensive loss for the period</b>		<b>(12,789)</b>	(28,261)	<b>(5,827)</b>	(52,651)
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		<b>(12,789)</b>	(28,261)	<b>(5,450)</b>	(52,651)
Non-controlling interests		–	–	<b>(377)</b>	–
		<b>(12,789)</b>	(28,261)	<b>(5,827)</b>	(52,651)
<b>Loss per share (HK\$)</b>					
			(Restated)		(Restated)
– Basic and diluted	10	<b>(0.051)</b>	(0.250)	<b>(0.022)</b>	(0.504)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2015

	Notes	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>44,721</b>	46,816
Prepaid lease payments		<b>13,703</b>	13,884
Goodwill		<b>2,478</b>	2,478
Intangible assets		<b>12,174</b>	12,169
Investments in associates		<b>11,528</b>	–
Investment in a joint venture		<b>19,265</b>	22,963
Available-for-sale financial assets		<b>3,600</b>	–
		<b>107,469</b>	98,310
<b>CURRENTS ASSETS</b>			
Prepaid lease payments		<b>370</b>	370
Held for trading securities		<b>58,205</b>	18,697
Inventories		<b>69,624</b>	63,880
Trade and bills receivables	11	<b>25,480</b>	28,068
Deposits, prepayments and other receivables	12	<b>38,902</b>	32,896
Tax recoverable		<b>771</b>	453
Pledged cash deposits		–	2,535
Cash and cash equivalents		<b>51,539</b>	39,163
		<b>244,891</b>	186,062
Assets classified as held for sale	19	–	42,644
		<b>244,891</b>	228,706

		<b>30 June 2015</b>	31 December 2014
	Notes	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	<b>22,741</b>	21,048
Other payables and accruals	14	<b>85,692</b>	68,945
Bank borrowings		<b>19,021</b>	19,014
Tax payables		<b>–</b>	29
		<b>127,454</b>	109,036
<b>Liabilities associated with assets classified as held for sale</b>			
	19	<b>–</b>	20,067
		<b>127,454</b>	129,103
<b>NET CURRENT ASSETS</b>		<b>117,437</b>	99,603
<b>NET ASSETS</b>		<b>224,906</b>	197,913
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>12,634</b>	10,056
Reserves		<b>184,006</b>	159,214
<b>Equity attributable to owners of the Company</b>		<b>196,640</b>	169,270
Non-controlling interests		<b>28,266</b>	28,643
<b>TOTAL EQUITY</b>		<b>224,906</b>	197,913

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company										Non-controlling interests	Total
	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			
<b>At 1 January 2014 (Audited)</b>	3,144	-	13,374	235,391	15,479	3,098	23,692	(165,987)	128,191	-		128,191
Loss for the period	-	-	-	-	-	-	-	(52,305)	(52,305)	-		(52,305)
Other comprehensive loss for the period:												
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(183)	-	(183)	-		(183)
Share of exchange difference of an investment in a joint venture	-	-	-	-	-	-	(163)	-	(163)	-		(163)
Total comprehensive loss for the period	-	-	-	-	-	-	(346)	(52,305)	(52,651)	-		(52,651)
Issue of ordinary shares	2,450	47,530	-	-	-	-	-	-	49,980	-		49,980
Less: Shares issue expenses	-	(1,004)	-	-	-	-	-	-	(1,004)	-		(1,004)
<b>At 30 June 2014 (Unaudited)</b>	5,594	46,526	13,374	235,391	15,479	3,098	23,346	(218,292)	124,516	-		124,516
<b>At 1 January 2015 (Audited)</b>	10,056	113,728	3,385	235,391	15,479	3,098	23,675	(235,542)	169,270	28,643		197,913
Loss for the period	-	-	-	-	-	-	-	(5,318)	(5,318)	(387)		(5,705)
Other comprehensive income/(loss) for the period:												
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(32)	-	(32)	10		(22)
Release of exchange difference upon disposal of assets held for sale	-	-	-	-	-	-	14	-	14	-		14
Share of exchange difference of investments in associates	-	-	-	-	-	-	(113)	-	(113)	-		(113)
Share of exchange difference of an investment in a joint venture	-	-	-	-	-	-	(1)	-	(1)	-		(1)
Total comprehensive loss for the period	-	-	-	-	-	-	(132)	(5,318)	(5,450)	(377)		(5,827)
Issue of ordinary shares	2,578	30,422	-	-	-	-	-	-	33,000	-		33,000
Less: Shares issue expenses	-	(180)	-	-	-	-	-	-	(180)	-		(180)
<b>At 30 June 2015 (Unaudited)</b>	12,634	143,970	3,385	235,391	15,479	3,098	23,543	(240,860)	196,640	28,266		224,906

