



**Rui Kang Pharmaceutical Group Investments Limited**  
**銳康藥業集團投資有限公司**

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)  
Stock Code: 8037

**First Quarterly Report**

**2016**





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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 GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this report misleading.*



## UNAUDITED FIRST QUARTERLY RESULTS

The board ("Board") of directors ("Directors") of Rui Kang Pharmaceutical Group Investments Limited ("Company") presents the unaudited condensed consolidated first quarterly results of the Company and its subsidiaries (collectively, "Group") for the three months ended 31 March 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

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

FOR THE THREE MONTHS ENDED 31 MARCH 2016

		Three months ended 31 March	
		2016 HK\$'000	2015 HK\$'000 (Restated)
	Notes		
<b>Continuing operations</b>			
<b>Gross proceeds</b>	3	<b>30,162</b>	15,522
<b>Turnover</b>	3	<b>16,571</b>	11,978
Cost of sales		(11,525)	(7,346)
<b>Gross profit</b>		<b>5,046</b>	4,632
Other income and gain/(loss)	4	1,278	11,951
Selling and distribution expenses		(4,768)	(1,833)
Administrative expenses		(11,580)	(7,670)
<b>(Loss)/profit from operations</b>		<b>(10,024)</b>	7,080
Finance costs	5	(761)	(36)
Loss on disposal of assets held for sale	10	(795)	(986)
Share of profit of associates		372	440
Share of (loss)/profit of a joint venture		(141)	613
<b>(Loss)/profit before tax</b>		<b>(11,349)</b>	7,111
Income tax expenses	6	(32)	–
(Loss)/profit for the period from continuing operations		<b>(11,381)</b>	7,111
<b>Discontinued operation</b>			
Profit for the period from discontinued operation	9	<b>35,526</b>	195
<b>Profit for the period</b>		<b>24,145</b>	7,306
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company			
– From continuing operations		(10,956)	7,086
– From discontinued operation		35,526	195
Non-controlling interests			
– From continuing operations		(425)	25
		<b>24,145</b>	7,306



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

FOR THE THREE MONTHS ENDED 31 MARCH 2016

	<i>Notes</i>	Three months ended 31 March	
		2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Profit for the period</b>		<b>24,145</b>	<b>7,306</b>
<b>Other comprehensive income/(loss) for the period</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		<b>220</b>	(264)
Release of exchange difference upon disposal of assets held for sale	10	<b>1,077</b>	14
Release of exchange difference upon disposal of discontinued operation	9	<b>(24,802)</b>	–
Share of exchange differences of investments in associates		<b>222</b>	(1)
Share of exchange difference of an investment in a joint venture		<b>(50)</b>	(93)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(23,333)</b>	(344)
<b>Total comprehensive income for the period</b>		<b>812</b>	<b>6,962</b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Owners of the Company		<b>1,122</b>	7,053
Non-controlling interests		<b>(310)</b>	(91)
		<b>812</b>	<b>6,962</b>
<b>Earnings per share – Continuing and discontinued operations (HK\$)</b>			
– basic and diluted	8	<b>0.037</b>	0.048
<b>(Loss)/earnings per share – Continuing operations (HK\$)</b>			
– basic and diluted	8	<b>(0.017)</b>	0.047
<b>Earnings per share – Discontinued operation (HK\$)</b>			
– basic and diluted	8	<b>0.054</b>	0.001



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Attributable to owners of the Company											Total
	Share capital HK\$'000	Share premium HK\$'000	Share option reserves HK\$'000	Special reserve HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Statutory surplus reserve fund HK\$'000 (Note c)	Statutory enterprise expansion fund HK\$'000 (Note d)	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
<b>At 1 January 2015</b>	10,056	113,728	3,385	235,391	-	15,479	3,098	23,675	(235,542)	169,270	28,643	197,913
Profit for the period	-	-	-	-	-	-	-	-	7,281	7,281	25	7,306
Other comprehensive income/ (loss) for the period:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(148)	-	(148)	(116)	(264)
Release of exchange difference upon disposal of assets held for sale (Note 10(b))	-	-	-	-	-	-	-	14	-	14	-	14
Share of exchange differences of investments in associates	-	-	-	-	-	-	-	(1)	-	(1)	-	(1)
Share of exchange difference of an investment in a joint venture	-	-	-	-	-	-	-	(93)	-	(93)	-	(93)
Other comprehensive loss for the period, net of tax	-	-	-	-	-	-	-	(228)	-	(228)	(116)	(344)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(228)	7,281	7,053	(91)	6,962
Issue of ordinary shares	2,578	32,742	-	-	-	-	-	-	-	35,320	-	35,320
Less: Shares issue expenses	-	(2,320)	-	-	-	-	-	-	-	(2,320)	-	(2,320)
<b>At 31 March 2015</b>	<b>12,634</b>	<b>144,150</b>	<b>3,385</b>	<b>235,391</b>	<b>-</b>	<b>15,479</b>	<b>3,098</b>	<b>23,447</b>	<b>(228,261)</b>	<b>209,323</b>	<b>28,552</b>	<b>237,875</b>



