



**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

**Third Quarterly Report 2015**

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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 THIRD QUARTERLY RESULTS

The board (“**Board**”) of directors (“**Directors**”) of Rui Kang Pharmaceutical Group Investments Limited (“**Company**”) presents the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and nine months ended 30 September 2015 together with the comparative unaudited figures for the corresponding period in 2014. The unaudited condensed consolidated third quarterly results 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 AND NINE MONTHS ENDED 30 SEPTEMBER 2015

		Three months ended 30 September		Nine months ended 30 September	
		2015	2014	2015	2014
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Gross Proceeds</b>	3	<b>47,456</b>	55,458	<b>132,673</b>	146,517
<b>Turnover</b>	3	<b>28,102</b>	40,790	<b>81,863</b>	88,672
Cost of sales		<b>(22,627)</b>	(25,116)	<b>(60,786)</b>	(52,381)
<b>Gross profit</b>		<b>5,475</b>	15,674	<b>21,077</b>	36,291
Other income and (losses)/gains	4	<b>(17,085)</b>	(6,523)	<b>1,211</b>	(33,232)
Selling and distribution expenses		<b>(5,562)</b>	(6,949)	<b>(19,665)</b>	(23,565)
Administrative expenses		<b>(9,942)</b>	(11,538)	<b>(30,212)</b>	(34,547)
Loss from operation		<b>(27,114)</b>	(9,336)	<b>(27,589)</b>	(55,053)
Finance costs	5	<b>(783)</b>	(1,314)	<b>(2,326)</b>	(3,544)
Loss on disposal of assets held for sale	9	<b>–</b>	–	<b>(986)</b>	–
Loss on deemed disposal of partial interest in a joint venture		<b>–</b>	–	<b>–</b>	(5,892)
Share of profits of associates		<b>423</b>	–	<b>1,418</b>	–
Share of profit/(loss) of a joint venture		<b>562</b>	765	<b>(3,135)</b>	2,385
<b>Loss before tax</b>		<b>(26,912)</b>	(9,885)	<b>(32,618)</b>	(62,104)
Income tax expenses	6	<b>(16)</b>	(17)	<b>(15)</b>	(103)
<b>Loss for the period</b>		<b>(26,928)</b>	(9,902)	<b>(32,633)</b>	(62,207)
<b>Loss attributable to:</b>					
Owners of the Company		<b>(26,334)</b>	(9,902)	<b>(31,652)</b>	(62,207)
Non-controlling interests		<b>(594)</b>	–	<b>(981)</b>	–
		<b>(26,928)</b>	(9,902)	<b>(32,633)</b>	(62,207)

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2015

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Loss for the period</b>		<b>(26,928)</b>	(9,902)	<b>(32,633)</b>	(62,207)
<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>(4,070)</b>	(10)	<b>(4,092)</b>	(193)
Release of exchange difference upon disposal of assets held for sale	9	–	–	<b>14</b>	–
Share of exchange difference of investments in associates		<b>485</b>	–	<b>372</b>	–
Share of exchange difference of investment in a joint venture		<b>(802)</b>	42	<b>(803)</b>	(121)
<b>Total comprehensive loss for the period</b>		<b>(31,315)</b>	(9,870)	<b>(37,142)</b>	(62,521)
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		<b>(29,626)</b>	(9,870)	<b>(35,076)</b>	(62,521)
Non-controlling interests		<b>(1,689)</b>	–	<b>(2,066)</b>	–
		<b>(31,315)</b>	(9,870)	<b>(37,142)</b>	(62,521)
<b>Loss per share (HK\$)</b>					
			(Restated)		(Restated)
– Basic and diluted	8	<b>(0.052)</b>	(0.055)	<b>(0.107)</b>	(0.421)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