*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.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net cash used in operating activities	(25,223)	(45,927)
Net cash generated from/(used in) investing activities	206	(1,780)
Net cash generated from financing activities	33,812	37,837
Net increase/(decrease) in cash and cash equivalents	8,795	(9,870)
Cash and cash equivalents at beginning of the period	42,776	32,092
Effect of foreign exchange rate changes	(32)	(200)
Cash and cash equivalents at end of the period	51,539	22,022

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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 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 ("**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.

### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim results for the six months ended 30 June 2015 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 results 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 Company's annual report for the year ended 31 December 2014.

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 results for the six months ended 30 June 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 interim 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 interim results.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exemption <sup>1</sup>
Amendments HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 14	Regulatory Deferred Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

The Directors anticipate that the application of these new and revised HKFRSs will have no material impact on the Group's financial performance and positions and/or on the disclosures set out in these unaudited condensed consolidated interim results.

### 3. 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.

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

#### Segment turnover and results

For the six months ended 30 June 2015 (Unaudited)

	Manufacturing and sale of consumer cosmetics HK\$'000	Manufacturing and sale of health related and pharmaceutical products HK\$'000	Trading of financial assets at fair value through profit or loss HK\$'000	Investment in a joint venture HK\$'000	Others HK\$'000	Total HK\$'000
Gross proceeds						
Segment turnover (Note)	28,196	24,997	31,456	–	568	85,217
Segment results	(2,655)	(3,467)	17,309	(3,697)	20	7,510
Other gains						132
Loss on disposal of assets held for sale						(986)
Share of profits of associates						995
Unallocated corporate expenses						(11,814)
Finance costs						(1,543)
Loss before tax						(5,706)
Income tax credit						1
Loss for the period						(5,705)

For the six months ended 30 June 2014 (Unaudited)

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

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

	For the period ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Gross proceeds	85,217	91,059
Less: Gross proceeds from trading securities	(31,456)	(43,177)
Turnover	53,761	47,882

**Segment assets and liabilities**  
**As at 30 June 2015 (Unaudited)**

	Manufacturing and sale of consumer cosmetics HK\$'000	Manufacturing and sale of health related and pharmaceutical products HK\$'000	Trading of financial assets at fair value through profit or loss HK\$'000	Investment in a joint venture HK\$'000	Others HK\$'000	Total HK\$'000
<b>Assets</b>						
Segment assets	52,499	120,198	80,741	19,265	21,480	294,183
Unallocated corporate assets						58,177
<b>Total assets</b>						352,360
<b>Liabilities</b>						
Segment liabilities	39,409	31,823	18,509	–	1,587	91,328
Unallocated corporate liabilities						36,126
<b>Total liabilities</b>						127,454

As at 31 December 2014 (Audited)

	Manufacturing and sale of consumer cosmetics HK\$'000	Manufacturing and sale of health related and pharmaceutical products HK\$'000	Trading of financial assets at fair value through profit or loss HK\$'000	Investment in a joint venture HK\$'000	Others HK\$'000	Total HK\$'000
<b>Assets</b>						
Segment assets	53,930	149,659	30,197	22,963	22,687	279,436
Unallocated corporate assets						47,580
<b>Total assets</b>						327,016
<b>Liabilities</b>						
Segment liabilities	36,983	49,583	2,929	–	1,135	90,630
Unallocated corporate liabilities						38,473
<b>Total liabilities</b>						129,103

**Other segment information****For the six months ended 30 June 2015 (Unaudited)**

	Manufacturing and sale of consumer cosmetics HK\$'000	Manufacturing and sale of health related and pharmaceutical products HK\$'000	Trading of financial assets at fair value through profit or loss HK\$'000	Investment in a joint venture HK\$'000	Others HK\$'000	Total HK\$'000
Capital expenditures	137	347	-	-	50	534
Share of loss of a joint venture	-	-	-	3,697	-	3,697
Amortisation of prepaid lease payments	27	156	-	-	2	185
Depreciation of property, plant and equipment	327	1,617	-	-	560	2,504
Net loss on disposal of property, plant and equipment	22	22	-	-	1	45