# **UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Attributable to owners of the Company											Total
	Share capital HK\$'000	Share premium HK\$'000	Share option reserves HK\$'000	Special reserve HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Statutory surplus reserve fund HK\$'000 (Note c)	Statutory enterprise expansion fund HK\$'000 (Note d)	Exchange reserves HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
<b>At 1 January 2016</b>	<b>65,699</b>	<b>270,972</b>	<b>3,385</b>	<b>235,391</b>	<b>3,154</b>	<b>15,479</b>	<b>3,098</b>	<b>21,691</b>	<b>(297,811)</b>	<b>321,058</b>	<b>21,680</b>	<b>342,738</b>
Profit/(loss) for the period	-	-	-	-	-	-	-	-	24,570	24,570	(425)	24,145
Other comprehensive income/(loss) for the period:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	105	-	105	115	220
Release of exchange difference upon disposal of assets held for sale (Note 10(a))	-	-	-	-	-	-	-	1,077	-	1,077	-	1,077
Release of exchange difference upon disposal of discontinued operation (Note 9)	-	-	-	-	-	-	-	(24,802)	-	(24,802)	-	(24,802)
Share of exchange differences of investments in associates	-	-	-	-	-	-	-	222	-	222	-	222
Share of exchange difference of an investment in a joint venture	-	-	-	-	-	-	-	(50)	-	(50)	-	(50)
Other comprehensive (loss)/income for the period, net of tax	-	-	-	-	-	-	-	(23,448)	-	(23,448)	115	(23,333)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(23,448)	24,570	1,122	(310)	812
Transfer upon disposal of subsidiaries	-	-	-	(22,443)	-	(15,479)	(3,098)	-	41,020	-	-	-
<b>At 31 March 2016</b>	<b>65,699</b>	<b>270,972</b>	<b>3,385</b>	<b>212,948</b>	<b>3,154</b>	<b>-</b>	<b>-</b>	<b>(1,757)</b>	<b>(232,221)</b>	<b>322,180</b>	<b>21,370</b>	<b>343,550</b>



*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, which was transferred to accumulated losses upon disposal of subsidiaries during the three months ended 31 March 2016; and (ii) approximately HK\$212,948,000 was recorded after setting off of 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) Other reserve arose from the deemed disposal of partial interests in subsidiaries through issue and allotment of new shares by a then subsidiary to an independent third party.
- (c) 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.

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

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





## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY RESULTS

### 1. GENERAL INFORMATION

Rui Kang Pharmaceutical Group Investments Limited (“**Company**”, together with its subsidiaries, the “**Group**”) was incorporated and registered as an exempted company in the Cayman Islands under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 5 June 2003. On 29 August 2013, the Company deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and the principal place of business of the Company in Hong Kong is located at Room 1213, Tower A, New Mandarin Plaza, 14 Science Museum Road, Kowloon, Hong Kong.

The issued shares of the Company (“**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 activity of the Company is investment holding. The principal activities of its subsidiaries are (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong.

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

The unaudited condensed consolidated first quarterly results for the three months ended 31 March 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and disclosure requirements under the Hong Kong Companies Ordinance, and also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM (“**GEM Listing Rules**”).

The unaudited condensed consolidated first quarterly results for the three months ended 31 March 2016 have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value.

The principal accounting policies used in the preparation of the unaudited condensed consolidated first quarterly results for the three months ended 31 March 2016 are consistent with those applied in the Company’s annual report for the year ended 31 December 2015, except for the adoption of new and revised HKFRSs that affect the Group and has adopted the first time for the current period’s unaudited condensed consolidated first quarterly results for the three months ended 31 March 2016.





#### NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

In 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 beginning on or after 1 January 2016:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exemption
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

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

### 3. TURNOVER

The principal activities of the Group are (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong.

Gross proceeds represents the amounts received and receivable from sales of goods and provision of medical laboratory services and health check services less sales tax and discounts, if any, and sale proceeds arising from financial assets at fair value through profit and loss ("FVTPL"), during the three months ended 31 March 2016.



	Three months ended 31 March	
	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Continuing operations</b>		
Manufacture and sale of health related and pharmaceutical products	3,804	11,978
Provision of medical laboratory testing services and health check services	12,575	—
Money lending business	192	—
	<b>16,571</b>	11,978
Gross proceeds from trading of securities <i>(Note)</i>	<b>13,591</b>	3,544
<b>Gross proceeds</b>	<b>30,162</b>	15,522
<b>Discontinued operation</b>		
Manufacture and sale of consumer cosmetics	16,525	12,396
Manufacture and sale of health related and pharmaceutical products	6,307	8,354
Manufacture and sale of health supplement wine, dental materials and equipment	431	725
	<b>23,263</b>	21,475

*Note:*

The gross proceeds from the trading of securities were recorded in other income and gain/(loss) after setting off the relevant cost.



4. OTHER INCOME AND GAIN/(LOSS)

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
<b>Continuing operations</b>		
Net gain on financial assets at FVTPL	543	11,993
Interest income	30	16
Sundry income	789	–
Exchange losses, net	(84)	(58)
	<b>1,278</b>	<b>11,951</b>
<b>Discontinued operation</b>		
Interest income	–	44
Sundry income	359	140
Exchange losses, net	(37)	(39)
	<b>322</b>	<b>145</b>

Net gain on financial assets at FVTPL consists of net unrealised gain on fair value changes of approximately HK\$1,871,000 (three months ended 31 March 2015: net unrealised gain on fair value changes of approximately HK\$11,057,000) and net realised loss of approximately HK\$1,328,000 (three months ended 31 March 2015: net realised gain of approximately HK\$936,000) for the three months ended 31 March 2016.

5. FINANCE COSTS

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
<b>Continuing operations</b>		
Interest expenses:		
– Other borrowings	761	36
<b>Discontinued operation</b>		
Interest expenses:		
– Bank borrowings	312	370
– Other borrowings	261	329
	<b>573</b>	<b>699</b>



## 6. INCOME TAX EXPENSES

	Three months ended 31 March	
	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Continuing operations</b>		
The amount comprises:		
Current tax:		
– Hong Kong Profits Tax	83	–
	<b>83</b>	<b>–</b>
Deferred tax:		
– Current period	(51)	–
	<b>32</b>	<b>–</b>
<b>Discontinued operation</b>		
The amount comprises:		
Current tax:		
– The PRC Enterprise Income Tax	51	1
	<b>51</b>	<b>1</b>

Hong Kong Profits Tax is calculated at the tax rate of 16.5% of the estimated assessable profits arising in Hong Kong during the three months ended 31 March 2016. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit in Hong Kong during the three months ended 31 March 2015.

The subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at 25% for the three months ended 31 March 2016 and 2015, 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% for the three months ended 31 March 2016 and 2015.

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

## 7. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2016 (three months ended 31 March 2015: HK\$Nil).



**8. (LOSS)/EARNINGS PER SHARE**

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the three months ended 31 March 2016 and 2015.

**Continuing and discontinued operations**

	<b>Three months ended 31 March</b>	
	<b>2016</b>	2015 (Restated)
Profit for the period attributable to owners of the Company (HK\$'000)	<b>24,570</b>	7,281
Weighted average number of ordinary shares in issue ('000)	<b>656,987</b>	152,384
Basic earnings per share (HK\$)	<b>0.037</b>	0.048

**Continuing operations**

	<b>Three months ended 31 March</b>	
	<b>2016</b>	2015 (Restated)
Profit for the period attributable to owners of the Company (HK\$'000)	<b>24,570</b>	7,281
Less: profit for the period attributable to owners of the Company from discontinued operation (HK\$'000)	<b>35,526</b>	195
(Loss)/profit for the period attributable to owners of the Company from continuing operations (HK\$'000)	<b>(10,956)</b>	7,086
Weighted average number of ordinary shares in issue ('000)	<b>656,987</b>	152,384
Basic (loss)/earnings per share (HK\$)	<b>(0.017)</b>	0.047

**Discontinued operation**

	<b>Three months ended 31 March</b>	
	<b>2016</b>	2015 (Restated)
Profit for the period attributable to owners of the Company from discontinued operation (HK\$'000)	<b>35,526</b>	195
Weighted average number of ordinary shares in issue ('000)	<b>656,987</b>	152,384
Basic earnings per share (HK\$)	<b>0.054</b>	0.001


**Weighted average number of ordinary shares ('000)**

	<b>Three months ended 31 March</b>	
	<b>2016</b>	<b>2015</b> (Restated)
Issued ordinary shares at 1 January ( <i>Notes a and b</i> )	<b>656,987</b>	100,562
Effect of shares issued under subscription on 23 January 2015 ( <i>Note c</i> )	–	19,479
Effect of rights issue on 18 September 2015 ( <i>Note d</i> )	–	32,343
Weighted average number of ordinary shares at 31 March	<b>656,987</b>	152,384

**Notes:**

- (a) The weighted average number of shares for the purpose of calculating the basic (loss)/earnings per share has been retrospectively adjusted for the three months ended 31 March 2016 and 2015 to reflect the impact of the 2016 Share Consolidation (as defined in the section headed "BUSINESS REVIEW" below) which became effective on 23 February 2016.
- (b) The weighted average number of shares for the purpose of calculating the basic earnings per share has been retrospectively adjusted for the three months ended 31 March 2015 to reflect the impact of the share consolidation which became effective on 1 April 2015.
- (c) On 14 November 2014, the Company and China Wah Yan Healthcare Limited (then known as China Renji Medical Group Limited) ("**Wah Yan Health**"), the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 648), entered into a 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 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.
- (d) 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 ("**2015 Rights Shares**") for every one then share of the Company in issue held on the record date at the subscription price of HK\$0.18 per 2015 Rights Share by way of rights issue of not less than 1,010,749,200 2015 Rights Shares and not more than 1,050,378,296 2015 Rights Shares ("**2015 Rights Issue**"). The completion of the 2015 Rights Issue took place on 18 September 2015. 1,010,749,200 2015 Rights Shares were allotted and issued pursuant to the 2015 Rights Issue and the net proceeds after deduction of expenses from the 2015 Rights Issue were approximately HK\$175.0 million. Details of the 2015 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.

No diluted (loss)/earnings per share has been presented for the three months ended 31 March 2016 and 2015 as there was no dilutive potential ordinary share outstanding during the periods.



## 9. DISCONTINUED OPERATION

On 17 December 2015, the Company entered into a sale and purchase agreement with Mr. Yang Shunfeng, a director of certain subsidiaries of Wallfaith Company Limited (“**Wallfaith**”), to dispose of 100% of the equity interests in Wallfaith and its subsidiaries, Smiston Technology Limited, Suzhou Longlifu Health Food Co., Ltd., 蘇州朗力福商貿有限公司 (in English, for identification purpose only, Suzhou Longlifu Trading Co., Ltd.), Suzhou Beautiful Biochemistry Co., Ltd., 蘇州朗力福醫療器械有限公司 (in English, for identification purpose only, Suzhou Longlife Medical Devices Co., Ltd.) and 蘇州安德森醫療器械有限公司 (in English, for identification purpose only, Suzhou Anderson Medical Devices Co., Ltd.) (collectively, the “**Wallfaith Group**”). The total cash consideration for the sale of the entire issued share capital of Wallfaith amounted to HK\$15,000,000. The completion of the disposal of the Wallfaith Group took place on 16 March 2016. Details of the disposal of the Wallfaith Group are disclosed in the announcement of the Company dated 17 December 2015 and the circular of the Company dated 15 January 2016. The manufacture and sale of consumer cosmetics and health supplement wine, and trading of dental materials and equipment in the PRC were regarded as discontinued operation of the Group.