	Attributable to owners of the Company										Total HK\$'000
	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	
<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	-	-	-	-	-	-	-	(62,207)	(62,207)	-	(62,207)
Other comprehensive loss for the period:											
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(193)	-	(193)	-	(193)
Share of exchange difference of an investment in a joint venture	-	-	-	-	-	-	(121)	-	(121)	-	(121)
Total comprehensive loss for the period	-	-	-	-	-	-	(314)	(62,207)	(62,521)	-	(62,521)
Cancellation of share options	-	-	(1,801)	-	-	-	-	1,801	-	-	-
Lapse of share options	-	-	(9,816)	-	-	-	-	9,816	-	-	-
Recognition of equity settled share-based payment expenses	-	-	913	-	-	-	-	-	913	-	913
Issue of ordinary shares	3,560	66,400	-	-	-	-	-	-	69,960	-	69,960
Less: Shares issue expenses	-	(1,523)	-	-	-	-	-	-	(1,523)	-	(1,523)
<b>At 30 September 2014 (Unaudited)</b>	6,704	64,877	2,670	235,391	15,479	3,098	23,378	(216,577)	135,020	-	135,020
<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	-	-	-	-	-	-	-	(31,652)	(31,652)	(981)	(32,633)
Other comprehensive income/(loss) for the period:											
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(3,007)	-	(3,007)	(1,085)	(4,092)
Release of exchange difference upon disposal of assets held for sale	-	-	-	-	-	-	14	-	14	-	14
Share of exchange difference of investments in associates	-	-	-	-	-	-	372	-	372	-	372
Share of exchange difference of an investment in a joint venture	-	-	-	-	-	-	(803)	-	(803)	-	(803)
Total comprehensive loss for the period	-	-	-	-	-	-	(3,424)	(31,652)	(35,076)	(2,066)	(37,142)
Issue of ordinary shares	53,116	161,819	-	-	-	-	-	-	214,935	-	214,935
Less: Shares issue expenses	-	(6,824)	-	-	-	-	-	-	(6,824)	-	(6,824)
<b>At 30 September 2015 (Unaudited)</b>	63,172	268,723	3,385	235,391	15,479	3,098	20,251	(267,194)	342,305	26,577	368,882

*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 THIRD 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 (“**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 third quarterly results for the nine months ended 30 September 2015 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the 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 the GEM of the Stock Exchange.

The unaudited condensed consolidated third 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 third quarterly results for the nine months ended 30 September 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 third quarterly results.

### NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

In the current period, the Group has applied a number of new and revised HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins 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 has had no material effect on the Group's unaudited condensed consolidated third 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 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 nine months ended 30 September 2015.

	Three months ended 30 September 2015		Nine months ended 30 September 2015	
	HK\$'000	2014 HK\$'000	HK\$'000	2014 HK\$'000
Manufacturing and sale of consumer cosmetics	<b>22,563</b>	15,426	<b>50,759</b>	41,621
Manufacturing and sale of health related and pharmaceutical products	<b>5,530</b>	25,317	<b>30,527</b>	46,351
Manufacturing and sale of health supplement wine, dental materials and equipment	<b>9</b>	47	<b>577</b>	700
	<b>28,102</b>	40,790	<b>81,863</b>	88,672
Gross proceeds from trading of securities ( <i>Note</i> )	<b>19,354</b>	14,668	<b>50,810</b>	57,845
	<b>47,456</b>	55,458	<b>132,673</b>	146,517

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



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

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net (loss)/gain on financial assets at FVTPL	(17,890)	(7,034)	274	(34,060)
Dividend income	47	33	96	33
Interest income	120	14	197	181
Sundry income	640	464	691	618
Net loss on disposal of property, plant and equipment	(2)	–	(47)	–
Fixed assets written off	–	–	–	(4)
	(17,085)	(6,523)	1,211	(33,232)

Net gain on financial assets at FVTPL consists of net unrealised loss on fair value changes of approximately HK\$1,775,000 (nine months ended 30 September 2014: approximately HK\$4,148,000) and net realised gain of approximately HK\$2,049,000 (nine months ended 30 September 2014: net realised loss of approximately HK\$29,912,000) for the nine months ended 30 September 2015.