For the six months ended 30 June 2014 (Unaudited)

	Manufacturing and sale of consumer cosmetics HK\$'000	Manufacturing and sale of health related and pharmaceutical products HK\$'000	Trading of financial assets at fair value through profit or loss HK\$'000	Investment in a joint venture HK\$'000	Others HK\$'000	Total HK\$'000
Capital expenditures	1,066	848	-	-	41	1,955
Share of profit of a joint venture	-	-	-	1,620	-	1,620
Amortisation of prepaid lease payments	31	25	-	-	1	57
Depreciation of property, plant and equipment	448	357	-	-	229	1,034
Fixed assets written off	2	2	-	-	-	4

**4. 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 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 or loss ("FVTPL"), during the three months and six months ended 30 June 2015.

**5. OTHER GAINS AND (LOSSES)**

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net gain/(loss) on financial assets at FVTPL	<b>6,171</b>	(12,117)	<b>18,164</b>	(27,026)
Dividend income	<b>49</b>	–	<b>49</b>	–
Interest income	<b>17</b>	15	<b>77</b>	167
Sundry income	<b>8</b>	85	<b>51</b>	154
Net loss on disposal of property, plant and equipment	<b>(45)</b>	–	<b>(45)</b>	–
Fixed assets written off	–	–	–	(4)
	<b>6,200</b>	(12,017)	<b>18,296</b>	(26,709)

Net gain on financial assets at FVTPL consists of net unrealised gain on fair value changes of approximately HK\$4,091,000 (six months ended 30 June 2014: net unrealised loss on fair value changes of approximately HK\$7,228,000) and net realised gain of approximately HK\$14,073,000 (six months ended 30 June 2014: net realised loss of approximately HK\$19,798,000) for the six months ended 30 June 2015.

**6. FINANCE COSTS**

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses:				
– bank borrowings wholly repayable within five years	<b>252</b>	377	<b>617</b>	746
– other borrowings wholly repayable within five years	<b>556</b>	495	<b>926</b>	1,484
	<b>808</b>	872	<b>1,543</b>	2,230



**7. LOSS BEFORE TAX**

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss before tax has been arrived at after charging:				
Staff costs (including Directors' emoluments):				
– Salaries and other benefits	5,628	5,736	9,992	10,647
– Retirement benefits scheme contributions	724	544	1,352	1,065
	6,352	6,280	11,344	11,712
Amortisation of prepaid lease payments	93	28	185	57
Cost of inventories recognised as expenses	17,554	13,222	37,486	26,792
Depreciation of property, plant and equipment	1,254	516	2,504	1,034
Operating lease charges – minimum lease payments:				
– Office premises, warehouses and staff quarters	244	601	852	1,149

**8. INCOME TAX CREDIT/(EXPENSES)**

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The amount comprises:				
Current tax credit/(expenses):				
– The PRC Enterprise Income Tax	2	(37)	1	(86)
	2	(37)	1	(86)

No provision for Hong Kong Profits Tax has been made (six months ended 30 June 2014: HK\$Nil) as the Group has no assessable profit in Hong Kong during the six months ended 30 June 2015.

The subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at the tax rate of 25% (six months ended 30 June 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.

**9. DIVIDEND**

The Board does not recommend the payment of any dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$Nil).

**10. LOSS PER SHARE**

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2015.

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited) (Restated)	<b>(Unaudited)</b>	(Unaudited) (Restated)
Loss attributable to owners of the Company (HK'000)	<b>(13,011)</b>	(27,978)	<b>(5,318)</b>	(52,305)
Weighted average number of ordinary shares in issue ('000)	<b>252,687</b>	111,883	<b>246,420</b>	103,774
Basic loss per share (HK\$)	<b>(0.051)</b>	(0.250)	<b>(0.022)</b>	(0.504)

The weighted average number of shares for the purpose of calculating the basic loss per share has been retrospectively adjusted for the six months ended 30 June 2015 and three months and six months ended 30 June 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 and six months ended 30 June 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 loss per share has been presented for the three months and six months ended 30 June 2015 and 2014 as there was no dilutive potential ordinary share outstanding during the periods.