The profit for the periods from discontinued operation was analysed as follows:

	<b>Three months ended 31 March</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Profit for the periods from discontinued operation	<b>1,296</b>	195
Gain on disposal of the Wallfaith Group for the period	<b>34,230</b>	–
	<b>35,526</b>	195





The results of the Wallfaith Group for the periods, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	<b>Three months ended 31 March</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	(Audited)	(Unaudited)
	(Note)	
Turnover	<b>23,263</b>	21,475
Cost of sales	<b>(15,396)</b>	(12,586)
Gross profit	<b>7,867</b>	8,889
Other income and gain/(loss)	<b>322</b>	145
Selling and distribution expenses	<b>(4,746)</b>	(6,202)
Administrative expenses	<b>(1,523)</b>	(1,937)
Profit from operation	<b>1,920</b>	895
Finance costs	<b>(573)</b>	(699)
Profit before tax	<b>1,347</b>	196
Income tax expenses	<b>(51)</b>	(1)
Profit for the period	<b>1,296</b>	195

*Note:*

The summarised statement of profit or loss and other comprehensive income of the Wallfaith Group for the three months ended 31 March 2016 only includes the results from 1 January 2016 to the date of completion of disposal (i.e. 16 March 2016) and was audited by Cheng & Cheng Limited.



## Rui Kang Pharmaceutical Group Investments Limited

An analysis of the net assets of the Wallfaith Group at the date on which the Group lost control (i.e. 16 March 2016), which was audited by Cheng & Cheng Limited, were as follows:

	<b>As at 16 March 2016</b> <i>HK\$'000</i> (Audited)
Property, plant and equipment	13,137
Prepaid lease payments	4,214
Inventories	53,407
Trade receivables	19,529
Deposits, prepayments and other receivables	5,849
Tax recoverable	36
Cash and cash equivalents	4,512
<b>Total assets</b>	<b>100,684</b>
Trade payables	17,336
Other payables and accruals	59,775
Bank borrowings	18,001
<b>Total liabilities</b>	<b>95,112</b>
<b>Net assets disposed of</b>	<b>5,572</b>
	<b>Three months ended 31 March 2016</b> <i>HK\$'000</i>
<b>Gain on disposal of the Wallfaith Group:</b>	
Consideration	15,000
Release of exchange difference upon disposal	24,802
Less: Net assets disposed of	(5,572)
	<b>34,230</b>
<b>Net cash inflow arising on disposal:</b>	
Consideration received in cash and cash equivalents	15,000
Cash and cash equivalents disposed of	(4,512)
	<b>10,488</b>



## 10. ASSETS HELD FOR SALE

### (a) Allied View

On 28 January 2016, Dynasty Well Limited (“**Dynasty**”) entered into a sale and purchase agreement with an independent third party, Mr. Jiang Lin (“**Mr. Jiang**”), to dispose of the entire issued share capital in Allied View International Limited (“**Allied View**”) and the entire sum owed by Allied View to the Company (the “**Sale Loan**”) at a cash consideration of HK\$13,600,000. The completion of the disposal took place on the same day, and Allied View ceased to be a wholly-owned subsidiary of the Company since then. Allied View held 6.136% of the total issued share capital of Trillion Epoch Limited (“**Trillion Epoch**”), which, in turn, held the entire issued share capital of Bravo Star Holdings Limited (“**Bravo Star**”). 重慶市北部新區利亨小額貸款有限公司 (in English, for identification purpose only, Chongqing City North New District Li Hang Microfinance Co., Ltd.) (“**Chongqing Microfinance**”), a direct wholly-owned subsidiary of Bravo Star, is principally engaged in the money lending business in the PRC. Details of the disposal of Allied View are disclosed in the announcements of the Company dated 28 January 2016 and 26 February 2016.

An analysis of the net liabilities classified as held for sale of Allied View at the date on which the Group lost control (i.e. 28 January 2016) were as follows:

	As at 28 January 2016 HK\$'000
Investment in a joint venture	13,318
<b>Assets classified as held for sale</b>	<b>13,318</b>
Other payable	(29,031)
<b>Liabilities associated with assets classified as held for sale</b>	<b>(29,031)</b>
<b>Net liabilities classified as held for sale</b>	<b>(15,713)</b>



## Rui Kang Pharmaceutical Group Investments Limited

Three months  
ended

31 March 2016

HK\$'000

### Loss on disposal of assets held for sale:

Consideration	13,600
Release of exchange difference upon disposal	(1,077)
Less: Net liabilities disposed of	15,713
Less: Sale Loan assigned	(29,031)

(795)

### Net cash inflow arising on disposal:

Consideration received in cash and cash equivalents	1,360
Consideration receivable in other receivables	12,240

13,600

### (b) The Magical Bloom Group

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 廣州獅馬龍藥業有限公司 (In English, for identification purpose only, Guangzhou Shimalong Pharmaceutical Co., Ltd.) (“**Shimalong**”) (collectively, the “**Magical Bloom 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 Magical Bloom Group ceased to be subsidiaries of the Company and became associates of the Company since then.

The revenue generated by the Magical Bloom Group is mainly derived from the sale of medicated oil products which were launched in the mid of 2014. Taking into account the keen competition in the sale of medicated oil products and the Group’s intention to allocate more resources to the manufacturing of the pharmaceutical products in the PRC and other investments when opportunities arise, the Group disposed of 70% of the equity interests in the Magical Bloom Group. Details of the disposal of the Magical Bloom Group are disclosed in the announcement of the Company dated 31 December 2014.



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

	<b>As at</b> <b>30 January 2015</b> <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>Assets classified as held for sale</b>	<b>41,044</b>
Trade payables	13,045
Other payables and accruals	8,610
<b>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>
	<b>Three months ended</b> <b>31 March 2015</b> <i>HK\$'000</i>
<b>Loss on disposal of assets held for sale:</b>	
Consideration	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)
<b>Net cash inflow arising on disposal:</b>	
Consideration received in cash and cash equivalents	12,600
Cash and cash equivalents disposed of	(3,645)
	8,955



**11. EVENT AFTER THE END OF THE REPORTING PERIOD**

On 22 April 2016, DVF Holdco Limited ("**DVF**"), an indirect non-wholly owned subsidiary of the Company and Mr. Wong So Nam ("**Mr. Wong**"), an independent third party, entered into a sale and purchase agreement, pursuant to which DVF has conditionally agreed to acquire, and Mr. Wong has conditionally agreed to sell (i) the entire issued share capital of T.F. Industries Limited ("**T.F. Industries**") and (ii) the entire sum then owing by T.F. Industries to Mr. Wong, at a cash consideration of HK\$14,888,000 (subject to adjustment). The principal business of T.F. Industries is property holding and the principal asset is an industrial unit which will be occupied by the Group for operating the laboratory testing business. Details of the acquisition are disclosed in the announcement of the Company dated 22 April 2016. As at the date of this report, completion of the acquisition has not yet taken place.