## 5. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses:				
– bank borrowings wholly repayable within five years	357	407	974	1,153
– other borrowings wholly repayable within five years	426	907	1,352	2,391
	783	1,314	2,326	3,544

## 6. INCOME TAX EXPENSES

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The amount comprises:				
Current tax expenses:				
– The PRC Enterprise Income Tax	16	17	15	103
	16	17	15	103

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit in Hong Kong during the nine months ended 30 September 2015 and 2014.

The subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at the tax rate of 25% (nine months ended 30 September 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 nine months ended 30 September 2015 (nine months ended 30 September 2014: HK\$Nil).

## 8. 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 three months and nine months ended 30 September 2015 and 2014.

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014 (Restated)	2015	2014 (Restated)
Loss attributable to owners of the Company (HK'000)	<b>(26,334)</b>	(9,902)	<b>(31,652)</b>	(62,207)
Weighted average number of ordinary shares in issue ('000)	<b>502,073</b>	178,830	<b>296,663</b>	147,605
Basic loss per share (HK\$)	<b>(0.052)</b>	(0.055)	<b>(0.107)</b>	(0.421)

The weighted average number of shares for the purpose of calculating the basic loss per share has been retrospectively adjusted for the nine months ended 30 September 2015 and three months and nine months ended 30 September 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 nine months ended 30 September 2015 and 2014 has been restated on a retrospective basis for the rights issue of the Company, the completion of which took place on 18 September 2015.

The weighted average number of shares for the purpose of calculating the basic loss per share for the three and nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 ceased to have control (i.e. 30 January 2015, being the completion date of the disposal of the Disposed Group) 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

#### 10. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 28 May 2015, the Company entered into a memorandum of understanding (“**MOU**”) with Deep Value Financing Fund (“**Deep Value**”) in relation to the proposed acquisition from Deep Value of a group of companies which are principally engaged in the provision of medical laboratory testing services and healthcare maintenance services in Hong Kong. Subsequently, on 18 September 2015, Fair Brilliant Group Limited (“**Fair Brilliant**”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (“**SP Agreement**”) with Deep Value, pursuant to which Fair Brilliant has conditionally agreed to purchase, and Deep Value has conditionally agreed to sell, 100% of the issued share capital of DVF Holdco (Cayman) Limited (together with its subsidiaries, collectively the “**Target Group**”) at a cash consideration of HK\$103,000,000 (“**DVF Acquisition**”). As at the date of this report, completion of the DVF Acquisition had not yet taken place. Details of the DVF Acquisition are disclosed in the announcements of the Company dated 28 May 2015 and 18 September 2015.

On 18 September 2015, immediately after the entering into of the SP Agreement, Fair Brilliant and Mr. Wong Sou Him Lawrence (“**Subscriber**”), who is a director of certain members of the Target Group, entered into a subscription deed, pursuant to which Fair Brilliant has conditionally agreed to issue and allot, and the Subscriber has conditionally agreed to purchase, three new shares of Fair Brilliant (“**FB Subscription Shares**”), representing 3% of the total issued share capital of Fair Brilliant as enlarged by the allotment and issue of the FB Subscription Shares, at the total subscription price of HK\$3,138,000 (“**FB Subscription**”). As at the date of this report, completion of the FB Subscription had not yet taken place. Details of the FB Subscription are disclosed in the announcement of the Company dated 18 September 2015.