**11. TRADE AND BILLS RECEIVABLES**

	<b>30 June 2015</b>	31 December 2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade and bills receivables	<b>25,887</b>	28,475
Less: Allowance for bad and doubtful debts	<b>(407)</b>	(407)
	<b>25,480</b>	28,068

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 bills receivables net of allowance at the end of the reporting period:

	<b>30 June 2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2014 <b>HK\$'000</b> <b>(Audited)</b>
0-90 days	<b>7,022</b>	17,599
91-180 days	<b>9,263</b>	3,815
181-365 days	<b>6,005</b>	4,588
Over 365 days	<b>3,190</b>	2,066
	<b>25,480</b>	28,068

Ageing analysis of trade receivables past due but not impaired:

	<b>30 June 2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2014 <b>HK\$'000</b> <b>(Audited)</b>
Less than 90 days past due	<b>9,263</b>	3,815
91-275 days past due	<b>6,005</b>	4,588
Over 275 days past due	<b>3,190</b>	2,066
	<b>18,458</b>	10,469

## 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June 2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2014 <b>HK\$'000</b> <b>(Audited)</b>
Rental Deposits	<b>694</b>	644
Prepayments	<b>3,726</b>	4,113
Other receivables	<b>11,947</b>	16,642
Cash held in margin accounts with stock brokers	<b>22,535</b>	11,497
	<b>38,902</b>	32,896

**13. TRADE AND BILLS PAYABLES**

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

	<b>30 June 2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2014 <b>HK\$'000</b> <b>(Audited)</b>
0-90 days	<b>10,291</b>	10,320
91-180 days	<b>3,691</b>	4,271
181-365 days	<b>2,983</b>	2,802
Over 365 days	<b>5,776</b>	3,655
	<b>22,741</b>	21,048

**14. OTHER PAYABLES AND ACCRUALS**

	<i>Notes</i>	<b>30 June 2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2014 <b>HK\$'000</b> <b>(Audited)</b>
Salaries and wages payables		<b>2,093</b>	2,095
Receipt in advances		<b>9,586</b>	4,976
Accruals and others	(a)	<b>56,069</b>	44,276
Amount due to an ex-director, Mr. Yang Honggen	(b)	<b>17,944</b>	17,598
		<b>85,692</b>	68,945

Notes:

- (a) Accruals and others include the margin payable of approximately HK\$17,898,000 (31 December 2014: approximately HK\$2,529,000) from the securities margin trading account with interest rate of 8.25% per annum for the six months ended 30 June 2015 (for the year ended 31 December 2014: 8.25% per annum).
- (b) Included in the amount due to an ex-director is the balance of approximately RMB8,969,000 (equivalent to approximately HK\$11,373,000) (31 December 2014: approximately RMB8,444,000 (equivalent to approximately HK\$10,704,000)), which is unsecured, bearing interest based on the rate quoted by the People's Bank of China, and repayable on demand. Except for the balance mentioned, the remaining amount is unsecured, interest-free and repayable on demand.

**15. OPERATING LEASE COMMITMENTS****Operating lease commitments – the Group as a lessee**

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

	<b>30 June 2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2014 <b>HK\$'000</b> <b>(Audited)</b>
Within one year	<b>1,794</b>	1,221
From the second to fifth year inclusive	<b>2,244</b>	15
	<b>4,038</b>	1,236

Leases are negotiated and rentals are fixed for terms of 1 year to 3 years for the six months ended 30 June 2015 (for the year ended 31 December 2014: 1 year to 3 years).

**Operating lease commitments – the Group as lessor**

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

**Land and buildings**

	<b>30 June 2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2014 <b>HK\$'000</b> <b>(Audited)</b>
Within one year	<b>116</b>	114
From the second to fifth year inclusive	<b>5</b>	31
	<b>121</b>	145

**Plant and machinery**

	<b>30 June 2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2014 <b>HK\$'000</b> <b>(Audited)</b>
Within one year	–	12
From the second to fifth year inclusive	–	19
	–	31

**16. CAPITAL COMMITMENTS**

	<b>30 June 2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2014 <b>HK\$'000</b> <b>(Audited)</b>
Authorised but not contracted for	<b>25,438</b>	25,438

On 29 September 2013, the Group has established an indirect wholly-owned 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 investment 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\$25,438,000).