**12. COMPARATIVE FIGURES**

**Discontinued operation**

For the purpose of presenting discontinued operation, the comparative relevant period results and the related notes have been re-presented as if the operation discontinued during the period had been discontinued at the beginning of the comparative period.

**Change in classification**

During the three months ended 31 March 2016, the Group modified the unaudited condensed consolidated statement of profit or loss and other comprehensive income classification of certain staff costs within cost of sales, selling and distribution expenses and administrative expenses reflect more appropriately the nature of expenses by function. Comparative amounts in the unaudited condensed consolidated statement of profit or loss and other comprehensive income were reclassified for consistency.



## BUSINESS REVIEW

### Share consolidation

On 8 January 2016, the Board proposed, subject to the passing of the necessary shareholders' resolution, that every two issued and unissued existing shares of HK\$0.05 each in the share capital of the Company would be consolidated into one share of HK\$0.10 in the share capital of the Company ("**2016 Share Consolidation**"). As a result of the 2016 Share Consolidation, the authorised share capital of the Company became HK\$200,000,000 divided into 2,000,000,000 consolidated shares of HK\$0.10 each, of which 656,986,750 consolidated shares were in issue immediately following the 2016 Share Consolidation becoming effective. The resolution approving the 2016 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 22 February 2016. The 2016 Share Consolidation became effective on 23 February 2016. Details of the 2016 Share Consolidation are disclosed in the announcements of the Company dated 8 January 2016 and 22 February 2016, and the circular of the Company dated 2 February 2016.

### Disposal of subsidiaries

#### (a) *The Wallfaith Group*

Having taken into consideration that the performance of the Wallfaith Group for the past financial years was not satisfactory, the Directors consider that the disposal of the Wallfaith Group will enable the Company to free up the resources devoted to this business and redirect the resources to the Group's existing business which may have higher growth potential to maximise the benefit of the shareholders of the Company. On 17 December 2015, the Company entered into a sale and purchase agreement with Mr. Yang Shunfeng, a director of certain subsidiaries of Wallfaith, to dispose of 100% of the equity interests in the Wallfaith Group at a cash consideration of HK\$15,000,000. The resolution approving the proposed disposal 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 3 February 2016. The completion of the disposal took place on 16 March 2016 and each member of the Wallfaith Group ceased to be a wholly-owned subsidiary of the Company since then. Details of the disposal of the Wallfaith Group are disclosed in the announcement of the Company dated 17 December 2015 and the circular of the Company dated 15 January 2016.





**(b) Allied View**

On 28 January 2016, Dynasty entered into a sale and purchase agreement with an independent third party, Mr. Jiang, to dispose of the entire issued share capital in Allied View and the Sale Loan at a cash consideration of HK\$13,600,000. The completion of the disposal took place on the same day, and Allied View ceased to be a wholly-owned subsidiary of the Company since then and the Group has ceased to hold any equity interest in each of Allied View, Trillion Epoch, Bravo Star and Chongqing Microfinance. The consideration should be settled by Mr. Jiang on or before 28 February 2016. Details of the disposal of Allied View are disclosed in the announcement of the Company dated 28 January 2016. On 26 February 2016, Mr. Jiang requested to extend the payment date of the consideration to 31 May 2016 and agreed with the Company to pay 10% of the consideration in cash within 10 days from the date of the signing of the supplemental agreement dated 26 February 2016. Details of the supplemental agreement are disclosed in the announcement of the Company dated 26 February 2016. As at the date of this report, the Group had received 10% of the consideration.

**Acquisition of associates**

On 28 January 2016, Exquisite Beauty Holding Limited ("**Exquisite**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, Mr. Yip Hai Tak, to acquire approximately 27.80% of the total issued share capital in Ultimate Synergy Limited and its subsidiaries (collectively, the "**Ultimate Synergy Group**"), at a cash consideration of HK\$27,951,000. The completion of the acquisition took place on the same day, and each member of the Ultimate Synergy Group is owned as to approximately 27.80% by Exquisite and has become an associate of the Company since then. Details of the acquisition of the Ultimate Synergy Group are disclosed in the announcement of the Company dated 28 January 2016.

**Memorandum of understanding**

On 15 January 2016, the Company and Hang Fat Ginseng Holdings Company Limited ("**Hang Fat**") entered into the non-legally binding memorandum of understanding ("**MOU**") whereby the Company and Hang Fat agreed to negotiate, in good faith, the terms and conditions regarding the sale and purchase of cultivated ginseng and wild ginseng as well as healthcare products by the Hang Fat and its subsidiaries to the Group. Details of the MOU are disclosed in the announcement of the Company dated 15 January 2016. Pursuant to the terms of the MOU, it was expired on 14 April 2016. No definitive agreement has been entered into between the Company and Hang Fat for the sale and purchase of cultivated ginseng and wild ginseng as well as healthcare products up to the date of this report.