On 18 September 2015, Fair Brilliant entered into a sale and purchase agreement with Mr. Ng Kam Cheung Stephen and Ms. Foo Wye Chan Marie (collectively, the “**Vendors**”), pursuant to which Fair Brilliant has conditionally agreed to purchase, and the Vendors has conditionally agreed to sell, the entire issued share capital of Asia Molecular Diagnostics Limited (trading as CompuScreen Medical Diagnostic Centre) (“**Asia Molecular**”) and the aggregate amount of loans as owed by Asia Molecular to the Vendors, which, as at the date of the sale and purchase agreement, amounted to HK\$882,713.16, at a total cash consideration of HK\$1,600,000 (subject to adjustment) (“**Asia Molecular Acquisition**”). Asia Molecular is principally engaged in the provision of medical diagnostic services in Hong Kong. The completion of Asia Molecular Acquisition took place on 2 October 2015. Details of the Asia Molecular Acquisition are disclosed in the announcement of the Company dated 18 September 2015.

## 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 ("**WY Subscription Shares**") at the subscription price of HK\$0.128 per WY 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 30 September 2015, (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 and 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 WY Subscription Share was approximately HK\$0.127 and the nominal value of the WY 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 was 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 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 a 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. 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 on the basis of four rights shares ("**Rights Shares**") for every one existing Share in issue held on the record date at the subscription price of HK\$0.18 per Rights Share 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 ("**Rights Issue**"). The subscription price of HK\$0.18 per Rights Share represented (i) a discount of approximately 38.98% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on 10 July 2015; (ii) a discount of approximately 36.80% to the average closing price of approximately HK\$0.2848 per Share for the five consecutive trading days prior to 10 July 2015; (iii) a discount of approximately 47.28% to the average closing price of approximately HK\$0.3414 per Share for the ten consecutive trading days prior to 10 July 2015; and (iv) a discount of approximately 11.33% to the theoretical ex-rights price of approximately HK\$0.203 per Share based on the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on 10 July 2015.

The completion of the Rights Issue took place on 18 September 2015. 335,208,000 Rights Shares were allotted and issued pursuant to the Rights Issue and the net proceeds after deduction of expenses from the Rights Issue were approximately HK\$175.0 million. The Company intended 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 DVF 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. The net proceeds of approximately HK\$69.3 million had been utilised as intended. The remaining net proceeds of approximately HK\$105.7 million, which have not yet been utilised, remain in the bank for intended use as at 30 September 2015. Details of the Rights Issue are disclosed in the announcements of the Company dated 11 June 2015, 10 July 2015, 20 July 2015 and 17 September 2015, the circular of the Company dated 27 July 2015, and the prospectus dated 26 August 2015.

### Extension of business activities in other healthcare related segments

The Group is actively exploring opportunities to extend its business activities in healthcare related segments including the provision of molecular genetic testing and medical diagnostic testing services. During the nine months ended 30 September 2015 ("**2015 Q3 Period**"), the Group had identified healthcare related businesses being/to be acquired by the Group including the DVF Acquisition and the Asia Molecular Acquisition.

In addition, the Group has acquired high-end equipment, and has employed experts specialised in molecular genetic testing to establish a molecular laboratory during the 2015 Q3 Period. The molecular genetic testing laboratory of the Group has commenced its operation in October 2015.

## FINANCIAL REVIEW

During the 2015 Q3 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 Q3 Period, the Group achieved a turnover of approximately HK\$81,863,000 (nine months ended 30 September 2014 ("**2014 Q3 Period**"): approximately HK\$88,672,000), representing a decrease of 7.68% as compared with the turnover for the 2014 Q3 Period. Despite the fact that such decrease was partially offset by the contribution made by Shu Mei Da, the subsidiary acquired by the Group in November 2014 as its full period turnover had been recognised in the 2015 Q3 Period, the overall decrease in the turnover was mainly due to the deconsolidation of the results of Ying Run on 30 January 2015, as a result of the disposal of 70% of the issued share capital of Magical Bloom Limited as described in the paragraph headed "Disposal of assets held for sale" above. Ying Run is principally engaged in the sale of medicated oil products and such deconsolidation has caused a decrease in turnover of the Group.