**17. 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:

	<b>30 June 2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2014 <b>HK\$'000</b> <b>(Audited)</b>
Property, plant and equipment	<b>5,043</b>	5,408
Prepaid lease payments	<b>4,534</b>	4,590
Held for trading securities	<b>58,205</b>	18,697
Pledged cash deposits	–	2,535
Cash held in margin accounts with stock brokers included in “Deposits, prepayments and other receivables”	<b>22,535</b>	11,497
	<b>90,317</b>	42,727

**18. RELATED PARTY TRANSACTIONS****Key management personnel remuneration**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Short-term employee benefits	<b>723</b>	1,007	<b>1,459</b>	2,013
Post-employment benefits	<b>9</b>	8	<b>20</b>	16
	<b>732</b>	1,015	<b>1,479</b>	2,029

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.

**19. 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 six months ended 30 June 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 Shimalong 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 major classes of assets and liabilities classified as held for sale of the Disposed Group as at 31 December 2014 which have been presented separately in the consolidated statement of financial position, are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	190
Goodwill	16,199
Inventories	11,517
Trade and bills receivables	7,721
Deposits, prepayments and other receivables	3,404
Cash and cash equivalents	3,613
<b>Total assets classified as held for sale</b>	<b>42,644</b>
Trade payables	13,557
Other payables and accruals	5,918
Tax payable	592
<b>Total liabilities associated with assets classified as held for sale</b>	<b>20,067</b>
<b>Net assets classified as held for sale</b>	<b>22,577</b>

The analysis of the net assets classified as held for sale of the Disposed Group at the date when the Group lost control (i.e. 30 January 2015) 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
<b>Total assets classified as held for sale</b>	<b>41,044</b>
Trade payables	13,045
Other payables and accruals	8,610
<b>Total liabilities associated with assets classified as held for sale</b>	<b>21,655</b>
<b>Net assets classified as held for sale</b>	<b>19,389</b>
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



**20. EVENTS AFTER THE END OF THE REPORTING PERIOD**

On 28 May 2015, the Company entered into a memorandum of understanding (“**MOU**”) with a prospective vendor (“**Vendor**”) in relation to the proposed acquisition from the Vendor of a group of companies (“**Target Group**”) which are principally engaged in the provision of medical laboratory testing services and healthcare maintenance services in Hong Kong (“**Proposed Acquisition**”). The Group is currently under negotiation with the Vendor for the Proposed Acquisition and performing due diligence on the Target Group. Details of the Proposed Acquisition are disclosed in the announcement of the Company dated 28 May 2015.

On 10 July 2015, the Company announced to raise not less than approximately HK\$181.9 million and not more than approximately HK\$189.1 million before expenses by way of rights issue of not less than 1,010,749,200 rights shares (“**Rights Shares**”) and not more than 1,050,378,296 Rights Shares at the subscription price of HK\$0.18 per Rights Share on the basis of four Rights Shares for every one existing Share in issue held on the record date (“**Rights Issue**”). Details of the Rights Issue are disclosed in the announcements of the Company dated 11 June 2015, 10 July 2015, 15 July 2015 and 20 July 2015, and the circular of the Company dated 27 July 2015.

**21. COMPARATIVE FIGURES**

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

## BUSINESS REVIEW

### Issue of new shares under specific mandate

On 14 November 2014, the Company and China Wah Yan Healthcare Limited ("**Wah Yan Health**") (formerly known as China Renji Medical Group Limited), 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 Wah Yan Health conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 257,812,500 subscription shares ("**Subscription Shares**") at the subscription price of HK\$0.128 per Subscription Share ("**WY Subscription**"). The completion of the WY Subscription took place on 23 January 2015. The net proceeds after deduction of expenses from the WY 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. As at the date of this report, (i) approximately HK\$3.60 million had been invested in a fund investments in pharmaceutical and health related industries; (ii) approximately HK\$5.29 million (including HK\$4.83 million as consideration and HK\$0.46 million as related legal and professional fee) had been invested in New Health Elite International Limited ("**New Health**") to diversify the business and revenue sources into the provision of health management and well-being services; and (iii) the remaining net proceeds of approximately HK\$23.81 million have not been utilised, remain in the bank and will be used for funding potential acquisitions of equity interests in companies that are principally engaged in (a) the provision of DNA diagnostic testing services; (b) the sale and manufacture of personal care products; and (c) online platform for trading and sale of health related and pharmaceutical products in the PRC ("**Possible Acquisition Projects**"). 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 WY 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 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. The resolution approving 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. The Share Consolidation became effective on 1 April 2015. For details, please refer to the announcements of the Company dated 5 March 2015 and 31 March 2015, and the circular of the Company dated 13 March 2015.