### **Voluntary securities exchange offers**

On 5 February 2016, Wah Yan Health proposed to the Board that Wah Yan Health would, subject to fulfillment of certain conditions, make the voluntary conditional securities exchange offers (i) to acquire all of the issued shares of the Company (other than those already owned by Wah Yan Health and parties acting in concert with it); and (ii) to cancel all of the outstanding share options granted by the Company pursuant to the share option scheme adopted by the Company, whether vested or not ("**Voluntary Securities Exchange Offers**"). Details of the Voluntary Securities Exchange Offers are disclosed in the announcements dated 17 February 2016, 6 April 2016, 19 April 2016, 10 May 2016 and 11 May 2016, and the composite offer and response document in respect of the Voluntary Securities Exchange Offers dated 20 April 2016 jointly published by Wah Yan Health and the Company.

As at the date of this report, to the best knowledge of the Board, all of the conditions of the Voluntary Securities Exchange Offers have been fulfilled and the Voluntary Securities Exchange Offers have become unconditional in all respects. The Company will monitor the public float of the Company as a result of the closing of the Voluntary Securities Exchange Offers.

## **FINANCIAL REVIEW**

During the three months ended 31 March 2016 ("**2016 Q1 Period**"), the principal activities of the Group are (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong. The manufacture and sale of consumer cosmetics and health supplement wine, and trading of dental materials and equipment in the PRC were regarded as discontinued operation.

### **Discontinued operation**

On 17 December 2015, the Company entered into a sale and purchase agreement to dispose of 100% of the equity interests in the Wallfaith Group. The manufacture and sale of consumer cosmetics and health supplement wine, and trading of dental materials and equipment in the PRC were regarded as discontinued operation. The discontinued operation included the manufacturing plant and sale corporation in Suzhou and Shanghai. Upon completion of the disposal of the Wallfaith Group on 16 March 2016, the Group ceased to hold any equity interests in the Wallfaith Group.



The Group generated a profit from discontinued operation of approximately HK\$35,526,000, as compared with that of approximately HK\$195,000 for the three months ended 31 March 2015 (“**2015 Q1 Period**”), representing an increase of approximately 182.18 times. The significant increase in profit from discontinued operation was mainly attributable to the gain on disposal of discontinued operation of approximately HK\$34,230,000 upon completion of the disposal of the Wallfaith Group (including an one-off non-cash reclassification of exchange reserve from equity to profit or loss amounting to approximately HK\$24,802,000).

During the 2016 Q1 Period, the Group achieved a turnover of approximately HK\$23,263,000 (2015 Q1 Period: HK\$21,475,000) from discontinued operation, representing an increase of approximately 8.33% as compared with the turnover for the 2015 Q1 Period, which is mainly attributable to the manufacture and sale of consumer cosmetics segment. The increase in turnover was mainly due to (i) the increase in seasonal sales as a result of Chinese Lunar New Year during the 2016 Q1 Period; and (ii) the continuing steady improvement in export of consumer cosmetics business by one of the then subsidiaries of the Company in Suzhou during the 2016 Q1 Period.

The gross profit from the discontinued operation in the 2016 Q1 Period of approximately HK\$7,867,000 dropped slightly when compared with that of approximately HK\$8,889,000 in the 2015 Q1 Period. The gross profit margin for the 2016 Q1 Period was approximately 33.82%, representing a decrease by approximately 7.57 percentage point when compared with the gross profit margin of approximately 41.39% for the 2015 Q1 Period. The decrease in the gross profit margin was mainly due to the increasing pressure on the cost of sales, including labour costs and raw materials costs, and the decrease in the selling price for certain products due to fierce competition in the PRC.

Selling and distribution expenses for the 2016 Q1 Period from discontinued operation were approximately HK\$4,746,000 (2015 Q1 Period: HK\$6,202,000), representing a decrease of approximately HK\$1,456,000 or 23.48% compared with those expenses for the 2015 Q1 Period. Such decrease was mainly attributable to the reduced advertising and promotion expenses incurred by the Wallfaith Group as fewer new products were launched to the PRC market during the 2016 Q1 Period leading to downsizing of its promotion and sales team and reduced number of marketing campaigns.



## Continuing operations

### Turnover

During the 2016 Q1 Period, the Group achieved a turnover of approximately HK\$16,571,000 (2015 Q1 Period: HK\$11,978,000) from continuing operations, representing a significant increase of approximately 38.35% as compared with the turnover for the 2015 Q1 Period. The overall increase in the turnover was mainly due to the contribution of provision of medical laboratory testing services and health check services by DVF Holdco (Cayman) Limited and its subsidiaries, DVF, PHC Medical Diagnostic Centre Limited, Premier MediCare Services Limited, Victory Medical Laboratory Limited, Asia Molecular Pathology Laboratory Development Limited (formerly known as PHC Veterinary Laboratory Development Limited) (collectively, the “**DVF Group**”), acquired by the Group in December 2015, as its full period turnover has been recognised in the 2016 Q1 Period. However, such increase was partially offset by the deconsolidation of the results of Shimalong, which is principally engaged in the sale of medicated oil products in the PRC, on 30 January 2015 (“**Deconsolidation**”), as a result of the disposal of 70% of the issued share capital of Magical Bloom Limited as described in the section headed “10. ASSETS HELD FOR SALE” above, and the Deconsolidation led to a decrease in turnover under the manufacture and sale of health related and pharmaceutical products segment. During 1 January 2015 to 30 January 2015, Shimalong generated a total of approximately HK\$6,613,000 turnover.

### ***Manufacture and sale of health related and pharmaceutical products***

Manufacture and sale of health related and pharmaceutical products segment recorded a significant reduction in total turnover during the 2016 Q1 Period. The total turnover of this segment significantly decreased from approximately HK\$11,978,000 for the 2015 Q1 Period to approximately HK\$3,804,000 for the 2016 Q1 Period from continuing operations mainly due to the Deconsolidation, which led to a decrease in sale of medicated oil products including CMALO Wood Lock Oil, CMALO Red Flower Oil and Strong Haling Oil by Shimalong, a then subsidiary of the Company. No turnover of Shimalong was recognised in the 2016 Q1 Period while one month of turnover of Shimalong of approximately HK\$6,613,000 was recognised in the 2015 Q1 Period.