### *Manufacturing and sale of consumer cosmetics*

Despite the consumer cosmetics segment continued to encounter challenging market conditions during the 2015 Q3 Period and the receding performance of some consumer cosmetics, which have become less competitive and being phased out in the PRC market, the total revenue increased steadily from approximately HK\$41,621,000 for the 2014 Q3 Period to approximately HK\$50,759,000 for the 2015 Q3 Period mainly due to the steady improvement in export of consumer cosmetics business by one of the subsidiaries of the Company in Suzhou.

***Manufacturing and sale of health related and pharmaceutical products***

Health related and pharmaceutical products segment showed a significant reduction in total revenue during the 2015 Q3 Period. The total revenue decreased from approximately HK\$46,351,000 for the 2014 Q3 Period to approximately HK\$30,527,000 for the 2015 Q3 Period, which was mainly due to the significant decrease in sales of medicated oil products including CMALO Wood Lock Oil, CMALO Red Flower Oil and Strong Haling Oil in the PRC (excluding Hong Kong and Macau) by Ying Run, the then subsidiary, despite of the fact that such decrease was partially offset by 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. As Ying Run had become an associate from a subsidiary since 30 January 2015, only one month of turnover of Ying Run was recognised in the 2015 Q3 Period. On the other hand, Shu Mei Da was acquired by the Group in November 2014, the turnover of Shu Mei Da for the 2015 Q3 Period was fully recognised in the 2015 Q3 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 Q3 Period, this segment recorded a significant turnaround of a net gain on financial assets at FVTPL amounting to approximately HK\$0.3 million (2014 Q3 Period: net loss of approximately HK\$34.1 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 Q3 Period of approximately HK\$21,077,000 dropped significantly when compared with that of approximately HK\$36,291,000 in the 2014 Q3 Period. The gross profit margin for the 2015 Q3 Period was approximately 25.75%, representing a decrease by approximately 15.18% when compared with the gross profit margin of approximately 40.93% for the 2014 Q3 Period. The decrease in the gross profit and gross profit margin were mainly due to (i) the increasing 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.

### **Selling and distribution expenses**

Selling and distribution expenses for the 2015 Q3 Period were approximately HK\$19,665,000, representing a decrease of approximately HK\$3,900,000 or 16.55% compared with those expenses for the 2014 Q3 Period. Such decrease was mainly attributable to reduced advertising and promotion expenses (2015 Q3 Period: approximately HK\$8.5 million; 2014 Q3 Period: approximately HK\$11.5 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 Q3 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 Q3 Period, and thus the subsidiaries of the Company in Suzhou enjoyed the resulting marketing benefit and effect from the 2014 Q3 Period during the 2015 Q3 Period.

### **Administrative expenses**

The administrative expenses for the 2015 Q3 Period were approximately HK\$30,212,000, representing a decrease of approximately 12.55%, as compared with that of approximately HK\$34,547,000 for the 2014 Q3 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\$1.7 million (2014 Q3 Period: HK\$3.1 million) and less staff costs of approximately HK\$12.1 million (2014 Q3 Period: HK\$13.4 million) in the 2015 Q3 Period as a result of effective cost control measures by decreasing headcounts and the absence of one-off share-based payment expenses of approximately HK\$0.9 million recorded by the Group for the 2014 Q3 Period.

### **Loss for the 2015 Q3 Period**

The Group recorded a net loss of approximately HK\$32,633,000 for the 2015 Q3 Period (2014 Q3 Period: approximately HK\$62,207,000). The substantial reduction in net loss of the Group for the 2015 Q3 Period was mainly due to (i) the net gain on financial assets at FVTPL of approximately HK\$0.3 million as compared with the net loss on financial assets at FVTPL of approximately HK\$34.1 million during the 2014 Q3 Period; (ii) share of profits of associates of approximately HK\$1.4 million; and (iii) the absence of one-off loss on deemed disposal of partial interest in a joint venture of approximately HK\$5.9 million, which was recorded by the Group for the 2014 Q3 Period, despite that the significant improvement in business performance of the Group for the 2015 Q3 Period was partially offset by (i) the increasing pressure on 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 a joint venture of approximately HK\$3.1 million.