**Acquisition of an associate**

In view of the business nature of Wah Yan Health and its subsidiaries which is also related to healthcare industry, the Directors consider that the WY Subscription was a strategic cooperation between the Group and Wah Yan Health and its subsidiaries which sets ground for future business cooperation if opportunity arises which will be beneficial to the business strategy and development of the Group. On 26 February 2015, Silver Wisdom Development Limited ("**Silver Wisdom**"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with New Health, a direct wholly-owned subsidiary of Wah Yan Health, 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 (representing 23% of its issued share capital as enlarged by the allotment and issue of such subscription shares) 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. It is expected that the NH Subscription will enable the Group to diversify its business and revenue sources into the provision of health management and well-being services, which is the principal business activities of New Health. The Directors consider that both the WY Subscription and the NH Subscription will allow the Group and Wah Yan Health to explore more opportunities for potential business cooperation in the future in order to take advantage of its own expertise and introduce new income stream to the Group.

**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.

**Rights issue**

On 10 July 2015, the Company announced to raise not less than approximately HK\$181.9 million and not more than approximately HK\$189.1 million before expenses by way of Rights Issue of not less than 1,010,749,200 Rights Shares and not more than 1,050,378,296 Rights Shares at the subscription price of HK\$0.18 per Rights Share on the basis of four Rights Shares for every one existing Share in issue held on the record date. Details of the Rights Issue are disclosed in the announcements of the Company dated 11 June 2015, 10 July 2015, 15 July 2015 and 20 July 2015, and the circular of the Company dated 27 July 2015.

Based on the minimum net proceeds after deduction of expenses from the Rights Issue of approximately HK\$175 million, the Company intends to use (i) approximately HK\$115.0 million for the extension of business in the healthcare related segments including the provision of molecular testing and medical diagnostic testing services which include (a) approximately HK\$100.0 million for the Proposed Acquisition; and (b) approximately HK\$15.0 million for setting up a molecular genetic testing laboratory in Hong Kong; (ii) approximately HK\$24.0 million for funding the Possible Acquisition Projects; (iii) approximately HK\$20.0 million for new money lending business; and (iv) approximately HK\$16.0 million for general working capital of the Group.

**Setting up a molecular genetic testing laboratory and the Proposed Acquisition**

The Group is currently exploring opportunities to extend its business activities in other healthcare related segments including the provision of molecular genetic testing and medical diagnostic testing services. During the six months ended 30 June 2015 ("**2015 Interim Period**"), the Group has entered into a tenancy agreement with the lessor for leasing a premises for the molecular genetic testing laboratory and as at the date of this report, the Group is currently identifying suitable equipment, machinery and experts for renovation works for the establishment of the molecular genetic testing laboratory. In addition, on 28 May 2015, the Company entered into the MOU with the Vendor in relation to the Proposed Acquisition. As at the date of this report, the Group is currently under negotiation with the Vendor for the Proposed Acquisition and performing due diligence on the Target Group. Details of the Proposed Acquisition are disclosed in the announcement of the Company dated 28 May 2015.

## FINANCIAL REVIEW

During the 2015 Interim 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 Interim Period, the Group achieved a turnover of approximately HK\$53,761,000 (six months ended 30 June 2014 (“**2014 Interim Period**”): approximately HK\$47,882,000), representing an increase of 12.28% as compared with the turnover for the 2014 Interim Period. The increase in the turnover was mainly due to (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 Interim Period.

### *Manufacturing and sale of consumer cosmetics*

Consumer cosmetics segment continued to encounter challenging market conditions during the 2015 Interim Period. The total revenue increased slightly from approximately HK\$26,191,000 for the 2014 Interim Period to approximately HK\$28,196,000 for the 2015 Interim Period mainly due to the slight improvement in export of consumer cosmetics business by one of the subsidiaries of the Company in Suzhou, despite 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 Interim Period. The total revenue increased from approximately HK\$20,843,000 for the 2014 Interim Period to approximately HK\$24,997,000 for the 2015 Interim 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 薑黃消癥搽劑 (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 Interim Period being fully recognised in the 2015 Interim 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 Interim Period, this segment recorded a significant turnaround of a net gain on financial assets at FVTPL amounting to approximately HK\$18.2 million (2014 Interim Period: net loss of approximately HK\$27.0 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 gross profit in the 2015 Interim Period of approximately HK\$15,602,000 dropped significantly when compared with that of approximately HK\$20,617,000 in the 2014 Interim Period. The gross profit margin for the 2015 Interim Period was approximately 29.02%, representing a decrease by approximately 14.04% when compared with the gross profit margin of approximately 43.06% for the 2014 Interim Period. The decrease in the gross profit and gross profit margin were 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.