### ***Provision of medical laboratory testing services and health check services***

The Group has established a foothold in the provision of medical laboratory testing and health check services industry since the fourth quarter of 2015. The provision of medical laboratory testing services and health check services segment recorded a total turnover of approximately HK\$12,575,000 during the 2016 Q1 Period (2015 Q1 Period: HK\$Nil), which was mainly attributable to the contribution made by the DVF Group, which was acquired by the Group in December 2015, as its full period turnover has been recognised in the 2016 Q1 Period.



### ***Money lending business***

Ferran Finance Limited, an indirect wholly-owned subsidiary of the Company, is a holder of money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). With the increasing 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 money lending business commenced in the fourth quarter of 2015. The money lending business recorded an interest income of approximately HK\$192,000 for the 2016 Q1 Period and approximately HK\$16.4 million has been utilised for the money lending business as at 31 March 2016, the loan receivables carry interest rates ranging from 8% to 10% per annum and are repayable within one year.

### ***Trading of financial assets at FVTPL***

The Group's investment portfolio comprises investments in listed securities in Hong Kong and Australia. This business segment recorded a net gain on financial assets at FVTPL during the 2016 Q1 Period amounting to approximately HK\$543,000 (2015 Q1 Period: HK\$11,993,000), representing a significant decrease of HK\$11,450,000 as compared with 2015 Q1 Period. Such decrease was mainly due to the recent unstable global equity market and volatile financial market in Hong Kong.

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

The Group recorded an increase in the gross profit from continuing operations in the 2016 Q1 Period of approximately HK\$5,046,000 when compared with that of approximately HK\$4,632,000 in the 2015 Q1 Period. However, the gross profit margin for the 2016 Q1 Period was approximately 30.45%, representing a decrease by approximately 8.22 percentage point when compared with the gross profit margin of approximately 38.67% for the 2015 Q1 Period. The decrease in gross profit margin was attributable to (i) the continuing difficult business environment in relation to the increased pressure on the selling price for certain products and the cost of sales for the manufacture of health related and pharmaceutical products segment; and (ii) the higher fixed costs for lab tests for the newly set up molecular laboratory which commenced business in October 2015.

### ***Selling and distribution expenses***

Selling and distribution expenses for the 2016 Q1 Period from continuing operations were approximately HK\$4,768,000 (2015 Q1 Period: HK\$1,833,000), representing an increase of approximately HK\$2,935,000 or 1.60 times compared with such expenses for the 2015 Q1 Period. Such significant increase was mainly attributable to the new business segment of the provision of medical laboratory testing services and health check services introduced in the 2016 Q1 Period. This new business segment incurred selling and distribution expenses of approximately HK\$2,482,000 in the 2016 Q1 Period, which includes (i) staff costs of approximately HK\$1,508,000 and (ii) rental expenses in respect of medical laboratory and health check centres of approximately HK\$728,000, however, such expenses were absent during the 2015 Q1 Period.



### Administrative expenses

The administrative expenses for the 2016 Q1 Period from continuing operations were approximately HK\$11,580,000, representing an increase of approximately 50.98%, as compared with that of approximately HK\$7,670,000 for the 2015 Q1 Period. The provision of medical laboratory testing services and health check services segment incurred administrative expenses of approximately HK\$3,530,000 in the 2016 Q1 Period including (i) additional staff costs of approximately HK\$1,264,000; and (ii) rental expenses of approximately HK\$627,000, which were absent during the 2015 Q1 Period.

In addition, the slight increase of such administrative expenses was also mainly due to (i) higher research and development costs of approximately HK\$778,000 (2015 Q1 Period: HK\$436,000) incurred for developing new products and production methods in relation to the segment of the manufacture and sale of health related and pharmaceutical products; and (ii) higher legal and professional fees of approximately HK\$1,488,000 (2015 Q1 Period: HK\$1,214,000) incurred for merger and acquisition projects and other corporate finance activities.

### Loss from continuing operations for the 2016 Q1 Period

The Group recorded a net loss from continuing operations of approximately HK\$11,381,000 for the 2016 Q1 Period (2015 Q1 Period: net profit of approximately HK\$7,111,000). The turnaround from net profit for the 2015 Q1 Period to net loss of the Group for the 2016 Q1 Period was mainly due to (i) significant decrease in net gain on financial assets at FVTPL amounting to approximately HK\$543,000 during the 2016 Q1 Period compared with that of approximately HK\$11,993,000 during the 2015 Q1 Period; and (ii) the decrease in gross profit margin caused by (a) the continued difficult business environment in relation to the increased pressure on the selling price for certain products and the cost of sales for the manufacture of health related and pharmaceutical products segment; and (b) the higher fixed costs for lab tests for the newly set up molecular laboratory which commenced business in October 2015.



## **FUTURE PROSPECT**

Looking forward, the Group is facing challenges, including (i) the high pressure of increasing labour costs, rental expenses and raw material costs in health related and pharmaceutical products industry in the PRC and Hong Kong and the medical laboratory testing services and health check services in Hong Kong; (ii) the weak consumption sentiments in health related and pharmaceutical products in the PRC and Hong Kong; and (iii) the intensifying competition in the healthcare related products industry and medical laboratory testing services and health check services in Hong Kong with ongoing discounts and promotion programs, which have direct impacts on the profitability of the Group.

### **Restructuring of the business of the Group**

Given that there are adverse effects of global economic growth downturn and keen competition in the market, the Group will continue to strengthen the health related and pharmaceutical products business through (i) upgrading and redesigning the websites of the operating subsidiaries of the Group in order to enhance the online sales of health related products; (ii) introducing new health related products and changing package design of the existing healthcare products in order to enlarge the products lists and attract customers from different market segments; and (iii) developing and expanding distribution networks of the existing products and manufacturing new health related and pharmaceutical products.