## FUTURE PROSPECTS

### **Continue to identify appropriate securities investment opportunities**

During the 2015 Q3 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 raised HK\$20 million through the Rights Issue, which was completed on 18 September 2015, for the money lending business. The Company expects that the money lending business will commence in the fourth quarter of 2015. The management of the Group is monitoring the progress of this business closely.

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

Looking forward, due to high 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 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 exercise due diligence and identify appropriate investment opportunities according to its investment strategies in securities trading business 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 and the PRC; (ii) introducing new health related products in order to enlarge the products lists; (iii) acquiring companies engaging in the provision of medical laboratory testing services and healthcare maintenance services; and (iv) developing and manufacturing of new health related and pharmaceutical products through the 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 (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 Hong Kong and in the PRC.



## OTHER INFORMATION

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

As at 30 September 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)
Mr. Cheung Hung	Beneficial owner	28 August 2014	1 January 2015 to 31 December 2016	0.6337	679,081	0.054%
Mr. Leung Pak Hou Anson	Beneficial owner	28 August 2014	1 January 2015 to 31 December 2016	0.6337	679,081	0.054%
Ms. Chen Miaoping	Beneficial owner	28 August 2014	1 January 2015 to 31 December 2016	0.6337	679,081	0.054%

*Note:*

As at 30 September 2015, the total number of the issued share of the Company was 1,263,436,500 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 had, as at 30 September 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.

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

As at 30 September 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
China Wah Yan Healthcare Limited (formerly known as China Renji Medical Group Limited)	Beneficial owner	257,812,500	20.41%

*Note:*

As at 30 September 2015, the total number of the issued share of the Company was 1,263,436,500 ordinary shares of HK\$0.05 each of the Company.

Save as disclosed above, as at 30 September 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 Q3 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 Share as at 30 September 2015 HK\$	Number of share options						Outstanding as at 30 September 2015
				Outstanding as at 1 January 2015	Granted during the period	Adjustment due to Rights Issue	Lapsed during the period	Cancelled during the period	Exercised during the period	
Directors	28 August 2014	1 January 2015 to 31 December 2016	0.6337	1,604,850	-	432,393	-	-	-	2,037,243
Employees and service provider	28 August 2014	1 January 2015 to 31 December 2016	0.6337	8,302,424	-	2,236,924	-	-	-	10,539,348
Exercisable options				9,907,274	-	2,669,317	-	-	-	12,576,591
Weighted average exercise price (HK\$)				0.8045	-	-	-	-	-	0.6337

*Notes:*

- The number of outstanding share options and exercise price per Share have been retrospectively adjusted from 49,536,370 to 9,907,274 and from HK\$0.1609 to HK\$0.8045 for the Share Consolidation respectively with effect from 1 April 2015.
- Upon the Completion of the Rights Issue, the number of outstanding share options and the exercise price per Share was also adjusted from 9,907,274 to 12,576,591 and from HK\$0.8045 to HK\$0.6337 respectively with effect from 18 September 2015.
- As at 30 September 2015, the number of shares in respect of which options under the new share option scheme granted and remained outstanding was 12,576,591, representing approximately 0.995% of the total issued share capital of the Company (i.e. 1,263,436,500 Shares).

## 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 Q3 Period.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2015, the Group had approximately 371 employees (30 September 2014: 447 employees) which are mainly located in the PRC. Total staff costs for the 2015 Q3 Period was approximately HK\$16.4 million (2014 Q3 Period: HK\$18.1 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 unaudited condensed consolidated statement of profit or loss and other comprehensive income for the 2015 Q3 Period were approximately HK\$2.0 million (2014 Q3 Period: HK\$1.6 million).

## 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 Q3 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 Q3 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 Q3 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 Q3 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 third quarterly results of the Group for the 2015 Q3 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 November 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.*