**Administrative expenses**

The administrative expenses for the 2015 Interim Period were approximately HK\$20,270,000, representing a decrease of approximately 11.90%, as compared with that of approximately HK\$23,009,000 for the 2014 Interim Period. The decrease of such administrative expenses was mainly due to the fact that the Group incurred less research and development costs of approximately HK\$1.1 million in the 2015 Interim Period (2014 Interim Period: HK\$2.8 million).

**Selling and distribution expenses**

Selling and distribution expenses for the 2015 Interim Period were approximately HK\$14,103,000, representing a decrease of approximately HK\$2,513,000 or 15.12% compared with those expenses for the 2014 Interim Period. Such decrease was mainly attributable to reduced advertising and promotion expenses (2015 Interim Period: approximately HK\$6.8 million; 2014 Interim Period: approximately HK\$8.8 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 Interim 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 Interim Period, and the subsidiaries of the Company in Suzhou enjoyed the resulting marketing benefit and effect from the 2014 Interim Period during the 2015 Interim Period.

**Loss for the 2015 Interim Period**

The Group recorded a net loss of approximately HK\$5,705,000 for the 2015 Interim Period (2014 Interim Period: loss of approximately HK\$52,305,000). The substantial reduction in net loss of the Group for the 2015 Interim Period was mainly due to (i) the net gain on financial assets at FVTPL of approximately HK\$18.2 million as compared with the net loss on financial assets at FVTPL of approximately HK\$27.0 million during the 2014 Interim Period; (ii) share of profits of associates of approximately HK\$1.0 million; and (iii) the absence, in the 2015 Interim Period, of one-off loss on deemed disposal of partial interest in a joint venture of approximately HK\$5.9 million recorded by the Group for 2014 Interim Period, despite that the significant improvement in business performance of the Group for the 2015 Interim Period was partially offset by (i) the increase in the cost of sales, including labour costs and raw materials costs; (ii) 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; and (iii) share of loss of an investment in a joint venture of approximately HK\$3.7 million.

**FUTURE PROSPECT****Continue to identify appropriate securities investment opportunities**

During the 2015 Interim 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).

In order to minimise the business risk over the money lending business, 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 Company has proposed the Rights Issue to raise funds for, among other matters, the money lending business. The Company expects that the money lending business will commence in September 2015. 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 and implement cost-saving strategies in order to minimise the impact of the increasing production costs in the health related and pharmaceutical products segment. 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 and the PRC; (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; (iii) developing and manufacturing of new health related and pharmaceutical products through the newly acquired factory held by Shu Mei Da; and (iv) setting up a molecular genetic testing laboratory in Hong Kong.

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 (i) the sale and manufacture of personal care products, (ii) the provision of medical or DNA diagnostic testing services and healthcare maintenance services, and (iii) online platform for trading and sale of health related and pharmaceutical products in the PRC.

**FINANCIAL RESOURCES AND LIQUIDITY**

As at 30 June 2015, the Group held cash and bank balances (included pledged cash deposits) amounted to approximately HK\$51,539,000 (31 December 2014: approximately HK\$41,698,000). The Group has bank borrowings of approximately HK\$19,021,000 (31 December 2014: approximately HK\$19,014,000). The bank borrowings were secured and carried interest floating at 135% of prime rate offered by the People’s Bank of China.

As at 30 June 2015, total assets of the Group were approximately HK\$352,360,000 (31 December 2014: HK\$327,016,000), whereas total liabilities were approximately HK\$127,454,000 (31 December 2014: HK\$129,103,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 36% (31 December 2014: 39%). Current ratio (defined as total current assets divided by total current liabilities) was 1.92 times (31 December 2014: 1.77 times).



## CAPITAL STRUCTURE

The Group generally finances its operations with internal generated resources and proceeds raised from issue of new shares of the Company. As at 30 June 2015, the total issued share capital of the Company was HK\$12,634,365 divided into 252,687,300 ordinary shares of HK\$0.05 each.

## FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

During the 2015 Interim Period, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi.

When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including interest rate swaps and foreign currency forwards contract will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations as appropriate.

## OPERATING LEASE COMMITMENTS

Details of operating lease commitments are stated in note 15 to the unaudited condensed consolidated interim results.