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

The Board expects that the stock market in Hong Kong will be unstable in 2016. The Board will remain cautious in the allocation of resources and the identification and seizure of appropriate securities investment opportunities with a view to generating gains for the securities trading business of the Group.

### **Participating in money lending business**

The Group has adopted money lending policy and procedure manual which provides guidelines on the handling and/or monitoring of money lending procedures according to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group will closely monitor the potential development and will pay close attention to the market conditions so as to capture business opportunities in this segment. The Company's main focus area will be personal loan and corporate loan for customers with good credit records in Hong Kong.

With an aim of bringing better returns for investors, the Directors will continue to look for and identify potential acquisition opportunities for further development of the Group's health related and pharmaceutical products business segment and initiate negotiations with potential overseas and local suppliers for exclusive distribution agreements of the health related products to enlarge the products lists of the Group.





## OTHER INFORMATION

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

As at 31 March 2016, 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 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	1.2674	339,540	0.052%
Mr. Leung Pak Hou Anson	Beneficial owner	28 August 2014	1 January 2015 to 31 December 2016	1.2674	339,540	0.052%
Ms. Chen Miaoping	Beneficial owner	28 August 2014	1 January 2015 to 31 December 2016	1.2674	339,540	0.052%

*Note:*

As at 31 March 2016, the total number of the issued share of the Company was 656,986,750 ordinary shares of HK\$0.10 each of the Company.

Save as disclosed above, none of the Directors nor the chief executive of the Company had, as at 31 March 2016, 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 31 March 2016, 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 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)
China Wah Yan Healthcare Limited	Beneficial owner	128,906,250	19.62%

*Note:*

As at 31 March 2016, the total number of the issued share of the Company was 656,986,750 ordinary shares of HK\$0.10 each of the Company.

Save as disclosed above, as at 31 March 2016, 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 2016 Q1 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

The Company approved and adopted a 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.

			Exercise price per share as at 31 March 2016 HK\$	Number of outstanding share options as at 31 December 2015 and 31 March 2016
	Date of grant	Exercisable period		
Directors	28 August 2014	1 January 2015 to 31 December 2016	1.2674	1,018,620
Employees and service providers	28 August 2014	1 January 2015 to 31 December 2016	1.2674	5,269,675
Exercisable options				6,288,295
Weighted average exercise price (HK\$)				1.2674

### Notes:

- (a) During the 2016 Q1 Period, no share option was granted, exercised, lapsed and cancelled.
- (b) The number of outstanding share options and exercise price per share have been retrospectively adjusted from 12,576,591 to 6,288,295 and from HK\$0.6337 to HK\$1.2674 for the 2016 Share Consolidation respectively with effect from 23 February 2016.
- (c) As at the date of this report, options carrying the right to subscribe for 6,288,295 shares of the Company (representing approximately 0.957% of the total issued share capital of the Company, as at the date of this report (i.e. 656,986,750 Shares)) have been granted under the share option scheme limit and remained outstanding, and options carrying the right to subscribe for 12,634,365 shares of the Company (representing approximately 1.923% of the total issued share capital of the Company as at the date of this report) may be granted under the share option scheme limit. As the Voluntary Securities Exchange Offers have become unconditional in all respects as at the date of this report, any options which remain outstanding upon the close of the Voluntary Securities Exchange Offers will lapse.



## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the acquisition of associates and disposal of subsidiaries 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 2016 Q1 Period.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2016, the Group had approximately 215 employees (2015: 107 employees) which were located in the PRC and Hong Kong from continuing operations. As at 31 March 2015, the Group had approximately 372 employees from discontinued operation which were all located in the PRC. Total staff costs for the 2016 Q1 Period was approximately HK\$13,137,000 (2015 Q1 Period: HK\$5,245,000) for both continuing and discontinued operations. The total staff costs from continuing operations recorded approximately HK\$10,060,000 for the 2016 Q1 Period (2015 Q1 Period: HK\$3,360,000).

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.

Provident fund benefits are offered to certain full-time employees through a registered scheme under the Occupational Retirement Schemes Ordinance ("**ORSO**") with the Mandatory Provident Fund exemption. The ORSO scheme is administered by trustees, which are independent, with assets held separately from those of the Group. Under the ORSO scheme, the Group contributes 5% of monthly salaries of employees.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong (other than those who are covered under ORSO scheme). 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.

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 2016 Q1 Period were approximately HK\$990,000 (2015 Q1 Period: HK\$644,000) for both continuing and discontinued operations. The total contributions payable from continuing operations shared approximately HK\$529,000 (2015 Q1 Period: HK\$231,000) for the 2016 Q1 Period.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive right 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 2016 Q1 Period.

## **COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standard of dealings and its code of conduct concerning securities transactions by the Directors during the 2016 Q1 Period.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

Throughout the 2016 Q1 Period, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

## **COMPETING 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 any interest in a 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 2016 Q1 Period.



## AUDIT COMMITTEE

The Board established an audit committee ("**Audit Committee**") with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules for the purpose of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises of all three independent non-executive Directors, namely, Mr. Ho Fung Shan Bob, Mr. Leung Ka Fai and Mr. Yuen Chun Fai as at the date of this report.

The unaudited condensed consolidated first quarterly results of the Group for the 2016 Q1 Period have not been audited by the Company's auditor, but have been reviewed by the Audit Committee in accordance with the accounting principles and practices adopted by the Company and the Audit Committee has discussed internal controls and financial reporting matters before any disclosure and release of information.

## SUFFICIENCY OF PUBLIC FLOAT

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

## GENERAL

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all of the shareholders 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 May 2016

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