## CAPITAL COMMITMENTS

Details of capital commitments are stated in note 16 to the unaudited condensed consolidated interim results.

## CONTINGENT LIABILITIES

As at 30 June 2015 and 31 December 2014, the Group has no contingent liabilities.

## OTHER INFORMATION

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

As at 30 June 2015, 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 (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 (Note)
Cheung Hung	Beneficial owner	28 August 2014	1 January 2015 to 31 December 2016	0.8045	534,950	0.212%
Leung Pak Hou Anson	Beneficial owner	28 August 2014	1 January 2015 to 31 December 2016	0.8045	534,950	0.212%
Chen Miaoping	Beneficial owner	28 August 2014	1 January 2015 to 31 December 2016	0.8045	534,950	0.212%

*Note:*

As at 30 June 2015, the total number of the issued share of the Company was 252,687,300 ordinary shares of HK\$0.05 each of the Company.

Save as disclosed above, none of the Directors nor the chief executive of the Company has, as at 30 June 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.

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

As at 30 June 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 shareholders	Nature of interest	No. of Shares held	Approximate percentage (Note 1)
China Wah Yan Healthcare Limited (formerly known as China Renji Medical Group Limited)	Beneficial owner	51,562,500	20.41%
Gransing Securities Co., Limited (Note 3)	Other	844,128,296	64.29% (Note 2)
Que Bon Tan Gerald (Note 3)	Interest of a controlled corporation	844,128,296	64.29% (Note 2)
Oei Hong Eng (Note 3)	Interest of a controlled corporation	844,128,296	64.29% (Note 2)

#### Notes:

- As at 30 June 2015, the total number of the issued share of the Company was 252,687,300 ordinary shares of HK\$0.05 each of the Company.
- The percentage of shareholding is calculated based on the maximum number of the total issued share capital of the Company upon completion of the Rights Issue, i.e., 1,312,972,870 Shares.
- The total of 844,128,296 Rights Shares represent the maximum number of underwritten shares that Gransing Securities Co., Limited ("**Gransing**") has agreed to underwrite pursuant to the terms of the underwriting agreement dated 11 June 2015 entered into between the Company and Gransing in respect of the Rights Issue. Based on the notices of disclosure of interests of Gransing, Mr. Que Bon Tan Gerald ("**Mr. Que**") and Ms. Oei Hong Eng ("**Ms. Oei**") filed with the Stock Exchange on 21 July 2015, Gransing is owned 50% each by Mr. Que and Ms. Oei.

Save as disclosed above, as at 30 June 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 2015 Interim Period 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 shares HK\$	Outstanding at 1 January 2015	Granted during the period	Number of share options			Outstanding as at 30 June 2015
						Lapsed during the period	Cancelled during the period	Exercised during the period	
Directors	28 August 2014	1 January 2015 to 31 December 2016	0.8045	1,604,850	-	-	-	-	1,604,850
Employees and service provider	28 August 2014	1 January 2015 to 31 December 2016	0.8045	8,302,424	-	-	-	-	8,302,424
Exercisable options				9,907,274	-	-	-	-	9,907,274
Weighted average exercise price (HK\$)			0.8045		-	-	-	-	0.8045

*Note:* The number of outstanding share options and exercise price per share have been retrospectively adjusted for the Share Consolidation.

## **MATERIAL ACQUISITION AND 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 Interim Period.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2015, the Group had approximately 408 employees (30 June 2014: 404 employees) which are mainly located in the PRC. Total staff costs for the 2015 Interim Period was approximately HK\$11.3 million (2014 Interim Period: HK\$11.7 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 Interim Period were approximately HK\$1,352,000 (2014 Interim Period: HK\$1,065,000).

## **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 Interim 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 Interim 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 Interim 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 Board, Mr. Cheung Hung, is also an executive Director, the Company was unable to hold such meeting where no executive Director was present.

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. The chairman of the Board, Mr. Cheung Hung, did not attend the annual general meeting of the Company held on 19 May 2015 ("**2015 AGM**") due to other commitments. However, Mr. Leung Pak Hou Anson, the member of the remuneration committee of the Board and the executive Director, Ms. Chen Miaoping, the chief executive officer and the executive Director, and Mr. Lei Kin Keong, the company secretary and the financial controller of the Company, attended the 2015 AGM to answer questions and communicate with the shareholders of the Company present thereat.

## 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 Interim 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 interim results of the Group for the 2015 Interim 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, 11 August 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.*